UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended April 30, 2020

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number 1-33913

QUANEX BUILDING PRODUCTS CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**26-1561397**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

1800 West Loop South, Suite 1500, Houston, Texas 77027

(Address of principal executive offices and zip code)

Registrant's telephone number, including area code: (713) 961-4600

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.01 per share	NX	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes x No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	x	Accelerated filer	☐
Non-accelerated filer	o (Do not check if a smaller reporting company)	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Securities Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No x

The number of shares outstanding of the registrant's Common Stock as of June 2, 2020 was 32,801,738.

QUANEX BUILDING PRODUCTS CORPORATION

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

QUANEX BUILDING PRODUCTS CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	April 30, 2020	October 31, 2019
	(In thousands, except share amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 80,252	$ 30,868
Accounts receivable, net of allowance for doubtful accounts of $415 and $393	66,892	82,946
Inventories, net	75,072	67,159
Prepaid and other current assets	9,602	9,353
Total current assets	231,818	190,326
Property, plant and equipment, net of accumulated depreciation of $326,572 and $317,568	187,482	193,600
Operating lease right-of-use assets	41,763	—
Goodwill	143,870	145,563
Intangible assets, net	98,905	107,297
Other assets	9,047	8,324
Total assets	$ 712,885	$ 645,110
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 42,227	$ 63,604
Accrued liabilities	27,396	39,221
Income taxes payable	2,066	6,183
Current maturities of long-term debt	666	746
Current operating lease liabilities	6,687	—
Total current liabilities	79,042	109,754
Long-term debt	229,697	156,414
Noncurrent operating lease liabilities	35,551	—
Deferred pension and postretirement benefits	11,364	13,322
Deferred income taxes	20,926	19,363
Other liabilities	12,348	16,070
Total liabilities	388,928	314,923
Commitments and contingencies		
Stockholders’ equity:		
Preferred stock, no par value, shares authorized 1,000,000; issued and outstanding - none	—	—
Common stock, $0.01 par value, shares authorized 125,000,000; issued 37,304,366 and 37,370,402, respectively; outstanding 32,801,738 and 33,021,789, respectively	373	374
Additional paid-in-capital	252,717	254,673
Retained earnings	185,779	185,703
Accumulated other comprehensive loss	(36,163)	(33,817)
Less: Treasury stock at cost, 4,502,628 and 4,348,613 shares, respectively	(78,749)	(76,746)
Total stockholders’ equity	323,957	330,187
Total liabilities and stockholders' equity	$ 712,885	$ 645,110

The accompanying notes are an integral part of the financial statements.

QUANEX BUILDING PRODUCTS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS)
(Unaudited)

	Three Months Ended April 30,		Six Months Ended April 30,	
	2020	2019	2020	2019
	(In thousands, except per share amounts)			
Net sales	$ 187,475	$ 218,203	$ 384,072	$ 415,011
Cost and expenses:				
Cost of sales (excluding depreciation and amortization)	149,732	171,378	307,159	329,935
Selling, general and administrative	16,713	23,722	40,845	51,748
Restructuring charges	251	84	404	187
Depreciation and amortization	11,886	12,404	24,791	24,976
Asset impairment charges	—	29,978	—	29,978
Operating income (loss)	8,893	(19,363)	10,873	(21,813)
Non-operating (expense) income:				
Interest expense	(1,563)	(2,602)	(3,145)	(5,044)
Other, net	300	(54)	336	202
Income (loss) before income taxes	7,630	(22,019)	8,064	(26,655)
Income tax expense	(2,129)	(1,955)	(2,553)	(968)
Net income (loss)	$ 5,501	$ (23,974)	$ 5,511	$ (27,623)
Basic earnings (loss) per common share	$ 0.17	$ (0.73)	$ 0.17	$ (0.84)
Diluted earnings (loss) per common share:	$ 0.17	$ (0.73)	$ 0.17	$ (0.84)
Weighted-average common shares outstanding:				
Basic	32,676	32,951	32,770	33,026
Diluted	32,793	32,951	32,907	33,026
Cash dividends per share	$ 0.08	$ 0.08	$ 0.16	$ 0.16

The accompanying notes are an integral part of the financial statements.

QUANEX BUILDING PRODUCTS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
(Unaudited)

	Three Months Ended April 30,		Six Months Ended April 30,	
	2020	**2019**	**2020**	**2019**
	(In thousands)			
Net income (loss)	$ 5,501	$ (23,974)	$ 5,511	$ (27,623)
Other comprehensive income:				
Foreign currency translation (loss) gain	(6,999)	(1,484)	(4,256)	2,582
Change in pension from net unamortized gain (loss) adjustment (pretax)	—	—	2,519	(11)
Change in pension from net unamortized gain (loss) adjustment tax (expense) benefit	—	—	(609)	7
Other comprehensive (loss) gain	(6,999)	(1,484)	(2,346)	2,578
Comprehensive (loss) income	$ (1,498)	$ (25,458)	$ 3,165	$ (25,045)

The accompanying notes are an integral part of the financial statements.

QUANEX BUILDING PRODUCTS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended April 30, 2020	Six Months Ended April 30, 2019
	(In thousands)	
Operating activities:		
Net income (loss)	$ 5,511	$ (27,623)
Adjustments to reconcile net income (loss) to cash provided by operating activities:		
Depreciation and amortization	24,791	24,976
Stock-based compensation	86	1,043
Deferred income tax	1,194	(1,256)
Asset impairment charges	—	29,978
Other, net	463	1,078
Changes in assets and liabilities:		
Decrease in accounts receivable	14,682	3,479
Increase in inventory	(8,363)	(15,522)
Increase in other current assets	(559)	(681)
Decrease in accounts payable	(16,807)	(2,617)
Decrease in accrued liabilities	(13,673)	(14,716)
(Decrease) increase in income taxes payable	(4,052)	183
Increase in deferred pension and postretirement benefits	562	1,567
Decrease in other long-term liabilities	(787)	(131)
Other, net	(576)	385
Cash provided by operating activities	2,472	143
Investing activities:		
Capital expenditures	(16,313)	(13,022)
Proceeds from disposition of capital assets	33	298
Cash used for investing activities	(16,280)	(12,724)
Financing activities:		
Borrowings under credit facilities	114,500	57,500
Repayments of credit facility borrowings	(41,000)	(42,500)
Repayments of other long-term debt	(505)	(784)
Common stock dividends paid	(5,287)	(5,335)
Issuance of common stock	2,954	27
Payroll tax paid to settle shares forfeited upon vesting of stock	(454)	(322)
Purchase of treasury stock	(6,693)	(4,702)
Cash provided by financing activities	63,515	3,884
Effect of exchange rate changes on cash and cash equivalents	(323)	(44)
Increase (decrease) in cash and cash equivalents	49,384	(8,741)
Cash and cash equivalents at beginning of period	30,868	29,003
Cash and cash equivalents at end of period	$ 80,252	$ 20,262

The accompanying notes are an integral part of the financial statements.

QUANEX BUILDING PRODUCTS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)

Six Months Ended April 30, 2020	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total Stockholders' Equity
	(In thousands, no per share amounts shown except in verbiage)					
Balance at October 31, 2019	$ 374	$ 254,673	$ 185,703	$ (33,817)	$ (76,746)	$ 330,187
Net income	—	—	10	—	—	10
Foreign currency translation adjustment	—	—	—	2,743	—	2,743
Common dividends ($0.08 per share)	—	—	(2,659)	—	—	(2,659)
Purchase of treasury stock	—	—	—	—	(4,639)	(4,639)
Change in pension from net unamortized gain (net of tax expense of $609)	—	—	—	1,910	—	1,910
Stock-based compensation activity:						
Stock-based compensation benefit	—	(239)	—	—	—	(239)
Stock options exercised	—	92	(159)	—	3,142	3,075
Restricted stock awards granted	—	(1,082)	94	—	988	—
Performance share awards vested	—	(495)	—	—	495	—
Other	(1)	(454)	—	—	—	(455)
Balance at January 31, 2020	$ 373	$ 252,495	$ 182,989	$ (29,164)	$ (76,760)	$ 329,933
Net income	—	—	5,501	—	—	5,501
Foreign currency translation adjustment	—	—	—	(6,999)	—	(6,999)
Common dividends ($0.08 per share)	—	—	(2,628)	—	—	(2,628)
Purchase of treasury stock	—	—	—	—	(2,054)	(2,054)
Stock-based compensation activity:						
Expense related to stock-based compensation	—	325	—	—	—	325
Stock options exercised	—	(38)	(83)	—	—	(121)
Restricted stock awards granted	—	(65)	—	—	65	—
Balance at April 30, 2020	$ 373	$ 252,717	$ 185,779	$ (36,163)	$ (78,749)	$ 323,957

Six Months Ended April 30, 2019	**Common Stock**	**Additional Paid-in Capital**	**Retained Earnings**	**Accumulated Other Comprehensive Loss**	**Treasury Stock**	**Total Stockholders' Equity**
	(In thousands, no per share amounts shown except in verbiage)					
Balance at October 31, 2018	$ 374	$ 254,678	$ 243,904	$ (30,705)	$ (73,029)	$ 395,222
Net loss	—	—	(3,649)	—	—	(3,649)
Foreign currency translation adjustment	—	—	—	4,066	—	4,066
Common dividends ($0.08 per share)	—	—	(2,675)	—	—	(2,675)
Purchase of treasury stock	—	—	—	—	(2,016)	(2,016)
Stock-based compensation activity:						
Expense related to stock-based compensation	—	224	—	—	—	224
Stock options exercised	—	—	(35)	—	62	27
Restricted stock awards granted	—	(1,649)	(496)	—	2,145	—
Other	—	(322)	—	(4)	—	(326)
Balance at January 31, 2019	$ 374	$ 252,931	$ 237,049	$ (26,643)	$ (72,838)	$ 390,873
Net income	—	—	(23,974)	—	—	(23,974)
Foreign currency translation adjustment	—	—	—	(1,484)	—	(1,484)
Common dividends ($0.08 per share)	—	—	(2,660)	—	—	(2,660)
Purchase of treasury stock	—	—	—	—	(2,686)	(2,686)
Stock-based compensation activity:						
Expense related to stock-based compensation	—	819	—	—	—	819
Restricted stock awards granted	—	(71)	(9)	—	80	—
Balance at April 30, 2019	$ 374	$ 253,679	$ 210,406	$ (28,127)	$ (75,444)	$ 360,888

The accompanying notes are an integral part of the financial statements.

1. Nature of Operations and Basis of Presentation

Quanex Building Products Corporation is a component supplier to original equipment manufacturers (OEMs) in the building products industry. These components can be categorized as window and door (fenestration) components and kitchen and bath cabinet components. Examples of fenestration components include: (1) energy-efficient flexible insulating glass spacers, (2) extruded vinyl profiles, (3) window and door screens, and (4) precision-formed metal and wood products. We also manufacture cabinet doors and other components for OEMs in the kitchen and bathroom cabinet industry. In addition, we provide certain other non-fenestration components and products, which include solar panel sealants, trim moldings, vinyl decking, fencing, water retention barriers, and conservatory roof components. We have organized our business into three reportable business segments. For additional discussion of our reportable business segments, see Note 12, "Segment Information." We use low-cost, short lead-time production processes and engineering expertise to provide our customers with specialized products for their specific window, door, and cabinet applications. We believe these capabilities provide us with unique competitive advantages. We serve a primary customer base in North America and the United Kingdom (U.K.), and also serve customers in international markets through our operating plants in the U.K. and Germany, as well as through sales and marketing efforts in other countries.

Unless the context indicates otherwise, references to "Quanex", the "Company", "we", "us" and "our" refer to the consolidated business operations of Quanex Building Products Corporation and its subsidiaries.

The accompanying interim condensed consolidated financial statements include the accounts of Quanex Building Products Corporation. All intercompany accounts and transactions have been eliminated in consolidation. These financial statements have been prepared by us, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) have been condensed or omitted pursuant to such rules and regulations. The condensed consolidated balance sheet as of October 31, 2019 was derived from audited financial information, but does not include all disclosures required by U.S. GAAP. The accompanying financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto, included in our Annual Report on Form 10-K for the fiscal year ended October 31, 2019. In our opinion, the accompanying financial statements contain all adjustments (which consist of normal recurring adjustments, except as disclosed herein) necessary to fairly present our financial position, results of operations and cash flows for the interim periods. The results of operations for the periods presented are not necessarily indicative of the results to be expected for the full year or for any future periods.

In preparing financial statements, we make informed judgments and estimates that affect the reported amounts of assets and liabilities as of the date of the financial statements and affect the reported amounts of revenues and expenses during the reporting period. We review our estimates on an on-going basis, including those related to impairment of long lived assets and goodwill, contingencies and income taxes. Changes in facts and circumstances may result in revised estimates and actual results may differ from these estimates.

Revenue from Contracts with Customers

Revenue recognition

We recognize revenue that reflects only the consideration we expect to receive for product sales upon transfer to customers. Revenue for product sales is recognized when control of the promised products is actually transferred to our customers, and we expect to be entitled to consideration in exchange for such transfer. We account for a contract when a customer provides us with a firm purchase order that identifies the products to be provided, the payment terms for those services, and when collectability of the consideration due is probable.

Performance obligations

A performance obligation is a promise to provide the customer with a good or service. Our performance obligations include product sales, with each product included in a customer contract being recognized as a separate performance obligation. For contracts with multiple performance obligations, the standalone selling price of each product is generally readily observable.

Revenue from product sales is recognized at a point in time when the product is transferred to the customer, in accordance with the shipping terms, which is generally upon shipment. We estimate a provision for sales returns and warranty allowances to account for product returns related to general returns and product nonconformance.

Pricing and sales incentives

Pricing is established at or prior to the time of sale with our customers and we record sales at the agreed-upon net selling price, reflective of current and prospective discounts.

Practical expedients and exemptions

We generally expense incremental costs of obtaining a contract when incurred because the amortization period would be less than one year. Additionally, we do not disclose the value of unsatisfied performance obligations for contracts with an original expected length of one year or less.

Shipping and handling costs

We account for shipping and handling services as fulfillment services; accordingly, freight revenue is combined with the product deliverable rather than being accounted for as a distinct performance obligation within the terms of the agreement. Shipping and handling costs incurred by us for the delivery of goods to customers are considered a cost to fulfill the contract and are included in Cost of sales in the accompanying Condensed Consolidated Statements of Income.

Contract assets and liabilities

Deferred revenue, which is not significant, is recorded when we have remaining unsatisfied performance obligations for which we have received consideration.

Disaggregation of revenue

We produce a wide variety of products that are used in the fenestration industry, including window spacer systems; extruded vinyl products; metal fabricated products; and astragals, thresholds and screens. In addition, we produce certain non-fenestration products, including kitchen and bath cabinet doors and components, flooring and trim moldings, solar edge tape, plastic decking, fencing, water retention barriers, conservatory roof components, and other products.

The following table summarizes our product sales for the three and six months ended April 30, 2020 and 2019 into groupings by segment which we believe depicts how the nature, amount, timing and uncertainty of our revenues and cash flows are affected by economic factors. For further details regarding our results by segment, refer to Note 12, “Segment Information”.

	Three Months Ended April 30,		Six Months Ended April 30,	
	2020	2019	2020	2019
	(In thousands)			
North American Fenestration:				
United States - fenestration	$ 95,791	$ 99,144	$ 192,638	$ 193,029
International - fenestration	6,153	8,096	12,587	16,302
United States - non-fenestration	4,372	4,803	8,935	8,308
International - non-fenestration	2,277	3,303	4,885	6,756
	$ 108,593	$ 115,346	$ 219,045	$ 224,395
European Fenestration:				
International - fenestration	$ 24,865	$ 34,973	$ 55,829	$ 65,696
International - non-fenestration	4,335	6,650	10,137	11,181
	$ 29,200	$ 41,623	$ 65,966	$ 76,877
North American Cabinet Components:				
United States - fenestration	$ 2,647	$ 2,997	$ 5,795	$ 6,349
United States - non-fenestration	47,540	59,220	93,989	109,181
International - non-fenestration	477	619	924	1,158
	$ 50,664	$ 62,836	$ 100,708	$ 116,688
Unallocated Corporate & Other				
Eliminations	$ (982)	$ (1,602)	$ (1,647)	$ (2,949)
	$ (982)	$ (1,602)	$ (1,647)	$ (2,949)
Net sales	$ 187,475	$ 218,203	$ 384,072	$ 415,011

Restructuring

We accrue one-time severance costs pursuant to an approved plan of restructuring at the communication date, when affected employees have been notified of the potential severance and sufficient information has been provided for the employee to calculate severance benefits, in the event the employee is involuntarily terminated. In addition, we accrue costs associated with the termination of contractual commitments including operating leases at the time the lease is terminated pursuant to the lease provisions or in accordance with another agreement with the landlord. Otherwise, we continue to recognize operating lease expense through the cease-use date. After the cease-use date, we determine if our operating lease payments are at market. We assume sublet of the facility at the market rate. To the extent our lease obligations exceed the fair value rentals, we discount to arrive at the present value and record a liability. If the facility is not sublet, we expense the amount of the rental in the current period. For other costs directly related to the restructuring effort, such as equipment moving costs, we expense in the period incurred.

During the year ended October 31, 2019, our North American Cabinet Components segment experienced declines in current and forecasted demand as a result of an industry-wide shift from semi-custom cabinets to stock cabinets, and received notice about a change in strategy at one of our large customers that may result in lower sales volumes in the future. As a result, during the first quarter of fiscal 2020, we began to restructure our operations within that segment by announcing the closure of one of our plants. We incurred expenses for severance, equipment moves, and other exit activities of $0.1 million and $0.3 million related to this plant closure during the three and six months ended April 30, 2020 and we may incur costs related to additional restructuring activities in future periods.

COVID-19 Impact

On March 11, 2020, the World Health Organization (WHO) declared the outbreak of COVID-19 as a global pandemic and advised aggressive containment action. In response to this declaration and the rapid global spread of COVID-19, national, state, and local governments have taken extraordinary and continuously evolving measures to limit the outbreak and spread of the virus, including travel bans, quarantines, "stay-at-home" orders and similar mandates imposing varying degrees of restrictions on social and non-essential commercial activity to promote social distancing. Measures providing for business shutdowns generally exclude certain essential services such as construction, and those essential services commonly include critical infrastructure and the businesses that support that critical infrastructure. To date, we have not experienced significant challenges or expenses implementing crisis management plans intended to meet government requirements for social distancing.

We believe that we incurred a reduction to net sales of $20 million to $25 million related to the pandemic and the resulting containment for the three and six months ended April 30, 2020. The COVID-19 pandemic and actions taken in response thereto are continuing to have an adverse effect on many sectors of the economy. Given our short-lead time products and the role of our products within the supply chain for new home building and repair and remodel service providers and other customers within our segments, we reduced operating schedules and implemented furloughs to balance production and demand. Additionally, government shutdown orders in the United Kingdom forced us to close both U.K. plants for a number of weeks, though those plants have now been reopened. While this reduction in production is currently expected to be temporary, the duration of the COVID-19 pandemic, the actions to contain the pandemic and treat its impacts, and the effects on our operations are highly uncertain and cannot be predicted at this time. Therefore, while we expect the reduced production to negatively impact our business, results of operations, cash flows and financial position, the related financial impact cannot be reasonably estimated at this time.

In March 2020, we borrowed $50 million under our revolving credit facility as a precautionary measure to ensure funds are available to meet our obligations for a substantial period of time in response to the COVID-19 pandemic. As of April 30, 2020, we had $80.3 million of cash and cash equivalents. Additionally, in response to the current business environment as impacted by COVID-19, we are reducing capital expenditures and discretionary spending as well as closely monitoring our working capital needs.

As a result of the economic and business impact of COVID-19, we may be required to revise certain accounting estimates and judgments such as, but not limited to, those related to the valuation of goodwill, intangibles, right-of-use assets, long-lived assets, accounts receivable (including allowances for credit losses), and inventory, which could have a material adverse effect on our financial position and results of operations.

2. Leases

Effective November 1, 2019, we adopted Accounting Standards Codification Topic 842, "Leases" (ASC Topic 842), which requires leases to be recognized on the balance sheet. We recognize a right-of-use (ROU) asset and lease liability for each operating and finance lease with a contractual term greater than 12 months at the time of lease inception. We include ROU assets and lease liabilities for leases that exist within other contracts. Leases with an original term of 12 months or less are not recognized on the balance sheet, and the rent expense related to those short-term leases is recognized over the lease term. We do not account for lease and non-lease (e.g. common area maintenance) components of contracts separately for any underlying asset class.

We lease certain manufacturing plants, warehouses, office space, vehicles and equipment under finance and operating leases. Lease commencement occurs on the date we take possession or control of the property or equipment. Original terms for our real estate-related leases are generally between five and twenty years. Original terms for equipment-related leases, primarily manufacturing equipment and vehicles, are generally between one and ten years. Some of our leases also include rental escalation clauses. Renewal options are included in the determination of lease payments when management determines the options are reasonably certain of exercise, considering financial performance, strategic importance and/or invested capital.

If readily determinable, the rate implicit in the lease is used to discount lease payments to present value; however, substantially all of our leases do not provide a readily determinable implicit rate. When the implicit rate is not determinable, our estimated incremental borrowing rate is utilized, determined on a collateralized basis, to discount lease payments based on information available at lease commencement.

Total lease costs recorded include fixed operating lease costs and variable lease costs. Most of our real estate leases require we pay certain expenses, such as common area mainenance costs, of which the fixed portion is included in operating lease costs. We recognize operating lease costs on a straight-line basis over the lease term. In addition to the above costs, variable lease costs are recognized when probable and are not included in determining the present value of our lease liability.

The ROU asset is measured at the initial amount of the lease liability adjusted for lease payments made at or before the lease commencement date and initial direct costs. For operating leases, ROU assets are reduced over the lease term by the recognized straight-line lease expense less the amount of accretion of the lease liability determined using the effective interest method. For finance leases, ROU assets are amortized on a straight-line basis over the shorter of the useful life of the leased asset or the lease term. Interest expense on each finance lease liability is recognized utilizing the effective interest method. ROU assets are tested for impairment in the same manner as long-lived assets. Additionally, we monitor for events or changes in circumstances that may require a reassessment of one of our leases and determine if a remeasurement is required.

The table below presents the lease-related assets and liabilities recorded on the balance sheet at April 30, 2020 (in thousands):

Leases	Classification		April 30, 2020
Assets			
Operating lease assets	Operating lease right-of-use assets	$	41,763
Finance lease assets	Property, plant and equipment (less accumulated depreciation of $597)		15,669
Total lease assets		$	57,432
Liabilities			
Current			
Operating	Current operating lease liabilities	$	6,687
Finance	Current maturities of long-term debt		936
Noncurrent			
Operating	Noncurrent operating lease liabilities		35,551
Finance	Long-term debt		14,340
Total lease liabilities		$	57,514

The table below presents the components of the lease costs for the three and six months ended April 30, 2020 (in thousands):

		Three Months Ended April 30, 2020		Six Months Ended April 30, 2020
Components of lease costs				
Operating lease cost	$	2,137	$	4,225
Finance lease cost				
Amortization of leased assets		302		618
Interest on lease liabilities		138		282
Variable lease costs		203		328
Total lease cost	$	2,780	$	5,453

The table below presents supplemental cash flow information related to leases for the six months ended April 30, 2020 (in thousands):

		Six Months Ended April 30, 2020
Supplemental Cash Flow Information		
Cash paid for amounts included in the measurement of lease liabilities:		
Finance leases - financing cash flows	$	610
Finance leases - operating cash flows	$	282
Operating leases - operating cash flows	$	4,145
Right-of-use assets obtained in exchange for lease liabilities		
Operating leases	$	6,033
Finance Leases	$	375

The table below presents the weighted average remaining lease terms and weighted average discount rates for the Company's leases as of April 30, 2020:

	April 30, 2020
Weighted average remaining lease term (in years)	
Operating leases	7.8
Financing leases	15.7
Weighted average discount rate	
Operating leases	4.03%
Financing leases	3.63%

The table below presents the maturity of the lease liabilities as of April 30, 2020 (in thousands):

	Operating Leases	Finance Leases
	(in thousands)	
2020 (remaining six months)	$ 4,231	$ 751
2021	7,710	1,447
2022	7,059	1,413
2023	6,613	1,317
2024	5,821	1,215
Thereafter	17,826	13,586
Total lease payments	49,260	19,729
Less: present value discount	7,022	4,453
Total lease liabilities	$ 42,238	$ 15,276

As a result of the adoption of ASC Topic 842, we are required to present future minimum lease payments for operating and financing obligations having initial or remaining non-cancelable lease terms in excess of one year. These future minimum lease payments were previously disclosed in our 2019 Annual Report on Form 10-K and accounted for under previous lease guidance. Commitments as of October 31, 2019 were as follows:

	Operating Leases	Capital Leases
	(in thousands)	
2020	$ 9,121	$ 1,020
2021	6,981	810
2022	6,012	815
2023	5,506	973
2024	4,699	713
Thereafter	15,220	11,392
Total	47,539	15,723
Less: amount representing interest		5,064
Present value of minimum lease payments		10,659

3. Inventories

Inventories consisted of the following at April 30, 2020 and October 31, 2019:

	April 30, 2020	October 31, 2019
	(In thousands)	
Raw materials	$ 39,808	$ 32,818
Finished goods and work in process	37,991	35,538
Supplies and other	2,337	2,593
Total	80,136	70,949
Less: Inventory reserves	5,064	3,790
Inventories, net	$ 75,072	$ 67,159

Fixed costs related to excess manufacturing capacity, if any, have been expensed in the period they were incurred and, therefore, are not capitalized into inventory.

4. Goodwill and Intangible Assets

Goodwill

The change in the carrying amount of goodwill for the six months ended April 30, 2020 was as follows:

	Six Months Ended April 30, 2020
	(In thousands)
Beginning balance as of November 1, 2019	$ 145,563
Foreign currency translation adjustment	(1,693)
Balance as of the end of the period	$ 143,870

During the year ended October 31, 2019, we recorded impairment charges of $74.6 million associated with our NA Cabinet Components segment, which reduced the goodwill balance applicable to this reporting unit from $113.7 million to $39.1 million. Our other reporting units were not deemed to be impaired at our annual goodwill impairment testing date, August 31, 2019. During the three months ended April 30, 2020, we determined the WHO's characterization of the outbreak of COVID-19 as a global pandemic was a triggering event which could indicate that the carrying value of our goodwill was no longer greater than the fair value. As a result of this determination, we performed a qualitative assessment for each of the five goodwill reportable units. As a result of this analysis, we determined that our goodwill was not more likely than not impaired and no quantitative assessment was necessary. However, the long term effects of the COVID-19 pandemic on the demand and pricing of our products may result in future impairment charges. For a summary of the change in the carrying amount of goodwill by segment, see Note 12, "Segment Information."

Identifiable Intangible Assets

Amortizable intangible assets consisted of the following as of April 30, 2020 and October 31, 2019:

	April 30, 2020		October 31, 2019	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
	(In thousands)			
Customer relationships	$ 152,909	$ 75,251	$ 153,950	$ 70,103
Trademarks and trade names	55,425	36,158	55,745	35,210
Patents and other technology	22,363	20,383	22,386	19,471
Total	$ 230,697	$ 131,792	$ 232,081	$ 124,784

We had aggregate amortization expense related to intangible assets for the three and six months ended April 30, 2020 of $3.6 million and $7.4 million, respectively, and $3.7 million and $7.9 million, respectively, for the comparable prior year periods.

Estimated remaining amortization expense, based on current intangible balances, for each of the fiscal years ending October 31, is as follows (in thousands):

	Estimated Amortization Expense
2020 (remaining six months)	$ 6,876
2021	12,487
2022	11,867
2023	11,120
2024	10,388
Thereafter	46,167
Total	$ 98,905

5. Debt and Finance Lease Obligations

Debt consisted of the following at April 30, 2020 and October 31, 2019:

	April 30, 2020	October 31, 2019
	(In thousands)	
Revolving Credit Facility	$ 216,000	$ 142,500
Finance lease obligations and other	15,416	15,865
Unamortized deferred financing fees	(1,053)	(1,205)
Total debt	$ 230,363	$ 157,160
Less: Current maturities of long-term debt	666	746
Long-term debt	$ 229,697	$ 156,414

As more fully described in our Annual Report on Form 10-K for the year ended October 31, 2019, on October 18, 2018, we amended and extended our prior credit facility by entering into a $325.0 million revolving credit facility (the “Credit Facility”), with Wells Fargo Bank, National Association, as Agent, Swingline Lender and Issuing Lender, and Bank of America, N.A. serving as Syndication Agent. The Credit Facility has a five-year term, maturing on October 18, 2023, and requires interest payments calculated, at our election and depending upon our Consolidated Leverage Ratio, at either a Base Rate plus an applicable margin or the LIBOR Rate plus an applicable margin. The Credit Facility contains appropriate provisions to substitute LIBOR with a replacement rate if necessary. In addition, we are subject to commitment fees for the unused portion of the Credit Facility.

The applicable margin and commitment fees are outlined in the following table:

Pricing Level	Consolidated Leverage Ratio	Commitment Fee	LIBOR Rate Loans	Base Rate Loans
I	Less than or equal to 1.50 to 1.00	0.200%	1.25%	0.25%
II	Greater than 1.50 to 1.00, but less than or equal to 2.25 to 1.00	0.225%	1.50%	0.50%
III	Greater than 2.25 to 1.00, but less than or equal to 3.00 to 1.00	0.250%	1.75%	0.75%
IV	Greater than 3.00 to 1.00	0.300%	2.00%	1.00%

In the event of default, outstanding borrowings would accrue interest at the Default Rate, as defined, whereby the obligations will bear interest at a per annum rate equal to 2% above the total per annum rate otherwise applicable.

The Credit Facility contains a: (1) Consolidated Interest Coverage Ratio requirement whereby we must not permit the Consolidated Interest Coverage Ratio, as defined, to be less than 2.25 to 1.00, and (2) Consolidated Leverage Ratio requirement, whereby we must not permit the Consolidated Leverage Ratio, as defined, to be greater than 3.25 to 1.00.

In addition to maintaining these financial covenants, the Credit Facility also limits our ability to enter into certain business transactions, such as to incur indebtedness or liens, to acquire businesses or dispose of material assets, make restricted payments, pay dividends (limited to $20.0 million per year) and other transactions as further defined in the Credit Facility. Substantially all of our domestic assets, with the exception of real property, are utilized as collateral for the Credit Facility.

As of April 30, 2020, we had $216.0 million of borrowings outstanding under the Credit Agreement (reduced by unamortized debt issuance costs of $1.1 million), $4.8 million of outstanding letters of credit and $15.4 million outstanding primarily under finance leases and other debt. We had $104.2 million available for use under the Credit Agreement at April 30, 2020. Outstanding borrowings under the Credit Agreement accrue interest at 1.96% per annum. Our weighted average borrowing rate for borrowings outstanding during the six months ended April 30, 2020 and 2019 was 3.03% and 4.14%, respectively. We were in compliance with our debt covenants as of April 30, 2020.

In May 2020, we repaid $50.0 million of borrowings outstanding on the Credit Facility which were borrowed in March 2020 as a result of COVID-19. In the future, we may be required to borrow additional funds in order to be prepared for any unforeseen impacts of the COVID-19 pandemic.

Other Debt Instruments

We maintain certain finance lease obligations related to equipment purchases, vehicles, and warehouse space. Refer to Note 2, "Leases" for further information regarding our finance leases.

6. Retirement Plans

Pension Plan

Our non-contributory, single employer defined benefit pension plan covers a majority of our employees in the U.S. The net periodic pension cost for this plan for the three and six months ended April 30, 2020 and 2019 was as follows:

	Three Months Ended April 30,		Six Months Ended April 30,	
	2020	2019	2020	2019
	(In thousands)			
Service cost	$ 242	$ 837	$ 780	$ 1,814
Interest cost	280	445	573	728
Expected return on plan assets	(502)	(445)	(994)	(988)
Amortization of net loss	95	46	204	62
Net periodic pension cost	$ 115	$ 883	$ 563	$ 1,616

On January 1, 2020, we enacted changes to our pension plan whereby the benefits for all participants were frozen and thereafter those participants will receive increased benefits in the company sponsored defined contribution plan in lieu of participation in a defined benefit plan. As a result of this action, we have remeasured the pension assets and obligations for the pension plan as of December 31, 2019. This resulted in a decrease in our projected benefit obligation and recognition of a net actuarial gain of approximately $2.5 million that was recorded in accumulated other comprehensive income. The decrease in the projected benefit obligation was impacted by our asset performance through December 31, 2019, the impact of the pension plan freeze and an increase in the discount rate since October 31, 2019.

The remeasurement described above is in addition to our annual year-end measurement of the funded status of our benefit plans that we will record as of October 31, 2020. As a result, the change in our pension benefit obligation and net actuarial loss will differ from the $2.5 million discussed above primarily as a result of any changes in interest rates and actual asset performance differs from our expected return on assets during the year.

During September 2019, we contributed $0.7 million to fund our plan, and we expect to make a contribution to our plan in September 2020 of approximately $3.7 million.

Other Plans

We also have a supplemental benefit plan covering certain executive officers and key employees and a non-qualified deferred compensation plan covering members of the Board of Directors and certain key employees. As of April 30, 2020 and October 31, 2019, our liability under the supplemental benefit plan was approximately $4.4 million and $4.2 million, respectively. As of April 30, 2020 and October 31, 2019, the liability associated with the deferred compensation plan was approximately $3.0 million and $3.8 million, respectively. We record the current portion of liabilities associated with these plans under the caption "Accrued

Liabilities," and the long-term portion under the caption "Other Liabilities" in the accompanying condensed consolidated balance sheets.

7. Income Taxes

To determine our income tax expense or benefit for interim periods, consistent with accounting standards, we apply the estimated annual effective income tax rate to year-to-date results. Our estimated annual effective tax rates for the six months ended April 30, 2020 and 2019 was 25.8% and 24.3%, respectively, excluding discrete items. The 2020 effective rate was primarily impacted by a discrete charge of $0.4 million related to the vesting or exercise of equity-based compensation awards. The 2019 effective rate was primarily impacted by the goodwill impairment charge recorded during the six months ended April 30, 2019, which did not generate a significant tax benefit.

As of April 30, 2020, our liability for uncertain tax positions (UTP) of $0.6 million relates to certain state tax items regarding the interpretation of tax laws and regulations. Judgment is required in assessing the future tax consequences of events that have been recognized in our financial statements or tax returns. The final outcome of the future tax consequences of legal proceedings, if any, as well as the outcome of competent authority proceedings, changes in regulatory tax laws, or interpretation of those tax laws could impact our financial statements. We are subject to the effect of these matters occurring in various jurisdictions. The disallowance of the UTP would not materially affect the annual effective tax rate. We do not believe any of the UTP at April 30, 2020 will be recognized within the next twelve months.

We evaluate the likelihood of realization of our deferred tax assets by considering both positive and negative evidence. We maintain a valuation allowance for certain state net operating losses which totaled $1.6 million at April 30, 2020 and October 31, 2019.

Final regulations were published by the Internal Revenue Service regarding Uniform Capitalization (UNICAP) that became effective during fiscal 2020. Also, on March 27, 2020, The Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law. We are evaluating these regulations but do not believe they will result in a material impact on our consolidated financial statements.

8. Contingencies

Remediation and Environmental Compliance Costs

Under applicable state and federal laws, we may be responsible for, among other things, all or part of the costs required to remove or remediate wastes or hazardous substances at locations we, or our predecessors, have owned or operated. From time to time, we also have been alleged to be liable for all or part of the costs incurred to clean up third-party sites where there might have been an alleged improper disposal of hazardous substances. At present, we are not involved in any such matters.

From time to time, we incur routine expenses and capital expenditures associated with compliance with existing environmental regulations, including control of air emissions and water discharges, and plant decommissioning costs. We have not incurred any material expenses or capital expenditures related to environmental matters during the past three fiscal years, and do not expect to incur a material amount of such costs in fiscal 2020. While we will continue to have future expenditures related to environmental matters, any such amounts are impossible to reasonably estimate at this time. Based upon our experience to date, we do not believe that our compliance with environmental requirements will have a material adverse effect on our operations, financial condition or cash flows.

Litigation

From time to time, we, along with our subsidiaries, are involved in various litigation matters arising in the ordinary course of our business, including those arising from or related to contractual matters, commercial disputes, intellectual property, personal injury, environmental matters, product performance or warranties, product liability, insurance coverage and personnel and employment disputes.

We regularly review with legal counsel the status of all ongoing proceedings, and we maintain insurance against these risks to the extent deemed prudent by our management and to the extent such insurance is available. However, there is no assurance that we will prevail in these matters or that our insurers will accept full coverage of these matters, and we could, in the future, incur judgments, enter into settlements of claims, or revise our expectations regarding the outcome or insurability of matters we face, which could materially impact our results of operations.

We have been and are currently party to multiple claims, some of which are in litigation, relating to alleged defects in a commercial sealant product that was manufactured and sold during the 2000's. While we believe that our product was not defective and that we would prevail in these commercial sealant product claims if taken to trial, the timing, ultimate resolution and potential impact of these claims is not currently determinable. Nevertheless, after taking into account all currently available information, including our defenses, the advice of our counsel, and the extent and currently-expected availability of our existing insurance coverage, we believe that the eventual outcome of these commercial sealant claims will not have a material adverse effect on our overall financial condition, results of operations or cash flows, and we have not recorded any accrual with regard to these claims.

9. Fair Value Measurement of Assets and Liabilities

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy distinguishes between (1) market participant assumptions developed based on market data obtained from independent sources (observable inputs) and (2) an entity's own assumptions about market data developed based on the best information available in the circumstances (unobservable inputs). The fair value hierarchy consists of three broad levels, which gives the highest priority to Level 1 and the lowest priority to Level 3. The three levels of the fair value hierarchy are described below:

- Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly including quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability (e.g., interest rates) and inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 - Inputs that are both significant to the fair value measurement and unobservable.

As of April 30, 2020 and October 31, 2019, foreign currency derivatives were being measured on a recurring basis. Less than $0.1 million of foreign currency derivatives were included in total assets as of October 31, 2019. There were no outstanding foreign currency derivatives as of April 30, 2020. All of our derivative contracts are valued using quoted market prices from brokers or exchanges and are classified within Level 2 of the fair value hierarchy.

Carrying amounts reported on the balance sheet for cash, cash equivalents, accounts receivable and accounts payable approximate fair value due to the short-term maturity of these instruments. Our outstanding debt is variable rate debt that re-prices frequently, thereby limiting our exposure to significant change in interest rate risk. As a result, the fair value of our debt instrument approximates carrying value at April 30, 2020, and October 31, 2019 (Level 2 measurement).

The liability portion of our performance share awards are marked-to-market on a quarterly basis during a three-year vesting period based on market data (Level 2 measurement). For further information, refer to Note 10, "Stock-Based Compensation -Performance Share Awards."

10. Stock-Based Compensation

We have established and maintain an Omnibus Incentive Plan (2020 Plan) that provides for the granting of restricted stock awards, stock options, restricted stock units, performance share awards, performance restricted stock units, and other stock-based and cash-based awards. The 2020 Plan replaced a prior plan (formerly the 2008 Plan) in February 2020. The 2020 Plan is administered by the Compensation and Management Development Committee of the Board of Directors.

The aggregate number of shares of common stock authorized for grant under the 2020 Plan is 3,094,587 as approved by shareholders. Any officer, key employee and/or non-employee director is eligible for awards under the 2020 Plan. We grant restricted stock units to non-employee directors on the first business day of each fiscal year. As approved by the Compensation & Management Development Committee of our Board of Directors annually, we grant a mix of restricted stock awards, restricted stock units, performance shares and/or performance restricted stock units to officers, management and key employees. We also historically granted stock options to certain officers, directors and key employees. Occasionally, we may make additional grants to key employees at other times during the year.

Restricted Stock Awards

Restricted stock awards are granted to key employees and officers annually, and typically cliff vest over a three year period with service and continued employment as the only vesting criteria. The recipient of the restricted stock award is entitled to all of the rights of a shareholder, except that the award is nontransferable during the vesting period. The fair value of the restricted stock award is established on the grant date and then expensed over the vesting period resulting in an increase in additional paid-in-capital. Shares are generally issued from treasury stock at the time of grant.

A summary of non-vested restricted stock awards activity during the six months ended April 30, 2020 is presented below:

	Restricted Stock Awards	Weighted Average Grant Date Fair Value per Share
Non-vested at October 31, 2019	230,100	$ 17.02
Granted	59,700	$ 18.82
Forfeited	(42,800)	$ 17.30
Vested	(55,000)	$ 19.45
Non-vested at April 30, 2020	192,000	$ 16.82

The total weighted average grant-date fair value of restricted stock awards that vested during each of the six month periods ended April 30, 2020 and 2019 was $1.1 million and $1.3 million, respectively. As of April 30, 2020, total unrecognized compensation cost related to unamortized restricted stock awards was $1.8 million. We expect to recognize this expense over the remaining weighted average vesting period of 2.0 years.

Stock Options

Historically, stock options have been awarded to key employees, officers and non-employee directors. Effective May 2015, the director compensation structure was revised to eliminate the annual grant of stock options to non-employee directors. During December 2017, the Compensation & Management Development Committee of the Board of Directors approved a change to the long-term incentive award program eliminating the grant of stock options and replacing this award with a grant of performance restricted stock units as further described below. As a result, stock options were not granted during the years ended October 31, 2018, October 31, 2019, or during the six months ended April 30, 2020. Employee stock options typically vest ratably over a three-year period with service and continued employment as the vesting conditions. Our stock options may be exercised up to a maximum of ten years from the date of grant. The fair value of the stock options is determined on the grant date and expensed over the vesting period resulting in an increase in additional paid-in-capital. For employees who are nearing retirement-eligibility, we recognize stock option expense ratably over the shorter of the vesting period or the period from the grant-date to the retirement-eligibility date.

We use a Black-Scholes pricing model to estimate the fair value of stock options. A description of the methodology for the valuation assumptions was disclosed in our Annual Report on Form 10-K for the fiscal year ended October 31, 2019.

The following table summarizes our stock option activity for the six months ended April 30, 2020:

	Stock Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (000s)
Outstanding at October 31, 2019	1,416,186	$ 18.71		
Granted	—	$ —		
Exercised	(178,033)	$ 16.93		
Forfeited/Expired	(58,734)	$ 20.61		
Outstanding at April 30, 2020	1,179,419	$ 18.89	3.8	$ 8
Vested or expected to vest at April 30, 2020	1,179,419	$ 18.89	3.8	$ 8
Exercisable at April 30, 2020	1,179,419	$ 18.89	3.8	$ 8

Intrinsic value is the amount by which the market price of the common stock on the date of exercise exceeds the exercise price of the stock option. The total intrinsic value of stock options exercised during the six months ended April 30, 2020 and 2019 was $0.5 million and less than $0.1 million, respectively. The weighted-average grant date fair value of stock options that vested during the six months ended April 30, 2020 and 2019 was $0.4 million and $1.1 million, respectively. As of April 30, 2020, all compensation cost related to stock options has been recognized.

Restricted Stock Units

Restricted stock units may be awarded to key employees and officers from time to time, and annually to non-employee directors. The non-employee director restricted stock units vest immediately but are payable only upon the director's cessation of service unless an election is made by the non-employee director to settle and pay the award on an earlier specified date. Restricted stock units awarded to employees and officers typically cliff vest after a three-year period with service and continued employment as the vesting conditions. Restricted stock units are not considered outstanding shares and do not have voting rights, although the holder does receive a cash payment equivalent to the dividend paid, on a one-for-one basis, on our outstanding common shares. Once the criteria is met, each restricted stock unit is payable to the holder in cash based on the market value of one share of our common stock. Accordingly, we record a liability for the restricted stock units on our balance sheet and recognize any changes in the market value during each reporting period as compensation expense.

During the six months ended April 30, 2020 and 2019, non-employee directors received 25,326 and 29,065 restricted stock units, respectively, at a grant date fair value of $19.02 per share and $15.29 per share, respectively, which vested immediately. As of April 30, 2020, there were 26,390 non-vested restricted stock units, which were awarded in June 2019 and January 2020 to key employees at a weighted average grant date fair value of $17.01. During the six months ended April 30, 2019, we paid approximately $0.1 million to settle previously vested restricted stock units; there were no corresponding payments to settle vested restricted stock units during the six months ended April 30, 2020.

Performance Share Awards

We have awarded annual grants of performance shares to key employees and officers. These awards cliff vest after a three-year period. Performance share awards issued prior to fiscal 2019 vest with service and performance measures (relative total shareholder return (R-TSR) and earnings per share (EPS) growth), as vesting conditions. The number of shares earned is variable depending on the metrics achieved, and the settlement method is 50% in cash and 50% in our common stock. Performance share awards issued during fiscal 2019 and 2020 vest with return on net assets (RONA) as the vesting condition and pay out 100% in cash.

To account for these awards, we have bifurcated the portion subject to a market condition (R-TSR) and the portion subject to an internal performance measure (EPS or RONA). We have further bifurcated these awards based on the settlement method, as the portion expected to settle in stock (equity component) and the portion expected to settle in cash (liability component).

To value the shares subject to the market condition, we utilized a Monte Carlo simulation model to arrive at a grant-date fair value. This amount will be expensed over the three-year term of the award with a credit to additional paid-in-capital. To value the shares subject to the EPS and RONA performance measures, we used the value of our common stock on the date of grant as the grant-date fair value per share. This amount is being expensed over the three-year term of the award, with a credit to additional paid-in-capital, and could fluctuate depending on the number of shares ultimately expected to vest based on our assessment of the probability that the performance conditions will be achieved. The portion of the awards expected to settle in cash is recorded as a liability and is being marked to market over the three-year term of the award, and can fluctuate depending on the number of shares ultimately expected to vest. Depending on the achievement of the performance conditions, 0% to 200% of the awarded performance shares may ultimately vest.

The following table summarizes our performance share grants and the grant date fair value for the EPS, R-TSR and RONA performance metrics:

Grant Date	Shares Awarded	Grant Date Fair Value EPS	Grant Date Fair Value R-TSR	Grant Date Fair Value RONA	Shares Forfeited
December 7, 2017	146,500	$ 20.70	$ 21.81	$ —	46,608
December 5, 2018	131,500	$ —	$ —	$ 13.63	33,500
December 5, 2019	55,900	$ —	$ —	$ 19.40	—

On November 30, 2019, a total of 56,103 shares vested pursuant to the November 2016 grant, which were settled with 28,051 shares of common stock and a cash payment of $0.6 million. We recorded compensation expense of $0.1 million for the three months ended April 30, 2020 and a decrease in compensation expense of $0.4 million for the six months ended April 30, 2020 related to the expected payout of our performance share awards that are outstanding as of April 30, 2020. During the three and six months ended April 30, 2019, we recorded compensation expense of $0.4 million and less than $0.1 million, respectively, related to the expected payouts of performance share awards that were outstanding as of April 30, 2019.

Performance share awards are not considered outstanding shares and do not have voting rights, although dividends are accrued over the performance period and will be payable in cash based upon the number of performance shares ultimately earned.

The performance shares are excluded from the diluted weighted-average shares used to calculate earnings per share until the performance criteria is probable to result in the issuance of contingent shares. As of April 30, 2020, we have deemed 17,342 shares related to the December 2017 grants of performance shares as probable to vest.

Performance Restricted Stock Units

We awarded performance restricted stock units to key employees and officers beginning in December 2017. These awards cliff vest upon a three-year service period with the absolute total shareholder return of our common stock over this three-year term as the vesting criteria. The number of shares earned is variable depending on the metric achieved, and the settlement method is 100% in our common stock, with accrued dividends paid in cash at the time of vesting, assuming the shares had been outstanding throughout the performance period.

To value the performance restricted stock units, we utilized a Monte Carlo simulation model to arrive at a grant-date fair value. This amount will be adjusted for forfeitures and expensed over the three-year term of the award with a credit to additional paid-in-capital. Depending on the achievement of the performance conditions, a minimum of 0% and a maximum of 150% of the awarded performance restricted stock units may vest. Specifically, the awards vest on a continuum with the following Absolute Total Shareholder Return (A-TSR) milestones:

Vesting Level	Vesting Criteria	Percentage of Award Vested
Level 1	A-TSR greater than or equal to 50%	150%
Level 2	A-TSR less than 50% and greater than or equal to 20%	100%
Level 3	A-TSR less than 20% and greater than or equal to -20%	50%
Level 4	A-TSR less than -20%	—%

The following table summarizes our performance restricted stock unit grants and the grant date fair value for the A-TSR performance metric:

Grant Date	Shares Awarded	Grand Date Fair Value	Shares Forfeited
December 7, 2017	78,200	$ 17.76	24,854
December 5, 2018	89,200	$ 13.63	25,500
December 5, 2019	35,000	$ 19.40	—

During the three and six months ended April 30, 2020, we recorded compensation expense of approximately $0.1 million and $0.3 million, respectively, and $0.1 million and $0.3 million, respectively, for the comparable prior year period related to our performance share restricted units.

Similar to performance shares, the performance restricted stock units are not considered outstanding shares, do not have voting rights, and are excluded from diluted weighted-average shares used to calculate earnings per share until the performance criteria is probable to result in the issuance of contingent shares. As of April 30, 2020, we have deemed 24,673 shares related to the December 2017 grants of performance restricted stock units as probable to vest.

Treasury Shares

We record treasury stock purchases under the cost method whereby the entire cost of the acquired stock is recorded as treasury stock. Shares are generally issued from treasury stock at the time of grant of restricted stock awards, upon the exercise of stock options, and upon the vesting of performance shares and performance restricted stock units. On the subsequent issuance of treasury shares, we record proceeds in excess of cost as an increase in additional paid in capital. A deficiency of such proceeds relative to costs would be applied to reduce paid-in-capital associated with prior issuances to the extent available, with the remainder recorded as a charge to retained earnings. We recorded a charge to retained earnings of $0.1 million during the six months ended April 30, 2020.

The following table summarizes the treasury stock activity during the six months ended April 30, 2020:

	Six Months Ended April 30, 2020
Beginning balance as of November 1, 2019	4,348,613
Restricted stock awards granted	(59,700)
Performance share awards vested	(28,051)
Stock options exercised	(178,033)
Treasury stock repurchases	419,799
Balance at January 31, 2020	4,502,628

11. Other Income

Other income (loss), included under the caption "Other, net" on the accompanying condensed consolidated statements of income (loss), consisted of the following for the three and six months ended April 30, 2020 and 2019:

	Three Months Ended April 30,		Six Months Ended April 30,	
	2020	2019	2020	2019
	(In thousands)			
Foreign currency transaction gains (losses)	$ 132	$ 6	$ 83	$ (26)
Foreign currency derivative losses	(4)	(30)	(15)	(19)
Pension service benefit (cost)	127	(46)	217	198
Interest income	14	14	19	44
Other	31	2	32	5
Other, net	$ 300	$ (54)	$ 336	$ 202

12. Segment Information

We present three reportable business segments in accordance with ASC Topic 280-10-50, *"Segment Reporting"* (ASC 280): (1) North American Fenestration segment (NA Fenestration), comprising three operating segments primarily focused on the fenestration market in North America including vinyl profiles, insulating glass spacers, screens & other fenestration components; (2) European Fenestration segment (EU Fenestration), comprising our U.K.-based vinyl extrusion business, manufacturing vinyl profiles & conservatories, and the European insulating glass business manufacturing insulating glass spacers; and (3) North American Cabinet Components segment (NA Cabinet Components), comprising our cabinet door and components operations. We maintain an Unallocated Corporate & Other grouping which includes corporate office charges, and inter-segment eliminations, less an allocation of a portion of the general and administrative costs associated with the corporate office which have been allocated to the reportable business segments, based upon relative share of revenue, in order to more accurately reflect each reportable business segment's administrative cost. Certain costs are not allocated to the reportable operating segments, but remain in Unallocated Corporate & Other, including transaction expenses, stock-based compensation, long-term incentive awards based on the performance of our common stock and other factors, certain severance and legal costs not deemed to be allocable to all segments, depreciation of corporate assets, interest expense, other, net, income taxes, inter-segment eliminations, and executive incentive compensation and medical expense fluctuations relative to planned costs as determined during the annual planning process. The accounting policies of our operating segments are the same as those used to prepare the accompanying condensed consolidated financial statements. Corporate general and administrative expense allocated during the three and six month period ended April 30, 2020 was $4.6 million and $10.2 million, respectively, and $4.6 million and $9.5 million for the comparable prior year periods.

ASC 280 permits aggregation of operating segments based on factors including, but not limited to: (1) similar nature of products serving the building products industry, primarily the fenestration business; (2) similar production processes, although there are some differences in the amount of automation amongst operating plants; (3) similar types or classes of customers, namely the primary OEMs; (4) similar distribution methods for product delivery, although the extent of the use of third-party distributors will vary amongst the businesses; (5) similar regulatory environment; and (6) converging long-term economic similarities.

QUANEX BUILDING PRODUCTS CORPORATION
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

Segment information for the three and six months ended April 30, 2020 and 2019, and total assets as of April 30, 2020 and October 31, 2019 are summarized in the following table (in thousands):

	NA Fenestration	EU Fenestration	NA Cabinet Comp.	Unallocated Corp. & Other	Total
Three Months Ended April 30, 2020					
Net sales	$ 108,593	$ 29,200	$ 50,664	$ (982)	$ 187,475
Depreciation and amortization	5,961	2,330	3,474	121	11,886
Operating income (loss)	7,428	612	(1,174)	2,027	8,893
Capital expenditures	4,308	407	2,269	17	7,001
Three Months Ended April 30, 2019					
Net sales	$ 115,346	$ 41,623	$ 62,836	$ (1,602)	$ 218,203
Depreciation and amortization	6,758	2,219	3,305	122	12,404
Operating income (loss)	6,260	4,802	(28,651)	(1,774)	(19,363)
Capital expenditures	2,937	601	3,213	—	6,751
Six Months Ended April 30, 2020					
Net sales	$ 219,045	$ 65,966	$ 100,708	$ (1,647)	$ 384,072
Depreciation and amortization	12,940	4,738	6,875	238	24,791
Operating income (loss)	9,058	3,776	(3,288)	1,327	10,873
Capital expenditures	11,236	1,626	3,344	107	16,313
Six Months Ended April 30, 2019					
Net sales	$ 224,395	$ 76,877	$ 116,688	$ (2,949)	$ 415,011
Depreciation and amortization	13,630	4,456	6,644	246	24,976
Operating income (loss)	8,104	7,584	(30,919)	(6,582)	(21,813)
Capital expenditures	6,373	2,309	4,340	—	13,022
As of April 30, 2020					
Total assets	$ 250,416	$ 210,677	$ 177,638	$ 74,154	$ 712,885
As of October 31, 2019					
Total assets	$ 226,243	$ 212,239	$ 181,416	$ 25,212	$ 645,110

The following table summarizes the change in the carrying amount of goodwill by reportable business segment for the six months ended April 30, 2020 (in thousands):

	NA Fenestration	EU Fenestration	NA Cabinet Comp.	Unallocated Corp. & Other	Total
Balance as of October 31, 2019	$ 38,712	$ 67,704	$ 39,147	$ —	$ 145,563
Foreign currency translation adjustment	—	(1,693)	—	—	(1,693)
Balance as of April 30, 2020	$ 38,712	$ 66,011	$ 39,147	$ —	$ 143,870

For further details of Goodwill, see Note 4, "Goodwill & Intangible Assets", located herewith.

We did not allocate non-operating loss or income tax benefit to the reportable segments. The following table reconciles operating income (loss) as reported above to net income (loss) for the three and six months ended April 30, 2020 and 2019:

	Three Months Ended April 30,		Six Months Ended April 30,	
	2020	2019	2020	2019
	(In thousands)			
Operating income (loss)	$ 8,893	$ (19,363)	$ 10,873	$ (21,813)
Interest expense	(1,563)	(2,602)	(3,145)	(5,044)
Other, net	300	(54)	336	202
Income tax expense	(2,129)	(1,955)	(2,553)	(968)
Net income (loss)	$ 5,501	$ (23,974)	$ 5,511	$ (27,623)

13. Earnings Per Share

We compute basic earnings (loss) per share by dividing net income (loss) by the weighted average number of common shares outstanding during the period. Diluted earnings per common and potential common shares include the weighted average of additional shares associated with the incremental effect of dilutive employee stock options, non-vested restricted stock as determined using the treasury stock method prescribed by U.S. GAAP and contingent shares associated with performance share awards, if dilutive.

Basic and diluted earnings (loss) per share for the three and six months ended April 30, 2020 and 2019 were calculated as follows (in thousands, except per share data):

QUANEX BUILDING PRODUCTS CORPORATION
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

	Net Income (Loss)		Weighted Average Shares	Per Share	
Three Months Ended April 30, 2020					
Basic earnings per common share	$	5,501	32,676	$	0.17
Effect of dilutive securities:					
Stock options			1		
Restricted stock awards			73		
Performance shares			18		
Performance restricted stock units			25		
Diluted earnings per common share	$	5,501	32,793	$	0.17
Three Months Ended April 30, 2019					
Basic loss per common share	$	(23,974)	32,951	$	(0.73)
Diluted loss per common share	$	(23,974)	32,951	$	(0.73)
Excluded effect of dilutive securities[(1)]:					
Stock options			43		
Restricted stock awards			104		
Performance shares			31		
Six Months Ended April 30, 2020					
Basic earnings per common share	$	5,511	32,770	$	0.17
Effect of dilutive securities:					
Stock options			12		
Restricted stock awards			83		
Performance shares			17		
Performance restricted stock units			25		
Diluted earnings per common share	$	5,511	32,907	$	0.17
Six Months Ended April 30, 2019					
Basic loss per common share	$	(27,623)	33,026	$	(0.84)
Diluted loss per common share	$	(27,623)	33,026	$	(0.84)
Excluded effect of dilutive securities[(1)]:					
Stock options			27		
Restricted stock awards			100		
Performance shares			31		

[(1)] The computation of diluted earnings per share excludes outstanding stock options and other common stock equivalents when their inclusion would be anti-dilutive. This is always the case when an entity incurs a net loss.

We had common stock equivalents that were potentially dilutive in future earnings per share calculations of 1,174,419 and 1,115,541 for the three and six months ended April 30, 2020, respectively, and 1,450,041 and 1,694,464, respectively, for the comparable prior year periods. We also had 50,700 restricted stock award equivalents that were potentially dilutive in future earnings per calculations for the three and six months ended April 30, 2020, respectively, and no corresponding equivalents for the corresponding prior year. Such dilution will be dependent on the excess of the market price of our stock over the exercise price and other components of the treasury stock method.

14. New Accounting Guidance

Accounting Standards Recently Adopted

Effective November 1, 2019, we adopted Accounting Standards Update (ASU) 2016-02, Leases (Topic 842), using the modified retrospective approach and did not have a cumulative-effect adjustment in retained earnings as a result of the adoption.

Topic 842 significantly changes accounting for leases by requiring that lessees recognize a liability representing the obligation to make lease payments and a related right-of-use (ROU) asset for virtually all lease transactions. Upon adoption, we implemented policy elections and practical expedients which include the following:

- package of practical expedients which allows us to avoid reassessing contracts that commenced prior to adoption that were properly evaluated under legacy lease accounting guidance;
- excluding ROU assets and lease liabilities for leases with terms that are less than one year;
- combining lease and non-lease components and accounting for them as a single lease (elected by asset class);
- excluding land easements that existed or expired prior to adoption; and
- policy election that eliminates the need for adjusting prior period comparable financial statements prepared under legacy (Accounting Standards Codification Topic 840) lease accounting guidance.

As a result of adopting Topic 842, we recorded additional lease liabilities of approximately $39.3 million and ROU assets of approximately $38.9 million on our consolidated balance sheet. The difference between the lease liabilities and ROU assets is due to rent holiday and lease build-out incentives that were recorded as deferred lease liabilities under legacy accounting guidance. The adoption of Topic 842 did not materially change our consolidated statements of income or consolidated statements of cash flows. See Note 2, "Leases" for further discussion.

Accounting Standards Not Yet Adopted

In June 2016, the Financial Accounting Standards Board issued ASU No. 2016-13, Financial Instruments - Credit Losses (Topic 326). This amendment replaces the incurred loss impairment methodology in current U.S. GAAP and requires that financial assets be measured on an amortized cost basis and presented at the net amount expected to be collected. This new methodology reflects expected credit losses (rather than probable credit losses) and requires consideration of a broader range of supportable information when determining these estimated credit losses, including relevant experience, current conditions and supportable forecasts to determine collectability. In addition, the amendment provides guidance with regard to the use of an allowance for credit losses for purchased financial assets and available-for-sale debt securities. This amendment becomes effective for fiscal years beginning after December 15, 2019, including interim periods within that fiscal year. We expect to adopt this amendment during fiscal 2021, with no material impact on our consolidated financial statements.

Unless the context indicates otherwise, references to "Quanex", the "Company", "we", "us" and "our" refer to the consolidated business operations of Quanex Building Products Corporation and its subsidiaries.

Cautionary Note Regarding Forward-Looking Statements

Certain of the statements contained in this document and in documents incorporated by reference herein, including those made under the caption *"Management's Discussion and Analysis of Financial Condition and Results of Operations"* are "forward-looking" statements as defined under the Private Securities Litigation Reform Act of 1995. Generally, the words "expect," "believe," "intend," "estimate," "anticipate," "project," "will" and similar expressions identify forward-looking statements, which generally are not historical in nature. Forward looking statements are (1) all statements which address future operating performance, (2) events or developments that we expect or anticipate will occur in the future, including statements relating to volume, sales, operating income and earnings per share, and (3) statements expressing general outlook about future operating results. Forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from our historical experience and our current projections or expectations. As and when made, we believe that these forward-looking statements are reasonable. However, caution should be taken not to place undue reliance on any such forward-looking statements since such statements speak only as of the date when made and there can be no assurance that such forward-looking statements will occur. We are not obligated to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Factors that could cause actual results to differ materially from those expressed or implied by the forward-looking statements include, but are not limited to the following:

- impacts from public health issues (including pandemics, such as the recent COVID-19 pandemic and quarantines) on the economy, demand for our products or our operations, including the responses of governmental authorities to contain such public health issues;
- changes in market conditions, particularly in the new home construction, and residential remodeling and replacement (R&R) activity markets in the U.S., U.K. and Germany;
- changes in non-pass-through raw material costs;
- changes in domestic and international economic conditions, including impacts from public health issues, including the COVID-19 pandemic;
- changes in purchases by our principal customers;
- fluctuations in foreign currency exchange rates;
- our ability to maintain an effective system of internal controls;
- our ability to successfully implement our internal operating plans and acquisition strategies;
- our ability to successfully implement our plans with respect to information technology (IT) systems and processes;
- our ability to control costs and increase profitability;
- changes in environmental laws and regulations;
- changes in warranty obligations;
- changes in energy costs;
- changes in tax laws, and interpretations thereof;
- changes in interest rates;
- our ability to service our debt facilities and remain in good standing with our lenders;
- changes in the availability or applicability of our insurance coverage;
- our ability to maintain a good relationship with our suppliers, subcontractors, and key customers; and
- the resolution of litigation and other legal proceedings.

For information on additional factors that could cause actual results to differ materially, please refer to the section entitled *"Item 1A. Risk Factors"* in our Annual Report on Form 10-K for the fiscal year ended October 31, 2019.

About Third-Party Information

In this report, we rely on and refer to information regarding industry data obtained from market research, publicly available information, industry publications, U.S. government sources and other third parties. Although we believe this information is reliable, we cannot guarantee the accuracy or completeness of the information and have not independently verified it.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with the accompanying unaudited condensed consolidated financial statements and related notes as of April 30, 2020, and for the three and six months ended April 30, 2020 and 2019, included elsewhere herein. For additional information pertaining to our business, including risk factors which should be considered before investing in our common stock, refer to our Annual Report on Form 10-K for the fiscal year ended October 31, 2019.

Our Business

We manufacture components for original equipment manufacturers (OEMs) in the building products industry. These components can be categorized as window and door (fenestration) components and kitchen and bath cabinet components. Examples of fenestration components include (1) energy-efficient flexible insulating glass spacers, (2) extruded vinyl profiles, (3) window and door screens, and (4) precision-formed metal and wood products. We also manufacture cabinet doors and other components for OEMs in the kitchen and bathroom cabinet industry. In addition, we provide certain other non-fenestration components and products, which include solar panel sealants, trim moldings, vinyl decking, fencing, water retention barriers, and conservatory roof components. We use low-cost, short lead-time production processes and engineering expertise to provide our customers with specialized products for their specific window, door, and cabinet applications. We believe these capabilities provide us with unique competitive advantages. We serve a primary customer base in North America and the U.K., and also serve customers in international markets through our operating plants in the U.K. and Germany, as well as through sales and marketing efforts in other countries.

We currently have three reportable business segments: (1) North American Fenestration segment (NA Fenestration), comprising three operating segments primarily focused on the fenestration market in North America manufacturing vinyl profiles, insulating glass spacers, screens & other fenestration components; (2) European Fenestration segment (EU Fenestration), comprising our U.K.-based vinyl extrusion business, manufacturing vinyl profiles and conservatories, and the European insulating glass business manufacturing insulating glass spacers; and (3) North American Cabinet Components segment (NA Cabinet Components), comprising our cabinet door and components operations. We maintain a grouping called Unallocated Corporate & Other, which includes transaction expenses, stock-based compensation, long-term incentive awards based on performance of our common stock and other factors, certain severance and legal costs not allocable to our operating segments, depreciation of corporate assets, interest expense, other, net, income taxes, inter-segment eliminations, and executive incentive compensation and medical expense fluctuations relative to planned costs as determined during the annual planning process. Other corporate general and administrative costs have been allocated to the reportable business segments, based upon a relative measure of profitability in order to more accurately reflect each reportable business segment's administrative costs. The accounting policies of our operating segments are the same as those used to prepare our accompanying condensed consolidated financial statements.

We continue to invest in organic growth initiatives, enhance our product offerings, provide new complementary technology, enhance our leadership position within the markets we serve, expand into new markets or service lines, and explore strategic acquisitions. We have disposed of non-core businesses in the past, and continue to evaluate our business portfolio to ensure that we are investing in markets where we believe there is potential future growth.

Recent Transactions and Events

On March 11, 2020, the WHO declared the outbreak of COVID-19 to be a global pandemic and recommended containment and mitigation measures. As federal, state and local governments react to the public health crisis, significant uncertainties have been created in the economy. As of the date of this filing, we have been impacted by temporary facility closures and reduced hours of operations.

We believe that we incurred a reduction to net sales of $20 million to $25 million related to the pandemic and the resulting containment for the three and six months ended April 30, 2020, but some of those effects were mitigated by our ability to continue operations and deliver orders as an essential service provider. The COVID-19 pandemic and actions taken in response thereto are continuing to have a significant adverse effect on many sectors of the economy, including new home building and remodeling activity and we may be further impacted by our role in that supply chain.

As part of our response to the COVID-19 pandemic, we have taken the following measures:

- We are continuing to provide our products to support critical infrastructure needs while following national, state, and local guidelines required to continue operations during the existence of the pandemic and related local declarations of emergency. All manufacturing facilities in the United States and Germany have been declared essential by the relevant authorities and have thus remained operational for the duration of the pandemic. Government shutdown orders in the United Kingdom forced us to close both U.K. plants for a number of weeks, but those plants have been reopened. We have instituted rigorous cleaning and social distancing protocols as outlined by the Centers for Disease Control and Prevention, WHO and, where applicable, more stringent local requirements. Employees able to work from home have been doing so since March 16, 2020.

- We have reduced operating schedules, staggered shifts and implemented furloughs to balance production and demand and encourage social distancing. While we currently expect any negative impact on sales to be temporary, the duration of the COVID-19 pandemic, the actions to contain the pandemic and treat its impacts, and the effects on our operations are highly uncertain and cannot be predicted at this time.

- We are taking precautionary measures and adjusting our operational needs, including a reduction of our 2020 capital expenditure plans by approximately 30% to 35%.

- In March 2020, we borrowed $50 million under the Credit Facility as a precautionary measure to ensure funds were available to meet our obligations during the COVID-19 pandemic. This borrowing was subsequently repaid in May 2020. In the future, we may be required to borrow additional funds in order to be prepared for any unforeseen impacts of the COVID-19 pandemic.

We continue to monitor the rapidly evolving situation and guidance from international and domestic authorities, including federal, state and local public health authorities and may take additional actions based on their recommendations. In these circumstances, there may be developments outside our control requiring us to adjust our operating plan.

During the year ended October 31, 2019, our North American Cabinet Components segment experienced declines in current and forecasted demand as a result of an industry-wide shift from semi-custom cabinets to stock cabinets, and received notice about a change in strategy at one of our large customers that may result in lower sales volumes in the future. As a result, during the first quarter of fiscal 2020, we began to restructure our operations within that segment by announcing the closure of one of our plants. We incurred expenses for severance, equipment moves, and other exit activities of $0.1 million and $0.3 million related to this plant closure during the three and six months ended April 30, 2020 and we may incur costs related to additional restructuring activities in future periods.

Market Overview and Outlook

We believe the primary drivers of our operating results continue to be North American new home construction and residential remodeling and replacement (R&R) activity. We believe that housing starts and window shipments are indicators of activity levels in the homebuilding and window industries, and we use this data, as published by or derived from third-party sources, to evaluate the market. We have evaluated the market using data from the National Association of Homebuilders (NAHB) with regard to housing starts, and published reports by Ducker Worldwide, LLC (Ducker), a consulting and research firm, with regard to window shipments in the U.S. We obtain market data from Catalina Research, a consulting and research firm, for insight into the U.S. residential wood cabinet demand.

In April 2020, the NAHB has forecasted calendar-year housing starts (excluding manufactured units) to be 1.1 million in 2020, 1.3 million in 2021, and 1.4 million in 2022. The May 2020 Ducker forecast indicated that window shipments in the R&R market are expected to decrease approximately 6% during the calendar year ended 2020 and increase 2% and 4% in 2021 and 2022, respectively. Derived from reports published by Ducker, the overall increase in window shipments for the trailing twelve months ended March 31, 2020 was 4.7%. During this period, new construction and R&R activities increased 9.3% and 1.1%, respectively. In April 2020, Catalina Research estimated that residential semi-custom cabinet demand in the U.S. will decline approximately 10% in 2020 and rebound approximately 2% in 2021. In line with market forecasts, we expect that some sales originally planned for the year ended October 31, 2020 may be realized during the years ended October 31, 2021 and 2022.

We utilize several commodities in our business for which pricing can fluctuate, including polyvinyl resin (PVC), titanium dioxide (TiO2), petroleum products, aluminum and wood. For the majority of our customers and critical suppliers, we have price adjusters in place which effectively share the base pass-through price changes for our primary commodities with our customers commensurate with the market at large. Our long-term exposure to these price fluctuations is somewhat mitigated due to the contractual component of the adjuster program. However, these adjusters are not in place with all customers and for all commodities, and there is a level of exposure to such volatility due to the lag associated with the timing of price updates in accordance with our customer agreements, particularly with regard to hardwoods. In addition, some of these commodities, such as silicone, are in high demand, particularly in Europe, which can affect the cost of the raw materials, a portion of which we may not be able to fully recover. Thus far we have not experienced any supply or logistics disruptions as lower demand has not required us to source the same level of supply.

On June 23, 2016, voters in the U.K. voted for the U.K. to exit the European Union (E.U.) (referred to as Brexit). In October 2019, the U.K. and E.U. ratified a withdrawal agreement, and subsequently the U.K. left the E.U. on January 31, 2020. A transition period is in place until December 31, 2020 while the U.K. and E.U. negotiate additional arrangements. The current rules for trade, travel, and business for the U.K. and E.U. will continue to apply during the transition period and any new rules will take effect January 1, 2021. Since the 2016 vote, the primary impact on Quanex’s financial performance has been related to foreign currency fluctuations of the British Pound Sterling. This fluctuation has driven foreign currency translation impacts, as well as raw material cost increases from upstream suppliers located outside of the U.K.

Given the lack of comparable precedent, it is difficult for us to predict the future impacts on our U.K. based operations, which accounted for approximately 15% of our total sales for the year ended October 31, 2019. Due to the fact that we manufacture and sell a majority of our U.K. products within the U.K., there is minimal risk to our ability to physically deliver goods and complete sales. As such, we believe we are well positioned within the U.K. to respond to potential changes to underlying demand as a result of the final Brexit outcome. The primary focus for our U.K. operations centers on the availability and pricing of raw materials. While we source the majority of our raw materials from within the U.K., many of the primary upstream raw materials our vendors utilize are being sourced from outside of the U.K., which could expose us to cross-border issues and raw material price impacts due to foreign currency volatility. In February 2020, the U.K. announced its intention to introduce border controls and our U.K. businesses have positioned themselves well to cope with additional demands that this will bring in order to comply and facilitate the flow of goods in and out of the U.K.

Results of Operations

Three Months Ended April 30, 2020 Compared to Three Months Ended April 30, 2019

	Three Months Ended April 30,			
	2020	2019	Change $	% Variance
	(Dollars in millions)			
Net sales	$ 187.5	$ 218.2	$ (30.7)	(14)%
Cost of sales (excluding depreciation and amortization)	149.7	171.4	(21.7)	13 %
Selling, general and administrative	16.7	23.7	(7.0)	30 %
Restructuring charges	0.3	0.1	0.2	(200)%
Depreciation and amortization	11.9	12.4	(0.5)	4 %
Asset impairment charges	—	30.0	(30.0)	100 %
Operating income (loss)	$ 8.9	$ (19.4)	$ 28.3	146 %
Interest expense	(1.6)	(2.6)	1.0	38 %
Other, net	0.3	—	0.3	1 %
Income tax expense	(2.1)	(2.0)	(0.1)	(5)%
Net income (loss)	$ 5.5	$ (24.0)	$ 29.5	123 %

Our period-over-period results by reportable segment follow.

Changes Related to Operating Income by Reportable Segment:

NA Fenestration

	Three Months Ended April 30,			
	2020	2019	$ Change	% Variance
	(Dollars in millions)			
Net sales	$ 108.6	$ 115.3	$ (6.7)	(6)%
Cost of sales (excluding depreciation and amortization)	85.1	90.0	(4.9)	5%
Selling, general and administrative	10.0	12.2	(2.2)	18%
Restructuring charges	0.1	0.1	—	—%
Depreciation and amortization	6.0	6.8	(0.8)	12%
Operating income	$ 7.4	$ 6.2	$ 1.2	19%
Operating income margin	7%	5%		

Net Sales. Net sales decreased $6.7 million, or 6%, for the three months ended April 30, 2020 compared to the same period in 2019, which was primarily driven by a decrease in volumes including the impacts of COVID-19.

Cost of Sales. The cost of sales decreased $4.9 million when comparing the three months ended April 30, 2020 to the same period in 2019. Cost of sales decreased due to lower volumes during the period, including a corresponding decrease in selling expenses as a result of the impacts of COVID-19 as mentioned above.

*Selling, General and Administrative. S*elling, general and administrative expenses decreased $2.2 million when comparing the three months ended April 30, 2020 to the same period in 2019 primarily due to lower incentive compensation expense.

Restructuring Charges. Restructuring charges for each of the three month periods ended April 30, 2020 and 2019 of $0.1 million relate to facility lease expense for a vinyl extrusion plant which was closed in January 2017 in the U.S. that has not been sublet or otherwise exited as of April 30, 2020.

EU Fenestration

	Three Months Ended April 30,			
	2020	2019	$ Change	Variance %
	(Dollars in millions)			
Net sales	$ 29.2	$ 41.6	$ (12.4)	(30)%
Cost of sales (excluding depreciation and amortization)	21.0	28.9	(7.9)	27%
Selling, general and administrative	5.3	5.7	(0.4)	7%
Depreciation and amortization	2.3	2.2	0.1	(5)%
Operating income	$ 0.6	$ 4.8	$ (4.2)	(88)%
Operating income margin	2%	12%		

Net Sales. Net sales decreased $12.4 million, or 30%, when comparing the three months ended April 30, 2020 to the same period in 2019. Net sales decreased $11.5 million year-over-year, including the impacts of COVID-19, and $1.5 million due to unfavorable foreign currency rate changes. These decreases were slightly offset by $0.6 million of base price increases.

Cost of Sales. The cost of sales decreased $7.9 million for the three months ended April 30, 2020 compared to the same period in 2019. Cost of sales decreased due to lower volumes during the period, primarily resulting from the impacts of COVID-19 as mentioned above.

Selling, General and Administrative. Selling, general and administrative expense decreased $0.4 million, or 7%, for the three months ended April 30, 2020 compared to the same period in 2019. Savings from temporary COVID-19 related workforce furloughs and favorable foreign currency exchange rate changes were partially offset by normal compensation inflation.

NA Cabinet Components

	Three Months Ended April 30,			
	2020	2019	$ Change	Variance %
	(Dollars in millions)			
Net sales	$ 50.7	$ 62.8	$ (12.1)	(19)%
Cost of sales (excluding depreciation and amortization)	44.2	53.7	(9.5)	18%
Selling, general and administrative	4.0	4.5	(0.5)	11%
Restructuring charges	0.2	—	0.2	(100)%
Depreciation and amortization	3.5	3.3	0.2	(6)%
Asset impairment charges	—	30.0	(30.0)	100%
Operating loss	$ (1.2)	$ (28.7)	$ 27.5	96%
Operating loss margin	(2)%	(46)%		

Net Sales. Net sales decreased $12.1 million for the three months ended April 30, 2020 compared to the same period in 2019. Approximately $10.7 million of the decrease in sales was due to lower volume related to customer strategic shifts and the impacts of COVID-19. Raw materials surcharges and price declines reduced sales by an additional $1.4 million.

Cost of Sales. Cost of sales decreased $9.5 million, or 18%, for the three months ended April 30, 2020 compared with the same period in 2019 primarily as a result of lower volume, including a corresponding decrease in selling expenses as a result of the impacts of COVID-19 as mentioned above.

Selling, General and Administrative. Selling, general and administrative expense decreased $0.5 million for the three months ended April 30, 2020 compared to the same period in 2019, largely driven by lower compensation expense.

Restructuring Charges. Restructuring charges incurred during the three months ended April 30, 2020 related to severance, equipment moving and other charges incurred for a plant closure as further described in Note 1, "Nature of Operations and Basis of Presentation - *Restructuring*" to the accompanying unaudited condensed consolidated financial statements contained elsewhere herein.

Unallocated Corporate & Other

	Three Months Ended April 30,			
	2020	2019	$ Change	Variance %
	(Dollars in millions)			
Net sales	$ (1.0)	$ (1.5)	$ 0.5	33%
Cost of sales (excluding depreciation and amortization)	(0.6)	(1.2)	0.6	(50)%
Selling, general and administrative	(2.6)	1.3	(3.9)	300%
Depreciation and amortization	0.1	0.1	—	—%
Operating income (loss)	$ 2.1	$ (1.7)	$ 3.8	224%

Net Sales. Net sales for Unallocated Corporate & Other represents the elimination of inter-segment sales for the three months ended April 30, 2020 and 2019.

Cost of Sales. Cost of sales for Unallocated Corporate & Other consists of the elimination of inter-segment sales, profit in inventory, and other costs.

Selling, General and Administrative. Selling, general and administrative expenses decreased $3.9 million for the three months ended April 30, 2020 compared to the same period in 2019. This decrease is attributable to (i) $3.5 million of lower compensation expense related to lower incentive accruals and reductions in the valuations of our stock based compensation awards, (ii) $1.0 million of lower medical expenses due to a lower claims experience during the three months ended April 30, 2020 as compared to the prior year period, and (iii) lower transaction costs. The decrease was partially offset by an increase of $0.8 million related to executive severance expense.

Changes related to Non-Operating Items:

Interest Expense. Interest expense decreased $1.0 million for the three months ended April 30, 2020 compared to the same period in 2019 as a result of lower interest rates during the period.

Other, net. The increase in other, net of $0.3 million for the three months ended April 30, 2020 compared to the same period in 2019 relates to foreign currency translation gains and an increase in the pension service benefit.

Income Taxes. We recorded income tax expense of $2.1 million on pre-tax income of $7.6 million for the three months ended April 30, 2020, an effective rate of 27.9% and income tax expense of $2.0 million on a pre-tax loss of $22.0 million for the three months ended April 30, 2019, an effective rate of 8.9%. The difference in the effective rate between these periods is primarily related to the asset impairment charge recorded during the three months ended April 30, 2019, which did not generate a significant tax benefit.

Six Months Ended April 30, 2020 Compared to Six Months Ended April 30, 2019

	Six Months Ended April 30,			
	2020	**2019**	**Change $**	**% Variance**
	(Dollars in millions)			
Net sales	$ 384.1	$ 415.0	$ (30.9)	(7)%
Cost of sales (excluding depreciation and amortization)	307.2	329.9	(22.7)	7 %
Selling, general and administrative	40.8	51.7	(10.9)	21 %
Restructuring charges	0.4	0.2	0.2	(100)%
Depreciation and amortization	24.8	25.0	(0.2)	1 %
Asset impairment charges	—	30.0	(30.0)	100 %
Operating income (loss)	$ 10.9	$ (21.8)	$ 32.7	150 %
Interest expense	(3.1)	(5.0)	1.9	38 %
Other, net	0.3	0.2	0.1	50 %
Income tax expense	(2.6)	(1.0)	(1.6)	(160)%
Net income (loss)	$ 5.5	$ (27.6)	$ 33.1	120 %

Our period-over-period results by reportable segment follow.

Changes Related to Operating Income by Reportable Segment:

NA Fenestration

	Six Months Ended April 30,			
	2020	2019	$ Change	% Variance
	(Dollars in millions)			
Net sales	$ 219.0	$ 224.4	$ (5.4)	(2)%
Cost of sales (excluding depreciation and amortization)	173.8	177.2	(3.4)	2%
Selling, general and administrative	23.0	25.3	(2.3)	9%
Restructuring charges	0.2	0.2	—	—%
Depreciation and amortization	12.9	13.6	(0.7)	5%
Operating income	$ 9.1	$ 8.1	$ 1.0	12%
Operating income margin	4%	4%		

Net Sales. Net sales decreased $5.4 million, or 2%, for the six months ended April 30, 2020 compared to the same period in 2019, which was primarily driven by a decrease in volumes of $6.8 million, which includes the impacts of COVID-19. The decrease in volume was partially offset by increases in prices and surcharges of $1.4 million.

Cost of Sales. The cost of sales decreased $3.4 million, or 2%, when comparing the six months ended April 30, 2020 to the same period in 2019. Cost of sales decreased due to lower volumes during the period, including a corresponding decrease in selling expenses as a result of the impacts of COVID-19 as mentioned above.

Selling, General and Administrative. Selling, general and administrative expenses decreased $2.3 million, or 9%, when comparing the six months ended April 30, 2020 to the same period in 2019. This decrease was due primarily to lower incentive compensation expense.

Restructuring Charges. Restructuring charges for each of the six month periods ended April 30, 2020 and 2019 of $0.2 million relate to facility lease expense for a vinyl extrusion plant which was closed in January 2017 in the U.S. that has not been sublet or otherwise exited as of April 30, 2020.

Depreciation and Amortization. Depreciation and amortization expense decreased $0.7 million when comparing the six months ended April 30, 2020 and 2019, reflecting the run-off of depreciation expense related to existing assets and disposals during the period.

EU Fenestration

	Six Months Ended April 30,			
	2020	2019	$ Change	Variance %
	(Dollars in millions)			
Net sales	$ 66.0	$ 76.9	$ (10.9)	(14)%
Cost of sales (excluding depreciation and amortization)	46.2	53.4	(7.2)	13%
Selling, general and administrative	11.3	11.4	(0.1)	1%
Depreciation and amortization	4.7	4.5	0.2	(4)%
Operating income	$ 3.8	$ 7.6	$ (3.8)	(50)%
Operating income margin	6%	10%		

Net Sales. Net sales decreased $10.9 million, or 14%, when comparing the six months ended April 30, 2020 to the same period in 2019. Net sales volumes decreased $10.6 million year-over-year, which includes of the impacts of COVID-19, and $1.2 million due to unfavorable foreign currency rate changes. These decreases were slightly offset by $0.9 million of base price increases.

Cost of Sales. The cost of sales increased $7.2 million, or 13%, for the six months ended April 30, 2020 compared to the same period in 2019. Cost of sales decreased due to lower volumes during the period, including a corresponding decrease in selling expenses as a result of the impacts of COVID-19 as mentioned above.

Selling, General and Administrative. Selling, general and administrative expense remained flat for the six months ended April 30, 2020 compared to the same period in 2019. Savings from temporary COVID-19 related workforce furloughs and favorable foreign currency exchange rate changes were partially offset by normal compensation inflation.

NA Cabinet Components

	Six Months Ended April 30,			
	2020	2019	$ Change	Variance %
	(Dollars in millions)			
Net sales	$ 100.7	$ 116.7	$ (16.0)	(14)%
Cost of sales (excluding depreciation and amortization)	88.0	101.6	(13.6)	13%
Selling, general and administrative	8.8	9.4	(0.6)	6%
Restructuring charges	0.2	—	0.2	(100)%
Depreciation and amortization	6.9	6.6	0.3	(5)%
Asset impairment charges	—	30.0	(30.0)	100%
Operating loss	$ (3.2)	$ (30.9)	$ 27.7	90%
Operating loss margin	(3)%	(26)%		

Net Sales. Net sales decreased $16.0 million, or 14%, for the six months ended April 30, 2020 compared to the same period in 2019. Approximately $13.5 million of the decrease in sales was due to lower volume related to customer strategic shifts and the impacts of COVID-19. Raw materials surcharges and price declines reduced sales by an additional $2.5 million.

Cost of Sales. Cost of sales decreased $13.6 million, or 13%, for the six months ended April 30, 2020 compared with the same period in 2019 as a result of lower volume, including a corresponding decrease in selling expenses as a result of the impacts of COVID-19 as mentioned above.

Selling, General and Administrative. Selling, general and administrative expense decreased $0.6 million, or 6%, for the six months ended April 30, 2020 compared to the same period in 2019, largely driven by lower compensation expense.

Restructuring Charges. Restructuring charges of $0.2 million in the six months ended April 30, 2020 related to severance, equipment moving and other charges incurred for a plant closure as further described in Note 1, "Nature of Operations and Basis of Presentation - *Restructuring*" to the accompanying unaudited condensed consolidated financial statements contained elsewhere herein.

Asset impairment charges. Asset impairment charges of $30.0 million for the six months ended April 30, 2019 represent a goodwill impairment which was recorded as a result of an industry-wide shift from custom cabinets to stock cabinets.

Unallocated Corporate & Other

	Six Months Ended April 30,			
	2020	2019	$ Change	Variance %
	(Dollars in millions)			
Net sales	$ (1.6)	$ (3.0)	$ 1.4	47%
Cost of sales (excluding depreciation and amortization)	(0.8)	(2.3)	1.5	(65)%
Selling, general and administrative	(2.3)	5.6	(7.9)	141%
Depreciation and amortization	0.3	0.3	—	—%
Operating income (loss)	$ 1.2	$ (6.6)	$ 7.8	118%

Net Sales. Net sales for Unallocated Corporate & Other represents the elimination of inter-segment sales for the six months ended April 30, 2020 and 2019.

Cost of Sales. Cost of sales for Unallocated Corporate & Other consists of the elimination of inter-segment sales, profit in inventory, and other costs.

Selling, General and Administrative. Selling, general and administrative expenses decreased $7.9 million for the six months ended April 30, 2020 compared to the same period in 2019. This decrease is attributable to (i) $3.9 million of lower medical expenses due to a lower claims experience during the six months ended April 30, 2020 as compared to the prior year period, (ii) $3.3 million of lower compensation expense related to the valuations of our stock based compensation awards and reductions in incentive accruals, and (iii) lower transaction costs of $0.9 million. The overall decrease was partially offset by higher executive severance expense of $0.2 million.

Changes related to Non-Operating Items:

Interest Expense. Interest expense decreased $1.9 million for the six months ended April 30, 2020 compared to the same period in 2019 as a result of lower interest rates.

Other, net. The increase in other, net of $0.1 million at April 30, 2020 compared to the same period in 2019 relates primarily to an increase in net pension service benefits.

Income Taxes. We recorded income tax expense of $2.6 million on pre-tax income of $8.1 million for the six months ended April 30, 2020, an effective rate of 31.7% and income tax expense of $1.0 million on a pre-tax loss of $26.7 million for the six months ended April 30, 2019, an effective rate of 3.6%. The difference in the effective rates between these periods is primarily due to the fact that a majority of the asset impairment charge in the North American Cabinet Components segment recorded during the six months ended April 30, 2019 did not generate a tax benefit.

Liquidity and Capital Resources

Overview

Historically, our principal sources of funds have been cash on hand, cash flow from operations, and borrowings under our credit facilities.

We maintain a $325.0 million revolving credit facility (the Credit Facility) that matures in 2023 (5-year term) and requires interest payments calculated at a variable market rate depending upon our Consolidated Leverage Ratio. The applicable rate during the six months ended April 30, 2020 was LIBOR + 1.50%. Our cost of capital could increase depending upon the Consolidated Leverage Ratio at the end of any given quarter. In addition to the Consolidated Leverage Ratio covenant, we are required to meet a Consolidated Interest Coverage Ratio covenant, and there are limitations on certain transactions including our ability to incur indebtedness, incur liens, dispose of material assets, acquire businesses, make restricted payments and pay dividends (limited to $20.0 million per year). We are amortizing deferred financing fees of $1.1 million straight-line over the remaining term of the facility. For further details of the Credit Facility, refer to Note 5, "Debt and Finance Lease Obligations" to the accompanying unaudited condensed consolidated financial statements contained elsewhere herein.

As of April 30, 2020, we had $80.3 million of cash and equivalents, $216.0 million outstanding under the Credit Facility, $4.8 million of outstanding letters of credit and $15.4 million outstanding under finance leases and other debt. We had $104.2 million available for use under the Credit Facility at April 30, 2020.

We repatriated $3.1 million and $5.3 million of foreign cash during the six months ended April 30, 2020 and 2019, respectively. We expect to repatriate excess cash moving forward and utilize the funds to retire debt or meet current working capital needs. Funds from operations may be impacted by softer demand and liquidity concerns of our customers as a result of COVID-19. In the U.K., we insure against a portion of our credit losses. In light of the COVID-19 pandemic, the Company has implemented a range of actions aimed at reducing costs and preserving liquidity. We believe our business model, our current cash reserves and the recent steps we have taken to strengthen our balance sheet leave us well-positioned to manage our business as a going concern and remain in compliance with our debt covenants through the COVID-19 crisis as it continues to unfold.

Analysis of Cash Flow

The following table summarizes our cash flow results for the six months ended April 30, 2020 and 2019:

	Six Months Ended April 30,	
	2020	**2019**
	(In millions)	
Cash provided by operating activities	$ 2.5	$ 0.1
Cash used for investing activities	$ (16.3)	$ (12.7)
Cash provided by financing activities	$ 63.5	$ 3.9

Operating Activities. Cash provided by operating activities for the six months ended April 30, 2020 increased approximately $2.4 million compared to the six months ended April 30, 2019. Cash receipts were favorably impacted by an increase in net income due to favorable operating results prior to the impacts of COVID-19. Our ability to continue operations and deliver orders as an essential service provider mitigated some of the effects of COVID-19, allowing overall growth in cash provided by operating activities as compared to 2019. To date, slower paying customers as a result of COVID-19 have not significantly impacted our liquidity, but this could become a concern in the future.

Investing Activities. Cash used for investing activities increased $3.6 million when comparing the six months ended April 30, 2020 to the same period in 2019 as a result of higher capital expenditures.

As a result of the outbreak of the COVID-19 pandemic, we reduced capital expenditure plans by approximately 30% to 35% for the year ended October 31, 2020. We expect to fund our capital expenditures through cash on hand, cash generated from operations, and cash borrowed under our Credit Facility, as necessary.

Financing Activities. Cash provided by financing activities was $63.5 million for the six months ended April 30, 2020, primarily attributable to $73.0 million of net debt borrowings. In March 2020, we borrowed $50.0 million under our credit facility. We did this as a precautionary measure to ensure funds were available to meet our obligations during the COVID-19 pandemic. This borrowing was subsequently repaid in May 2020. In the future, we may be required to borrow additional funds in order to be prepared for any unforeseen impacts of the COVID-19 pandemic.

In addition to our net debt borrowings, we also received $3.0 million of proceeds from stock option exercises. Our proceeds were partially offset by $6.7 million related to the purchase of treasury stock and $5.3 million of dividends paid to our shareholders.

For the six months ended April 30, 2019, cash provided by financing activities was $3.9 million, primarily attributable to $14.2 million of net borrowings of debt, partially offset by dividends paid to our shareholders of $5.3 million, and $4.7 million related to the purchase of treasury stock.

Liquidity Requirements

Historically, our strategy for deploying cash has been to invest in organic growth opportunities, develop our infrastructure, and explore strategic acquisitions. Other uses of cash include paying cash dividends to our shareholders and repurchasing our common stock. As of April 30, 2020, we also had a higher than usual cash balance in order to be prepared for any unforeseen impacts of the COVID-19 pandemic. During the six months ended April 30, 2020 and 2019, we repatriated $3.1 million and $5.3 million, respectively, of foreign earnings from our foreign locations. We maintain cash balances in foreign countries which total $15.1 million as of April 30, 2020.

Critical Accounting Policies and Estimates

The preparation of our financial statements in accordance with accounting principles generally accepted in the U.S. (U.S. GAAP) requires us to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and related disclosures of contingent assets and liabilities. Estimates and assumptions about future events and their effects cannot be perceived with certainty. Estimates may change as new events occur, as more experience is acquired, as additional information becomes available and as our operating environment changes. We base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances, and that we believe provide a basis for making judgments about the carrying value of assets and liabilities that are not readily available through open market quotes. We must use our judgment with regard to uncertainties in order to make these estimates. Actual results could differ from these estimates.

For a description of our critical accounting policies and estimates, see our Annual Report on Form 10-K for the fiscal year ended October 31, 2019. During the six months ended April 30, 2020, we adopted new lease accounting guidance. For further details of this change, refer to "Part I, Financial Information" of this Quarterly Report on Form 10-Q.

While there have been no changes in the application of principles, methods, and assumptions used to determine our significant estimates, we may be required to revise certain accounting estimates and judgments related to the economic and business impact of the COVID-19 pandemic, such as, but not limited to, those related to the valuation of goodwill, intangibles, long-lived assets, accounts receivable, and inventory, which could have a material adverse effect on our financial position and results of operations.

New Accounting Pronouncements

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board (FASB) or other standards setting bodies that we adopt as of the specified effective date. Unless otherwise discussed, we believe the impact of any recently issued standards that are not yet effective are either not applicable to us at this time or will not have a material impact on our consolidated financial statements upon adoption.

In June 2016, the FASB issued Accounting Standards Update No. 2016-13, Financial Instruments - Credit Losses (Topic 326). This amendment replaces the incurred loss impairment methodology in current U.S. GAAP and requires that financial assets be measured on an amortized cost basis and presented at the net amount expected to be collected. This new methodology reflects expected credit losses (rather than probable credit losses) and requires consideration of a broader range of supportable information when determining these estimated credit losses, including relevant experience, current conditions and supportable forecasts to determine collectability. In addition, the amendment provides guidance with regard to the use of an allowance for credit losses for purchased financial assets and available-for-sale debt securities. This amendment becomes effective for fiscal years beginning after December 15, 2019, including interim periods within that fiscal year. We expect to adopt this amendment during fiscal 2021, with no material impact on our consolidated financial statements.

Refer to our Annual Report on Form 10-K for the year ended October 31, 2019 for additional standards we are currently evaluating.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The following discussion of our exposure to various market risks contains "forward looking statements" regarding our estimates, assumptions and beliefs concerning our exposure. Although we believe these estimates and assumptions are reasonable in light of information currently available to us, we cannot provide assurance that these estimates will not materially differ from actual results due to the inherent unpredictability of interest rates, foreign currency rates and commodity prices as well as other factors. We do not use derivative financial instruments for speculative or trading purposes.

Interest Rate Risk

Our outstanding debt bears interest at variable rates and accordingly is sensitive to changes in interest rates. Based upon the balances of the variable rate debt at April 30, 2020, a hypothetical 1.0% increase or decrease in interest rates could result in approximately $2.2 million of additional pretax charges or credit to our operating results per year. This sensitivity is impacted by the amount of borrowings under our credit facilities, and amounts outstanding under finance leases.

Foreign Currency Rate Risk

Our international operations have exposure to foreign currency rate risks, primarily due to fluctuations in the Euro, the British Pound Sterling and the Canadian Dollar. From time to time, we enter into foreign exchange contracts associated with our operations to manage a portion of the foreign currency rate risk. Less than $0.1 million of foreign currency derivatives were included in total assets as of October 31, 2019. There were no corresponding foreign currency derivatives recorded on the Condensed Consolidated Balance Sheet as of April 30, 2020. These foreign currency derivative contracts hedge cross-border intercompany and commercial activity for our insulating glass spacer business. Although these derivatives hedge our exposure to fluctuations in foreign currency rates, we do not apply hedge accounting and therefore, the change in the fair value of these foreign currency derivatives is recorded directly to other income and expense in the accompanying condensed consolidated statements of income (loss). To the extent the gain or loss on the derivative instrument offsets the gain or loss from the re-measurement of the underlying foreign currency balance, changes in exchange rates should have no effect.

Commodity Price Risk

We purchase PVC as the significant raw material consumed in the manufacture of vinyl extrusions. We have a monthly resin adjuster in place with a majority of our customers and our resin supplier that is adjusted based upon published industry indices for resin prices for the prior month. This adjuster effectively shares the base pass-through price changes of PVC with our customers commensurate with the market at large. Our long-term exposure to changes in PVC prices is somewhat mitigated due to the contractual component of the resin adjuster program. However, there is a level of exposure to short-term volatility due to the one month lag.

We have historically charged certain customers a surcharge related to petroleum-based raw materials. The surcharge was intended to offset the rising cost of products which are highly correlated to the price of oil including butyl and other oil-based raw materials. The surcharge is in place with the majority of our customers who purchase these products and is adjusted monthly based upon the 90-day average published price for Brent crude. The oil-based raw materials that we purchase are subject to similar pricing schemes. As such, our long-term exposure to increases in oil-based raw material prices is significantly reduced under this surcharge program, but given the recent disruptions in the oil and gas market, we bear an obligation to repay customers for the fall in commodity price that is not reflected in the pricing of products sold to them.

Similarly, our NA Cabinet Components business includes a surcharge provision in the majority of its customer arrangements to insulate against significant fluctuations in the price for various hardwood products used as the primary raw material for kitchen and bathroom cabinet doors. We are exposed to short-term volatility in wood prices due to a lag in the timing of price updates which generally could extend for up to three months.

While we maintain surcharges and other adjusters to manage our exposure to changes in the prices of our critical raw materials, we utilize several commodities in our business that are not covered by contractual surcharges or adjusters for which pricing can fluctuate, including titanium dioxide (TiO_2), silicone and other inputs. Further discussion of our industry risks is included within our Annual Report on Form 10-K for the year ended October 31, 2019.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures pursuant to Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (1934 Act) as of April 30, 2020. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of April 30, 2020, the disclosure controls and procedures are effective.

Changes in Internal Control over Financial Reporting

There have been no changes in internal controls over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the 1934 Act) during the most recent fiscal quarter that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1A. Risk Factors

Company Risks

Epidemics, pandemics or other disease outbreaks could significantly disrupt our operations or those of our customers or suppliers.

Our business could be materially and adversely affected by the occurrence of a widespread health epidemic or pandemic. In particular, any outbreak or resurgence of COVID-19, or any governmental imposition of mandatory or voluntary closures in areas where our manufacturing facilities, suppliers or customers are located, could severely disrupt our operations and result in (a) plant slowdowns or shutdowns, (b) difficulty obtaining necessary supplies, and (c) reduced customer orders and revenues. In addition to this potential direct impact on our facilities and operations, continuing outbreaks of the virus could negatively impact our industry and end markets as a whole, or result in a longer-term economic recession. Any of these factors could negatively affect our business, financial condition, cash flows, profitability, and results of operations.

The COVID-19 pandemic could also create inefficiencies or interruptions in the supply chain as our suppliers may be forced to close their own plants or prove unable to obtain their own raw materials. If our suppliers are unable to timely meet our supply needs, it could impact our ability to provide our customers with high quality products on a timely basis, which could result in order cancellations, delivery refusals, price concessions, or other negative customer outcomes, any of which could negatively impact our business, revenues, financial condition, results of operations and liquidity. We could also be forced to pay higher prices for the supplies we purchase, which could negatively impact our results of operations and profitability.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities

During the three months ended April 30, 2020, we repurchased common stock as follows:

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs [1]	(d) Maximum US Dollars Remaining that May Yet Be Used to Purchase Shares Under the Plans or Programs [1]
February 2020	—	$ —	—	$ 13,776,306
March 2020	149,937	13.70	149,937	11,722,595
April 2020	—	—	—	$ 11,722,595
Total	149,937	$ 13.70	149,937	

[1] On August 30, 2018, our Board of Directors approved a stock repurchase program that authorized the repurchase of up to $60.0 million worth of shares of our common stock. Repurchases under the new program will be made in open market transactions or privately negotiated transactions, subject to market conditions, applicable legal requirements and other relevant factors. The program does not have an expiration date or a limit on the number of shares that may be repurchased.

Item 5. Other Information

In February 2020, the stockholders of Quanex Building Products Corporation (the "*Company*") approved the adoption of the Quanex Building Products Corporation 2020 Omnibus Incentive Plan (as approved, the "*2020 Plan*"). The 2020 Plan provides for the granting of various equity awards, including restricted stock, stock options, stock appreciation rights, restricted stock units, performance shares, performance units, annual incentive awards, other stock-based awards and cash-based awards.

For more information related to the contents of the 2020 Plan, please see the description of the 2020 Plan under Proposal No. 2 included in the Company's Definitive Proxy Statement relating to its 2020 Annual Meeting of Stockholders, as filed with the Securities and Exchange Commission on January 29, 2020, which description of the 2020 Plan is incorporated herein by reference. For the full text of the 2020 Plan, please see Exhibit 10.2 of the Company's Current Report on Form 8-K, as filed with the Securities and Exchange Commission on March 2, 2020.

The Company's Compensation and Management Development Committee (the "*Committee*") has adopted new forms of award agreement to be used in connection with future grants of various awards under the 2020 Plan. The Committee has approved new form award agreements for each of the following award types:

- Annual Incentive Awards
- Restricted Stock Awards
- Restricted Stock Unit Awards
- Performance Share Awards
- Performance Restricted Stock Unit Awards
- Director Performance Restricted Stock Unit Awards

From time to time in the future, and pursuant to the terms and conditions of the award forms noted above and the 2020 Plan, the Committee may grant annual or long-term incentive awards to employees and directors of the Company as permitted by the 2020 Plan.

The award forms as approved by the Committee are attached to this Quarterly Report on Form 10-Q as Exhibits 10.1, 10.2, 10.3, 10.4, 10.5, and 10.6. Each form attached hereto as an Exhibit is incorporated by reference herein. The Restricted Stock Award form attached hereto as Exhibit 10.2 replaces the Restricted Stock Award form that was previously filed by the Company as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended January 31, 2020.

Item 6. Exhibits

The exhibits required to be furnished pursuant to Item 6 are listed in the Exhibit Index filed herewith, which Exhibit Index is incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	QUANEX BUILDING PRODUCTS CORPORATION
Date: June 5, 2020	/s/ Scott M. Zuehlke
	Scott M. Zuehlke
	Senior Vice President - Chief Financial Officer & Treasurer (Principal Financial Officer)

EXHIBIT INDEX

Exhibit Number	Description of Exhibits
3.1	Restated Certificate of Incorporation of the Registrant dated as of March 4, 2016, filed as Exhibit 3.1 of the Registrant's Current Report on Form 8-K (Reg. No. 001-33913) as filed with the Securities and Exchange Commission on March 7, 2016, and incorporated herein by reference.
3.2	Fourth Amended and Restated Bylaws of the Registrant dated as of February 27, 2020, filed as Exhibit 3.2 of the Registrant's Quarterly Report on Form 10-Q (Reg. No. 001-33913) for the quarter ended January 31, 2020.
4.1	Form of Registrant's Common Stock certificate, filed as Exhibit 4.1 of Amendment No. 1 to the Registrant's Registration Statement on Form 10 (Reg. No. 001-33913) as filed with the Securities and Exchange Commission on February 14, 2008, and incorporated herein by reference.
4.2	Credit Agreement dated as of October 18, 2018, by and among the Company; the lenders party thereto; and Wells Fargo Bank, National Association, as Agent; filed as Exhibit 10.1 of the Registrant's Current Report on Form 8-K (Reg. No. 001-33913) as filed with the Securities and Exchange Commission on October 18, 2018, and incorporated herein by reference.
*†10.1	Form of Annual Incentive Award Agreement for Employees under the Quanex Building Products Corporation 2020 Omnibus Incentive Plan.
*†10.2	Form of Restricted Stock Award Agreement for Employees under the Quanex Building Products Corporation 2020 Omnibus Incentive Plan.
*†10.3	Form of Restricted Stock Unit Award Agreement for Employees under the Quanex Building Products Corporation 2020 Omnibus Incentive Plan.
*†10.4	Form of Performance Share Award Agreement for Employees under the Quanex Building Products Corporation 2020 Omnibus Incentive Plan.
*†10.5	Form of Performance Restricted Stock Unit Award Agreement for Employees under the Quanex Building Products Corporation 2020 Omnibus Incentive Plan.
*†10.6	Form of Performance Restricted Stock Unit Award Agreement for Directors under the Quanex Building Products Corporation 2020 Omnibus Incentive Plan.
*31.1	Certification by chief executive officer pursuant to Rule 13a-14(a)/15d-14(a).
*31.2	Certification by chief financial officer pursuant to Rule 13a-14(a)/15d-14(a).
*32.1	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
*101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
*101.SCH	XBRL Taxonomy Extension Schema Document
*101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
*101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
*101.LAB	XBRL Taxonomy Extension Label Linkbase Document
*101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith
† Management Compensation or Incentive Plan

As permitted by Item 601(b)(4)(iii)(A) of Regulation S-K, the Registrant has not filed with this Quarterly Report on Form 10-Q certain instruments defining the rights of holders of long-term debt of the Registrant and its subsidiaries because the total amount of securities authorized under any of such instruments does not exceed 10% of the total assets of the Registrant and its subsidiaries on a consolidated basis. The Registrant agrees to furnish a copy of any such agreements to the Securities and Exchange Commission upon request.

QUANEX BUILDING PRODUCTS CORPORATION

ANNUAL INCENTIVE AWARD AGREEMENT

[____________________]
Grantee

Date of Award:	[____________________]
Individual Annual Incentive Target:	Threshold: [__]%
	Target: [__]%
	Maximum: [__]%

ANNUAL INCENTIVE AWARD

1. <u>GRANT OF ANNUAL INCENTIVE AWARD</u>. The Compensation Committee (the "*Committee*") of the Board of Directors of Quanex Building Products Corporation, a Delaware corporation (the "*Company*"), subject to the terms and provisions of the Quanex Building Products Corporation 2020 Omnibus Incentive Plan (the "*Plan*"), hereby awards to you, the above-named Grantee, effective as of the Date of Award set forth above, an Annual Incentive Award under the Plan on the terms and conditions set forth in this Annual Incentive Award Agreement (this "*Agreement*").

Under this Annual Incentive Award you have an opportunity to earn an incentive cash payment based upon the achievement of the Performance Goals assigned to you by the Committee for the one-year period beginning November 1, [__], and ending October 31, [__] (the "*Performance Period*"), as compared with the Threshold Milestone, Target Milestone and Maximum Milestone established for you by the Committee for the Performance Period.

2. <u>ACHIEVED INDIVIDUAL INCENTIVE</u>. The aggregate amount payable to you under this Agreement as your Annual Incentive Award for the Performance Period is equal to your Achieved Individual Incentive for the Performance Period multiplied by your Salary (as defined below) for the Performance Period. The term "*Achieved Individual Incentive*" means the amount determined by the Committee using the following guidelines below:

2.1 If (a) the Target Milestones are achieved for the Performance Period (but the Maximum Milestones are not achieved for the Performance Period) and (b) you remain in the active employ of the Company Group through the last day of the Performance Period (except as otherwise provided in this Agreement), then the Achieved Individual Incentive will be equal to the Individual Incentive Target set forth above multiplied by [number] [fraction] ____.

2.2 If (a) the Maximum Milestones are achieved for the Performance Period and (b) you remain in the active employ of the Company Group through the last day of the Performance Period (except as otherwise provided in this Agreement), then the Achieved Individual Incentive will be equal to the Individual Incentive Target set forth above multiplied by [number] [fraction] ____.

2.3 If (a) the Threshold Milestones are achieved for the Performance Period (but the Target Milestones are not achieved for the Performance Period) and (b) you remain in the active employ of the Company Group through the last day of the Performance Period (except as otherwise provided in this Agreement), then the Achieved Individual Incentive will be equal to the Individual Incentive Target set forth above multiplied by [number] [fraction] ____.

2.4 If the performance standard achieved with respect to a particular Performance Goal is between the Threshold Milestone and the Target Milestone or between the Target Milestone and the Maximum Milestone, the applicable Achieved Individual Incentive shall be determined by interpolation.

For example, assume that the Committee grants an employee an annual incentive award under the Plan that is contingent upon achieving Performance Goal A and Performance Goal B, weighting the importance of the goals equally as 50% and 50%, respectively. The Committee establishes Threshold, Target and Maximum Milestones for each Performance Goal. The Individual Annual Incentive Target is 100% if the Target Milestones are met, 200% if the Maximum Milestones are met and 75% if the Threshold Milestones are met. Finally, assume that the employee earns a Salary of $100,000 during the Performance Period, is continuously employed by the Company throughout the Performance Period and achieves the Maximum Milestone for Performance Goal A, and precisely halfway between the Target and Maximum Milestones for Performance Goal B. The total amount payable to the employee under the award is $175,000, which is determined as follows: The amount payable to the employee with respect to Performance Goal A is $100,000 (50% (Performance Goal Percentage) x $100,000 (Salary) x 200% (Achieved Individual Incentive at "Maximum") = $100,000), and the amount payable to the employee with respect to Performance Goal B is $75,000 (50% (Performance Goal Percentage) x $100,000 (Salary) x 150% (Achieved Individual Incentive interpolated halfway between "Target" and "Maximum") = $75,000).

2.5 The term "*Salary*" means the cash amounts paid or payable by the Company Group to you as regular compensation for services rendered during the Performance Period (whether or not deferred), exclusive of bonuses, awards, severance payments, reimbursement of expenses, or fringe benefits.

2.6 The Committee may increase or decrease the amount payable under this Agreement in its sole discretion.

2.7 The Committee's determinations with respect to the Performance Period for purposes of this Agreement shall be binding upon all persons.

3. <u>PAYMENT</u>. Any amount payable to you pursuant to this Agreement will be paid to you by the legal entity that is a member of the Company Group and that is classified by the Company Group as your employer (the "*Employer*") (or the Company, if applicable) as soon as practicable after the end of the Performance Period but no later than March 15 of the calendar year following the fiscal year in which the Performance Period ends (the "*Payment Date*").

4. <u>SEPARATION FROM SERVICE/CHANGE IN CONTROL OF THE COMPANY</u>. Notwithstanding anything to the contrary in this Agreement, the following provisions will apply in the event of your Separation from Service (within the meaning of Section 409A (your "*Separation from Service*")) from the Company and all Affiliates (the "*Company Group*"), on or before the last day of the Performance Period.

4.1 <u>Separation from Service Generally</u>. Except as otherwise expressly provided to the contrary in this Section 4, in the event of your Separation from Service on or before the end of the Performance Period, all of your rights in this Agreement, including all rights to the Annual Incentive Award, will lapse and be completely forfeited without consideration on the date your employment terminates.

4.2 <u>Change in Control.</u> If a "*Change in Control*" (as defined in the Plan) of the Company occurs on or before the last day of the Performance Period, you do not incur a Separation from Service prior to that time, and the successor company in the Change in Control does not otherwise assume or substitute for the award granted hereby, then no later than ten (10) business days after the closing date of the Change in Control of the Company, the Company or its successor will pay to you an amount in cash equal to the product of (A) the Target Annual Incentive that would be paid to you under this Agreement and (B) a fraction, the numerator of which is the number of days in the current fiscal year through the closing date of the Change in Control and the denominator of which is 365. Notwithstanding the foregoing, if a Change in Control constitutes a payment event with respect to the deferral of compensation and payment hereunder is subject to Section 409A, then the transaction or event with respect to such payment must also constitute a "*change in control event*," as defined in Treasury Regulation §1.409A-3(i)(5) to the extent required by Section 409A, and if it does not, and the payment does not meet any other exemption under Section 409A, then payment shall be made when it otherwise would have been made, notwithstanding the Change in Control.

If this award is assumed or substituted for in connection with a Change in Control, and if you incur an involuntary termination by the Company or its successor without Cause, or you voluntarily terminate employment for Good Reason, in each case following the effective date of a Change in Control of the Company and while the Performance Period associated with this Award is still in effect (or if the Performance Period is complete but the Award has not yet been paid), then this award shall vest in full (based on the Target Annual Incentive amount) upon such termination. For purposes of this Award, the following terms are defined as follows:

"Cause" means any action or inaction by you that constitutes (a) gross negligence or willful misconduct in connection with your duties or in the course of your employment with the Company; (b) any act of fraud, embezzlement or theft in connection with your duties or in the course of employment with the Company; (c) intentional wrongful damage to property of the Company; (d) a substantial failure by you to perform your duties after notice to you and a reasonable opportunity to cure; (e) your material breach of restrictive covenants contained in any Company policy or any agreement between you and the Company; or (f) your intentional wrongful disclosure of secret processes or confidential information of the Company.

"Good Reason" means, to the extent any such action has been taken without your written consent, the occurrence of any of the following events: (a) the Company or its successor assigns to you any duties materially inconsistent with your position (including offices, titles and reporting requirements), authority, duties or responsibilities with the Company in effect immediately before the occurrence of the Change in Control, or otherwise makes any material negative change in any such position, authority, duties or responsibilities; (b) the Company or its successor takes any other action that results in a material diminution in such position, authority, duties or responsibilities or otherwise take any action that materially interferes therewith; (c) the Company or its successor materially reduces your annual base salary or target annual bonus as in effect immediately before the occurrence of the Change in Control, other than as part of a reduction of less than ten percent (10%) that is applicable to all executives of the Company or its successor; or (d) the Company or its successor relocates your principal office more than fifty (50) miles from your principal office at the time of the Change in Control, provided that such relocation results in an increase to your daily commute time. A termination for Good Reason also requires that you give the Company written notice of the Good Reason facts and circumstances within sixty (60) days of after becoming aware (or should have become aware) of the applicable facts and circumstances, the Company has an opportunity to cure such circumstances within thirty (30) days after receipt of notice, and you must terminate employment within thirty (30) days after expiration of the Company's opportunity to cure.

4.3 <u>Disability</u>. In the event of your Separation from Service due to your Disability on or before the last day of the Performance Period, you will be entitled to receive, on the Payment Date, a cash amount equal to the product of (1) and (2) where (1) is the amount you would have received under this Agreement if you had not incurred a Separation from Service before the end of the Performance Period and (2) is a fraction, the numerator of which is the number of days from the beginning of the Performance Period through the date of your Separation from Service and the denominator of which is the number of days in the Performance Period.

4.4 <u>Death</u>. In the event of your Separation from Service due to your death on or before the last day of the Performance Period, your estate will be entitled to receive, on the Payment Date, a cash amount equal to the product of (1) and (2) where (1) is the amount you would have received under this Agreement if you had not incurred a Separation from Service before the end of the Performance Period and (2) is a fraction, the numerator of which is the number of days from the beginning of the Performance Period through the date of your Separation from Service and the denominator of which is the number of days in the Performance Period.

4.5 <u>Retirement</u>. In the event of your Separation from Service due to your Retirement on or before the last day of the Performance Period, you will be entitled to receive a cash amount, on the Payment Date, equal to the product of (1) and (2) where (1) is the amount you would have received under this Agreement if you had not incurred a Separation from Service before the end of the Performance Period and

(2) is a fraction, the numerator of which is the number of days from the beginning of the Performance Period through the date of your Separation from Service and the denominator of which is the number of days in the Performance Period. For purposes of this Section 4.5 "*Retirement*" means your voluntary Separation from Service on or after the date on which (a) you are age 65 or (b) you are age 55 and have five years of service with the Company Group.

5. TAX WITHHOLDING. To the extent that the receipt of this Agreement or payment pursuant to this Agreement results in income, wages or other compensation to you for any income, employment or other tax purposes with respect to which the Company or Employer, as applicable, has a withholding obligation, you shall deliver to the Company or Employer at the time of such receipt or payment, as the case may be, such amount of money as the Company or Employer may require to meet its obligation under applicable tax laws or regulations, and, if you fail to do so, the Company or Employer is authorized to withhold from any payment under this Agreement or from any cash or stock remuneration or other payment then or thereafter payable to you by the Company Group any tax required to be withheld by reason of such taxable income, wages or compensation.

6. NONTRANSFERABILITY. Your rights under this Agreement and to any Annual Incentive Award that may be payable to you under this Agreement may not be sold, assigned, pledged, exchanged, hypothecated or otherwise transferred, encumbered or disposed of (other than by will or the applicable laws of descent and distribution). Any such attempted sale, assignment, pledge, exchange, hypothecation, transfer, encumbrance or disposition in violation of this Agreement shall be void and the Company Group shall not be bound thereby.

7. CAPITAL ADJUSTMENTS AND REORGANIZATIONS. The existence of the Annual Incentive Award shall not affect in any way the right or power of the Company to make or authorize any adjustment, recapitalization, reorganization or other change in its capital structure or its business, engage in any merger or consolidation, issue any debt or equity securities, dissolve or liquidate, or sell, lease, exchange or otherwise dispose of all or any part of its assets or business, or engage in any other corporate act or proceeding.

8. NOT AN EMPLOYMENT AGREEMENT. This Agreement is not an employment agreement, and no provision of this Agreement shall be construed or interpreted to create an employment relationship between you and the Company or any Affiliate or guarantee the right to remain employed by the Company or any Affiliate for any specified term.

9. LIMIT OF LIABILITY. Under no circumstances will the Company or an Affiliate be liable for any indirect, incidental, consequential or special damages (including lost profits) of any form incurred by any person, whether or not foreseeable and regardless of the form of the act in which such a claim may be brought, with respect to the Plan.

10. REIMBURSEMENT OF EXECUTIVE COMPENSATION IN RESTATEMENT SITUATIONS. To the extent permitted by law, and as determined by the Board in its judgment, the Company may require reimbursement of a portion of any payment to you under this Agreement when (a) the award payment was predicated upon the achievement of certain financial results that were subsequently the subject of a material restatement and (b) a lower payment would have been made to you based upon the restated financial results. In each such instance, the Company will, to the extent practicable, seek to recover the amount by which your cash payment for the relevant period exceeded the lower payment that would have been made based on the restated financial results. If there are multiple performance metrics and one is more readily calculable to determine whether a lower payment should have been made, then the same ratio or percentage applicable for the readily calculable metric shall be applied to the other metric(s) so that the entire bonus amount is recovered on a pro-rata basis to the event. No reimbursement shall be required if such material restatement was caused by or resulted from any change in accounting policy or rules.

11. AGREEMENT TO REPAYMENT OF PERFORMANCE BASED INCENTIVE COMPENSATION WHEN PAYMENTS ARE REQUIRED UNDER FEDERAL LAW OR THE RULES OF AN EXCHANGE. You acknowledge that the Company is a publicly-traded entity subject to the laws and regulations of the United States Securities and Exchange Commission, as well as the requirements of the New York Stock Exchange. You further acknowledge that the Company's approved form agreements for performance-based incentive compensation granted to you contain certain "clawback" terms and provisions. You agree to the terms and conditions of any policy adopted by the Company to comply with, or any decision of the Company to adhere to, any requirement or policy of the New York Stock Exchange (or any other exchange on which the securities of the Company are listed) pursuant to Section 10D of the Securities Exchange Act of 1934 (the "*Policy*") from this point forward for any grants made previously or in the future. Section 10D provides for the recovery of incentive-based compensation that has been erroneously granted, earned, vested or paid because of one or more errors that are material in the financial statements of the Company. To the extent such Policy requires the repayment or recovery of incentive-based compensation granted to, or earned or received by you, or in which you vested, whether granted, vested, earned or paid pursuant to any past or future award agreements or any other plan of incentive-based compensation maintained in the past or adopted in the future by the Company, you agree to the forfeiture, recovery or repayment of such amounts to the extent required by such Policy.

12. EMPLOYER LIABLE FOR PAYMENT. Except as the Committee may determine otherwise in connection with a Change in Control, the Employer (or the Company, as applicable) is liable for the payment of any amounts that become due under this Agreement.

13. SECTION 409A OF THE INTERNAL REVENUE CODE. This Agreement and all payments made hereunder are intended to meet the short-term deferral exception described under section 1.409A-1(b)(4) of the applicable Treasury regulations, or otherwise comply with, Section 409A, and this Agreement shall be interpreted so as to effect that intent. By accepting this Award, you acknowledge and agree that (a) you are not relying upon any written or oral statement or oral statement or representation of the Company, its Affiliates, or any of their respective employees, directors, officers, attorneys or agents (collectively, the **"***Company Parties***"**) regarding the tax effects associated with execution of this Agreement and the payment made pursuant to the Plan, and (b) in deciding to enter into this Agreement, you are relying on your own judgment and the judgment of the professionals of your choice with whom you have consulted. By accepting this Award, you thereby release, acquit and forever discharge the Company Parties from all actions, causes of actions, suits, debts, obligations, liabilities, claims, damages, losses, costs and expenses of any nature whatsoever, known or unknown, on account of, arising out of, or in any way related to the tax effects associated with the Award and this Agreement.

14. **<u>DELAYED PAYMENT IN CERTAIN CIRCUMSTANCES</u>. NOTWITHSTANDING ANY OTHER PROVISION OF THIS AGREEMENT, IF YOU ARE A "*SPECIFIED EMPLOYEE*" (WITHIN THE MEANING OF SECTION 409A) AND THE COMPANY DETERMINES THAT A PAYMENT HEREUNDER IS NOT PERMITTED TO BE PAID ON THE DATE SPECIFIED WITHOUT THE IMPOSITION OF ADDITIONAL TAXES, INTEREST OR PENALTIES UNDER SECTION 409A, THEN NO PAYMENTS SHALL BE MADE TO YOU PURSUANT TO THIS AWARD DUE TO A SEPARATION FROM SERVICE FOR ANY REASON BEFORE THE EARLIER OF THE DATE THAT IS SIX MONTHS AND A DAY AFTER THE DATE ON WHICH YOU INCUR SUCH SEPARATION FROM SERVICE OR FIVE BUSINESS DAYS FOLLOWING THE DATE OF YOUR DEATH.**

15. **<u>MISCELLANEOUS</u>**. This Agreement is awarded pursuant to and is subject to all of the provisions of the Plan, including amendments to the Plan, if any. In the event of a conflict between this Agreement and the Plan provisions, the Plan provisions will control. The term "*you*" and "*your*" refer to the Grantee named in this Agreement. Capitalized terms that are not defined herein shall have the meanings ascribed to such terms in the Plan. This Agreement shall be binding on all successors and assigns of the Company.

In accepting the Annual Incentive Award set forth in this Agreement you accept and agree to be bound by all the terms and conditions of the Plan and this Agreement.

QUANEX BUILDING PRODUCTS CORPORATION

____

[Name]
[Title]

QUANEX BUILDING PRODUCTS CORPORATION

RESTRICTED STOCK AWARD AGREEMENT

[__________________]
Grantee

Date of Award: [__________________]

Number of Shares: [__________________]

General Vesting Schedule/Restricted Period: [__________________]

AWARD OF RESTRICTED STOCK

1. **GRANT OF RESTRICTED STOCK AWARD.** The Compensation Committee (the "*Committee*") of the Board of Directors of Quanex Building Products Corporation, a Delaware corporation (the "*Company*"), subject to the terms and provisions of the Quanex Building Products Corporation 2020 Omnibus Incentive Plan (the "*Plan*"), hereby awards to you, the above-named Grantee, effective as of the Date of Award set forth above (the "*Date of Award*"), that number of shares (the "*Shares*") of the Company's common stock, $0.01 par value per share (the "*Common Stock*"), set forth above as restricted stock (the "*Restricted Stock*") on the following terms and conditions:

During the Restricted Period, the Shares of Restricted Stock will be evidenced by entries in the stock register of the Company reflecting that such Shares of Restricted Stock have been issued in your name. For purposes of this Agreement, the term "*Restricted Period*" means the period designated above by the Committee during which the Restricted Stock may not be sold, assigned, transferred, pledged, or otherwise encumbered.

The Shares that are awarded hereby to you as Restricted Stock shall be subject to the prohibitions and restrictions set forth herein with respect to the sale or other disposition of such Shares and the obligation to forfeit and surrender such Shares to the Company under the circumstances set forth herein (the "*Forfeiture Restrictions*"). The Restricted Period and all Forfeiture Restrictions on the Restricted Stock covered hereby shall lapse as to those Shares when the Shares become vested and you meet all other terms and conditions of this Restricted Stock Award Agreement awarded to you (this "*Agreement*").

2. **SEPARATION FROM SERVICE/CHANGE IN CONTROL OF THE COMPANY.** The following provisions will apply in the event your employment with the Company and all Affiliates (collectively, the "*Company Group*") terminates, or a Change in Control of the Company occurs, before the end of the Restricted Period under this Agreement:

2.1 Termination Generally. Except as otherwise expressly provided to the contrary in this Section 2, if your employment with the Company Group terminates for any reason, the number of Shares of Restricted Stock then subject to Forfeiture Restrictions shall be forfeited to the Company without consideration on the date your employment terminates.

2.2 Change in Control of the Company. If a Change in Control (as such term is defined in the Plan) of the Company occurs while this Award remains outstanding, and the successor company in the Change in Control does not otherwise assume or substitute for this Award of Restricted Stock, then the unvested Restricted Stock subject to this Award shall vest in full immediately prior to the Change in Control.

If this Award is assumed or substituted for in connection with a Change in Control, and if you incur an involuntary termination by the Company or a successor without Cause, or you voluntarily terminate employment for Good Reason, in each case within twenty-four (24) months following the effective date of a Change in Control of the Company, then any unvested portion of this Award shall vest in full upon such termination. For purposes of this Award, the following terms are defined as follows:

"Cause" means any action or inaction by you that constitutes (a) gross negligence or willful misconduct in connection with your duties or in the course of your employment with the Company; (b) any act of fraud, embezzlement or theft in connection with your duties or in the course of employment with the Company; (c) intentional wrongful damage to property of the Company; (d) a substantial failure by you to perform your duties after notice to you and a reasonable opportunity to cure; (e) your material breach of restrictive covenants contained in any Company policy or any agreement between you and the Company; or (f) your intentional wrongful disclosure of secret processes or confidential information of the Company.

"Good Reason" means, to the extent any such action has been taken without your written consent, the occurrence of any of the following events: (a) the Company or its successor assigns to you any duties materially inconsistent with your position (including offices, titles and reporting requirements), authority, duties or responsibilities with the Company in effect immediately before the occurrence of the Change in Control, or otherwise makes any material negative change in any such position, authority, duties or responsibilities; (b) the Company or its successor takes any other action that results in a material diminution in such position, authority, duties or responsibilities or otherwise take any action that materially interferes therewith; (c) the Company or its successor materially reduces your annual base salary or target annual bonus as in effect immediately before the occurrence of the Change in Control, other than as part of a reduction of less than ten percent (10%) that is applicable to all executives of the Company or its successor; or (d) the Company or its successor relocates your principal office more than fifty (50) miles from your principal office at the time of the Change in Control, provided that such relocation results in an increase to your daily commute time. A termination for Good Reason also requires that you give the Company written notice of the Good Reason facts and circumstances within sixty (60) days of after becoming aware (or should have become aware) of the applicable facts and circumstances, the Company has an

opportunity to cure such circumstances within thirty (30) days after receipt of notice, and you must terminate employment within thirty (30) days after expiration of the Company's opportunity to cure.

2.3 Disability. If your employment with the Company Group terminates due to your Disability, then any remaining Forfeiture Restrictions shall lapse and your Award (to the extent unvested) shall vest on the date of such termination of employment.

2.4 Death. If your employment with the Company Group terminates due to your death, then any remaining Forfeiture Restrictions shall lapse and your Award (to the extent unvested) shall vest on the date of such termination of employment.

3. **TAX WITHHOLDING**. To the extent that the receipt of the Shares of Restricted Stock or the lapse of any Forfeiture Restrictions results in income, wages or other compensation to you for any income, employment or other tax purposes with respect to which the Company or Employer, as applicable, has a withholding obligation, you shall deliver to the Company or Employer at the time of such receipt or lapse, as the case may be, such amount of money as the Company or Employer may require to meet its obligation under applicable tax laws or regulations, and, if you fail to do so, the Company or Employer is authorized to withhold from the Shares awarded hereby or from any cash or stock remuneration or other payment then or thereafter payable to you any tax required to be withheld by reason of such taxable income, wages or compensation sufficient to satisfy the withholding obligation based on the last per share sales price of the Common Stock for the trading day immediately preceding the date that the withholding obligation arises, as reported in the New York Stock Exchange Composite Transactions. For purposes of this Agreement, the "*Employer*" means the legal entity that is a member of the Company Group and that is classified by the Company Group as your employer.

4. **NONTRANSFERABILITY.** Notwithstanding anything in this Agreement to the contrary and except as specified below, the Shares of Restricted Stock awarded to you under this Agreement shall not be transferable or assignable by you other than by will or the laws of descent and distribution to the extent then subject to Forfeiture Restrictions. You may transfer the Shares to (a) a member or members of your immediate family, (b) to a revocable living trust established exclusively for you or you and your spouse, (c) a trust under which your immediate family members are the only beneficiaries or (d) a partnership of which your immediate family members are the only partners. For this purpose, "*immediate family*" means your spouse, children, stepchildren, grandchildren, parents, grandparents, siblings (including half brothers and sisters), and individuals who are family members by adoption.

The terms applicable to the assigned Shares shall be the same as those in effect for the Shares immediately prior to such assignment and shall be set forth in such documents to be executed by the assignee as the Committee may deem appropriate. You may also designate one or more persons as the beneficiary or beneficiaries of your Shares of Restricted Stock under the Plan, and those Shares shall, in accordance with such designation, automatically be transferred to such beneficiary or beneficiaries upon your death while holding those Shares. Such beneficiary or beneficiaries shall take the transferred Shares of Restricted Stock subject to all the terms and conditions of this Agreement. Except for the limited transferability provided by the foregoing, outstanding Shares of Restricted Stock under the Plan shall not be assignable or transferable to the extent then subject to Forfeiture Restrictions.

None of the Company, its employees or directors makes any representations or guarantees concerning the tax consequences associated with the inclusion of this provision in this Agreement or your transfer of the Shares of Restricted Stock. It is your sole responsibility to seek advice from your own tax advisors concerning those tax consequences. You are entitled to rely upon only the tax advice of your own tax advisors.

Further, the Shares awarded hereby that are no longer subject to Forfeiture Restrictions may not be sold or otherwise disposed of in any manner that would constitute a violation of any applicable federal or state securities laws. You also agree that (x) the Company may refuse to cause the transfer of the Shares to be registered on the stock register of the Company if such proposed transfer would in the opinion of counsel satisfactory to the Company constitute a violation of any applicable federal or state securities law and (y) the Company may give related instructions to the transfer agent, if any, to stop registration of the transfer of the Shares. Upon the lapse of the Forfeiture Restrictions with respect to Shares awarded hereby such Shares shall be transferable by you (except to the extent that any proposed transfer would, in the opinion of counsel satisfactory to the Company, constitute a violation of applicable federal or state securities law).

5. **CAPITAL ADJUSTMENTS AND REORGANIZATIONS.** The existence of the Shares of Restricted Stock shall not affect in any way the right or power of the Company or any company the stock of which is awarded pursuant to this Agreement to make or authorize any adjustment, recapitalization, reorganization or other change in its capital structure or its business, engage in any merger or consolidation, issue any debt or equity securities, dissolve or liquidate, or sell, lease, exchange or otherwise dispose of all or any part of its assets or business, or engage in any other corporate act or proceeding.

6. **RIGHTS REGARDING DISTRIBUTIONS MADE BY THE COMPANY DURING THE RESTRICTED PERIOD**. During the Restricted Period, (a) any securities of the Company distributed by the Company in respect of the Shares of Restricted Stock will be evidenced by entries in the appropriate securities register of the Company reflecting that such securities of the Company, if any, have been issued in your name (the "*Retained Company Securities*") and (b) any securities of any company other than the Company or any other property (other than regular cash dividends) distributed by the Company in respect of the Shares of Restricted Stock will be evidenced in your name by such certificates or in such other manner as the Company determines (the "*Retained Other Securities and Property*") and may bear a restrictive legend to the effect that ownership of such Retained Other Securities and Property and the enjoyment of all rights appurtenant thereto, are subject to the restrictions, terms, and conditions provided in the Plan and this Agreement. The Retained Company Securities and the Retained Other Securities and Property (collectively, the "*Retained Distributions*") shall be subject to the same restrictions, terms and conditions as are applicable to the Shares of Restricted Stock.

7. **RIGHTS WITH RESPECT TO SHARES OF RESTRICTED STOCK AND RETAINED DISTRIBUTIONS DURING RESTRICTED PERIOD**. You shall have the right to vote the Shares of Restricted Stock awarded to you, and to exercise all other rights, powers and privileges of a holder of the Common Stock, with respect to such Shares of Restricted Stock, with the exception that (a) you shall not be entitled to have custody of such Shares of Restricted Stock until the Forfeiture Restrictions applicable thereto shall have lapsed, (b) the Company shall retain custody of all Retained Distributions made or declared with respect to the Shares of Restricted Stock until such time, if ever, as the Forfeiture Restrictions applicable to the Shares of Restricted Stock with respect to which such Retained Distributions shall have been made, paid, or declared shall have lapsed, and such Retained Distributions shall not bear interest or be segregated in separate accounts and (c) you may not sell, assign, transfer, pledge, exchange, encumber, or dispose of the Shares of Restricted Stock or any Retained Distributions during the Restricted Period. During the Restricted Period, the Company may, in its sole discretion, issue certificates for some or all of the Shares of Restricted Stock, in which case all such certificates shall be delivered to the Corporate Secretary of the Company or to such other depository as may be designated by the Committee as a depository for safekeeping until the forfeiture of such Shares of Restricted Stock occurs or the Forfeiture Restrictions lapse. When requested by the Company, you shall execute such stock powers or other instruments of assignment as the Company requests relating to transfer to the Company of all or any portion of such Shares of Restricted Stock and any Retained Distributions that are forfeited in accordance with the Plan and this Agreement. Cash dividends, stock, and any other property (other than cash) distributed as a dividend or otherwise with respect to any Shares of Restricted Stock shall be accumulated, and shall be subject to restrictions and risk of forfeiture to the same extent as otherwise set forth in this Agreement. The combined value of any such distributions shall be paid to you at the time such restrictions and risk of forfeiture lapse.

8. **EMPLOYMENT RELATIONSHIP.** For purposes of this Agreement, you shall be considered to be in the employment of the Company Group as long as you have an employment relationship with the Company Group. The Committee shall determine any questions as to whether and when there has been a termination of such employment relationship, and the cause of such termination, under the Plan and the Committee's determination shall be final and binding on all persons.

9. **SECTION 83(B) ELECTION.** You may exercise the election permitted under Section 83(b) of the Code with respect to the Shares of Restricted Stock, provided that you provide prompt notice of such election to the Chief Financial Officer or General Counsel of the Company.

10. **NOT AN EMPLOYMENT AGREEMENT**. This Agreement is not an employment agreement, and no provision of this Agreement shall be construed or interpreted to create an employment relationship between you and the Company or any Affiliate or guarantee the right to remain employed by the Company or any Affiliate for any specified term.

11. **SECURITIES ACT LEGEND.** If you are an officer or affiliate of the Company under the Securities Act of 1933, you consent to the placing on any certificate for the Shares of an appropriate legend restricting resale or other transfer of the Shares except in accordance with such Act and all applicable rules thereunder.

12. **REGISTRATION**. The Shares that may be issued under the Plan are registered with the Securities and Exchange Commission under a Registration Statement on Form S-8.

13. **LIMIT OF LIABILITY**. Under no circumstances will the Company or any Affiliate be liable for any indirect, incidental, consequential or special damages (including lost profits) of any form incurred by any person, whether or not foreseeable and regardless of the form of the act in which such a claim may be brought, with respect to the Plan.

14. **MISCELLANEOUS**. This Agreement is awarded pursuant to and is subject to all of the provisions of the Plan, including amendments to the Plan, if any. In the event of a conflict between this Agreement and the Plan provisions, the Plan provisions will control. The term "*you*" and "*your*" refer to the Grantee named in this Agreement. Capitalized terms that are not defined herein shall have the meanings ascribed to such terms in the Plan. This Agreement shall be binding on the Company's successors and assigns.

In accepting the award of Shares of Restricted Stock set forth in this Agreement you accept and agree to be bound by all the terms and conditions of the Plan and this Agreement.

QUANEX BUILDING PRODUCTS CORPORATION

____

[Name]
[Title]

QUANEX BUILDING PRODUCTS CORPORATION

CASH-SETTLED
RESTRICTED STOCK UNIT AWARD AGREEMENT

[____________________]

Grantee

Date of Award:	[____________________]
Number of Restricted Stock Units:	[____________________]
General Vesting Schedule/Restricted Period:	[____________________]

AWARD OF RESTRICTED STOCK UNITS

1. **GRANT OF RESTRICTED STOCK UNIT AWARD.** The Compensation Committee (the "*Committee*") of the Board of Directors of Quanex Building Products Corporation, a Delaware corporation (the "*Company*"), subject to the terms and provisions of the Quanex Building Products Corporation 2020 Omnibus Incentive Plan (the "*Plan*"), hereby awards to you, the above-named Grantee, effective as of the Date of Award set forth above (the "*Date of Award*"), that number of restricted stock units set forth above (the "*RSUs*"), on the terms and conditions set forth in this Restricted Stock Unit Award Agreement (this "*Agreement*").

During the Restricted Period, the RSUs will be evidenced by entries in a bookkeeping ledger account which reflect the number of RSUs credited under the Plan for your benefit. For purposes of this Agreement, the term "*Restricted Period*" means the period designated by the Committee during which the RSUs are subject to forfeiture and restrictions on transfer (the "*Forfeiture Restrictions*"). The Restricted Period and all Forfeiture Restrictions on the RSUs covered hereby shall lapse as to those RSUs when the RSUs become vested in accordance with this Agreement, at which time the Company shall issue to you cash in an amount equal to the fair market value of one share of the Company's common stock, $0.01 par value per share (the "*Common Stock*"), less applicable withholding, in exchange for each RSU that is awarded to you hereby and thereafter you shall have no further rights with respect to such RSU.

2. **SEPARATION FROM SERVICE/CHANGE IN CONTROL OF THE COMPANY.** Notwithstanding anything to the contrary in this Agreement, the following provisions will apply in the event of your Separation from Service (within the meaning of Section 409A (your "*Separation from Service*")) from the Company and all Affiliates (the "*Company Group*"), or a Change in Control of the Company occurs, before the end of the Restricted Period under this Agreement. For purposes of this Agreement, a "*Change in Control*" of the Company shall have the meaning ascribed to such term in the Plan.

2.1 Separation from Service Generally. Except as otherwise expressly provided to the contrary in this Section 2, in the event of your Separation from Service, the number of RSUs then subject to Forfeiture Restrictions shall be forfeited to the Company without consideration on the date of your Separation from Service.

2.2 Change in Control of the Company. If a Change in Control of the Company occurs, you do not incur a Separation from Service prior to such time, and the successor company in the Change in Control does not otherwise assume or substitute for the award granted hereby, then any remaining Forfeiture Restrictions shall lapse and your RSUs shall vest immediately prior to the occurrence of the Change in Control. Notwithstanding the foregoing, if a Change in Control constitutes a payment event with respect to the deferral of compensation and payment hereunder is subject to Section 409A, then the transaction or event with respect to such payment must also constitute a "*change in control event*," as defined in Treasury Regulation §1.409A-3(i)(5) to the extent required by Section 409A, and if it does not, and the payment does not meet any other exemption under Section 409A, then payment shall be made when it otherwise would have been made, notwithstanding the Change in Control.

If this Award is assumed or substituted for in connection with a Change in Control, and if you incur an involuntary termination by the Company or its successor without Cause, or you voluntarily terminate employment for Good Reason, in each case within twenty-four (24) months following the effective date of a Change in Control of the Company, then any unvested portion of this Award shall vest in full upon such termination. For purposes of this Award, the following terms are defined as follows:

"Cause" means any action or inaction by you that constitutes (a) gross negligence or willful misconduct in connection with your duties or in the course of your employment with the Company; (b) any act of fraud, embezzlement or theft in connection with your duties or in the course of employment with the Company; (c) intentional wrongful damage to property of the Company; (d) a substantial failure by you to perform your duties after notice to you and a reasonable opportunity to cure; (e) your material breach of restrictive covenants contained in any Company policy or any agreement between you and the Company; or (f) your intentional wrongful disclosure of secret processes or confidential information of the Company.

"Good Reason" means, to the extent any such action has been taken without your written consent, the occurrence of any of the following events: (a) the Company or its successor assigns to you any duties materially inconsistent with your position (including offices, titles and reporting requirements), authority, duties or responsibilities with the Company in effect immediately before the occurrence of the Change in Control, or otherwise makes any material negative change in any such position, authority, duties or responsibilities; (b) the Company or its successor takes any other action that results in a material diminution in such position, authority, duties or responsibilities or otherwise take any action that materially interferes therewith; (c) the Company or its successor materially reduces your annual base salary or target annual bonus as in effect immediately before the occurrence of the Change in Control, other than as part of a reduction of less than ten percent (10%) that is applicable to all executives of the Company or its

successor; or (d) the Company or its successor relocates your principal office more than fifty (50) miles from your principal office at the time of the Change in Control, provided that such relocation results in an increase to your daily commute time. A termination for Good Reason also requires that you give the Company written notice of the Good Reason facts and circumstances within sixty (60) days of after becoming aware (or should have become aware) of the applicable facts and circumstances, the Company has an opportunity to cure such circumstances within thirty (30) days after receipt of notice, and you must terminate employment within thirty (30) days after expiration of the Company's opportunity to cure.

2.3 Disability. In the event of your Separation from Service due to your Disability, any remaining Forfeiture Restrictions shall lapse and your RSUs (to the extent unvested) shall vest on the date of such Separation from Service.

2.4 Death. In the event of your Separation from Service due to your death, any remaining Forfeiture Restrictions shall lapse and your RSUs (to the extent unvested) shall vest on the date of such Separation from Service.

2.5 Retirement. In the event of your Separation from Service due to your Retirement, any remaining Forfeiture Restrictions shall lapse and your RSUs (to the extent unvested) shall vest on the date of such Separation from Service and on a prorated basis with respect to the number of RSUs determined by dividing the number of days during the period commencing on the later of the Date of Award or the last anniversary vesting date and ending on the date of your Separation from Service by the total number of days between the later of the Date of Award or the last anniversary vesting date and the final vesting date as set forth above. For purposes of this Section 2.5, "*Retirement*" means your voluntary Separation from Service from the Company Group on or after the date on which (a) you are age 65 or (b) you are age 55 and have five years of service with the Company Group.

3. **TAX WITHHOLDING**. To the extent that the receipt of the RSUs or this Agreement, the vesting of the RSUs or a distribution under this Agreement results in income, wages or other compensation to you for any income, employment or other tax purposes with respect to which the Company or Employer, as applicable, has a withholding obligation, you shall deliver to the Company or Employer at the time of such receipt or lapse, as the case may be, such amount of money as the Company or Employer may require to meet its obligation under applicable tax laws or regulations, and, if you fail to do so, the Company or Employer is authorized to withhold from the Shares awarded hereby or from any cash or stock remuneration or other payment then or thereafter payable to you any tax required to be withheld by reason of such taxable income, wages or compensation sufficient to satisfy the withholding obligation based on the last per share sales price of the Common Stock for the trading day immediately preceding the date that the withholding obligation arises, as reported in the New York Stock Exchange Composite Transactions. For purposes of this Agreement, the "*Employer*" means the legal entity that is a member of the Company Group and that is classified by the Company Group as your employer.

4. **NONTRANSFERABILITY.** Notwithstanding anything in this Agreement to the contrary and except as specified below, the RSUs awarded to you under this Agreement shall not be transferable or assignable by you other than by will or the laws of descent and distribution. You may transfer the RSUs to (a) a member or members of your immediate family, (b) to a revocable living trust established exclusively for you or you and your spouse, (c) a trust under which your immediate family members are the only beneficiaries or (d) a partnership of which your immediate family members are the only partners. For this purpose, "*immediate family*" means your spouse, children, stepchildren, grandchildren, parents, grandparents, siblings (including half brothers and sisters), and individuals who are family members by adoption.

The terms applicable to the assigned RSUs shall be the same as those in effect for the RSUs immediately prior to such assignment and shall be set forth in such documents to be executed by the assignee as the Company may deem appropriate. You may also designate one or more persons as the beneficiary or beneficiaries of your outstanding RSUs under the Plan, and those RSUs shall, in accordance with such designation, automatically be transferred to such beneficiary or beneficiaries upon your death while holding those RSUs. Such beneficiary or beneficiaries shall take the transferred RSUs subject to all the terms and conditions of this Agreement. Except for the limited transferability provided by the foregoing, outstanding RSUs under the Plan shall not be assignable or transferable.

None of the Company, its employees or directors makes any representations or guarantees concerning the tax consequences associated with the inclusion of this provision in this Agreement or your transfer of the RSUs. It is your sole responsibility to seek advice from your own tax advisors concerning those tax consequences. You are entitled to rely upon only the tax advice of your own tax advisors.

5. **CAPITAL ADJUSTMENTS AND REORGANIZATIONS.** The existence of the RSUs shall not affect in any way the right or power of the Company or any company the stock of which is awarded pursuant to this Agreement to make or authorize any adjustment, recapitalization, reorganization or other change in its capital structure or its business, engage in any merger or consolidation, issue any debt or equity securities, dissolve or liquidate, or sell, lease, exchange or otherwise dispose of all or any part of its assets or business, or engage in any other corporate act or proceeding.

6. **RSUS DO NOT AWARD ANY RIGHTS OF A SHAREHOLDER**. You shall not have the voting rights or any of the other rights, powers or privileges of a holder of the Common Stock with respect to the RSUs that are awarded hereby.

7. **PAYMENT OF DIVIDEND EQUIVALENTS.** You shall be entitled to Dividend Equivalents, pursuant to which you shall be entitled to receive, pursuant to the Plan, an amount equal to the aggregate regular cash dividends with a record date during the Restricted Period that would have been payable to you with respect to the shares of Common Stock underlying the Award had it been outstanding on the applicable record date. Such Dividend Equivalents, cash dividends, stock, and any other property distributed as a dividend or otherwise with respect to the RSUs covered by this Award shall be accumulated, and shall be subject to restrictions and risk of forfeiture to the same extent as otherwise set forth in this Agreement. The combined value of any such distributions shall be paid to you in cash at the time such restrictions and risk of forfeiture subject to this Award lapse.

8. **<u>NOT AN EMPLOYMENT AGREEMENT</u>.** This Agreement is not an employment agreement, and no provision of this Agreement shall be construed or interpreted to create an employment relationship between you and the Company or any Affiliate or guarantee the right to remain employed by the Company or any Affiliate for any specified term.

9. **<u>LIMIT OF LIABILITY</u>**. Under no circumstances will the Company or an Affiliate be liable for any indirect, incidental, consequential or special damages (including lost profits) of any form incurred by any person, whether or not foreseeable and regardless of the form of the act in which such a claim may be brought, with respect to the Plan.

10. **<u>SECTION 409A OF THE INTERNAL REVENUE CODE</u>**. This Agreement and all payments made hereunder, are intended to meet the short-term deferral exception described under section 1.409A-1(b)(4) of the applicable Treasury regulations, or otherwise comply with, Section 409A, and this Agreement shall be interpreted so as to effect that intent. By accepting this Award, you acknowledge and agree that (a) you are not relying upon any written or oral statement or oral statement or representation of the Company, its Affiliates, or any of their respective employees, directors, officers, attorneys or agents (collectively, the **"***Company Parties***"**) regarding the tax effects associated with execution of this Agreement and the payment made pursuant to the Plan, and (b) in deciding to enter into this Agreement, you are relying on your own judgment and the judgment of the professionals of your choice with whom you have consulted. By accepting this Award, you thereby release, acquit and forever discharge the Company Parties from all actions, causes of actions, suits, debts, obligations, liabilities, claims, damages, losses, costs and expenses of any nature whatsoever, known or unknown, on account of, arising out of, or in any way related to the tax effects associated with the Award and this Agreement.

11. **<u>DELAYED PAYMENT IN CERTAIN CIRCUMSTANCES</u>. NOTWITHSTANDING ANY OTHER PROVISION OF THIS AGREEMENT, IF YOU ARE A "*SPECIFIED EMPLOYEE*" (WITHIN THE MEANING OF SECTION 409A) AND THE COMPANY DETERMINES THAT A PAYMENT HEREUNDER IS NOT PERMITTED TO BE PAID ON THE DATE SPECIFIED WITHOUT THE IMPOSITION OF ADDITIONAL TAXES, INTEREST OR PENALTIES UNDER SECTION 409A, THEN NO PAYMENTS SHALL BE MADE TO YOU PURSUANT TO THIS AWARD DUE TO A SEPARATION FROM SERVICE FOR ANY REASON BEFORE THE EARLIER OF THE DATE THAT IS SIX MONTHS AND A DAY AFTER THE DATE ON WHICH YOU INCUR SUCH SEPARATION FROM SERVICE OR FIVE BUSINESS DAYS FOLLOWING THE DATE OF YOUR DEATH.**

12. **<u>EMPLOYER LIABLE FOR PAYMENT</u>.** Except as the Committee may determine otherwise in connection with a Change in Control, the Employer (or the Company, as applicable), is liable for the payment of any amounts that become due under this Agreement.

13. **<u>MISCELLANEOUS</u>**. This Agreement is awarded pursuant to and is subject to all of the provisions of the Plan, including amendments to the Plan, if any. In the event of a conflict between this Agreement and the Plan provisions, the Plan provisions will control. The term "*you*" and "*your*" refer to the Grantee named in this Agreement. Capitalized terms that are not defined herein shall have the meanings ascribed to such terms in the Plan. This Agreement shall be binding on the Company's successors and assigns.

In accepting the award of RSUs set forth in this Agreement you accept and agree to be bound by all the terms and conditions of the Plan.

QUANEX BUILDING PRODUCTS CORPORATION

____

[Name]
[Title]

QUANEX BUILDING PRODUCTS CORPORATION

CASH SETTLED
PERFORMANCE SHARE AWARD AGREEMENT

[____________________]
Grantee

Date of Award: [____________________]

Target Number of Performance Shares: [____________________]

AWARD OF PERFORMANCE SHARES

1. **GRANT OF PERFORMANCE SHARES.** The Compensation Committee (the "*Committee*") of the Board of Directors of Quanex Building Products Corporation, a Delaware corporation (the "*Company*"), subject to the terms and provisions of the Quanex Building Products Corporation 2020 Omnibus Incentive Plan (the "*Plan*"), hereby awards to you, the above-named Grantee, effective as of the Date of Award set forth above, the number of Performance Shares set forth above in accordance with the formulas below, on the terms and conditions set forth in this Performance Share Award Agreement (this "*Agreement*").

Each Performance Share provides you an opportunity to earn a cash payment based upon attainment of the Performance Goal(s) during the Performance Period. For purposes of this Agreement, the term "*Performance Period*" means the three-year period beginning November 1, [____], and ending October 31, [____] (the "*Ending Date*") and the term "*Performance Goal*" means the attainment of the following goal:

	[____________________]
Maximum Milestone	[____________________]
Target Milestone	[____________________]
Threshold Milestone	[____________________]

This Award shall "vest" (as described in Section 2 of this Agreement) on the date on which the Committee certifies that the Performance Goal has been satisfied or, if earlier, on the date you are otherwise entitled to receive a payment under Section 5 of this Agreement. For purposes of this Agreement, the term "*Common Stock*" shall mean the Company's common stock, $0.01 par value per share.

2. **AWARD MODIFIER**. The aggregate number of Performance Shares to vest under this Agreement is equal to the Target Number of Performance Shares set forth above multiplied by the award modifier set forth below (the "*Award Modifier*"). For purposes of this Agreement, such Performance Shares shall be referred to as the "*Vested Shares.*"

The following table shows the requisite performance and applicable Award Modifiers for the Award.

	[____________________]	**Award Modifier**
Maximum Milestone	[____________________]	[___]%
Target Milestone	[____________________]	[___]%
Threshold Milestone	[____________________]	[___]%

Performance below the threshold milestone will result in 0% Award Modifier. The Award Modifier will be interpolated for performance between threshold and target milestones, and target and maximum milestones.

Award Determination

For avoidance of doubt, awards will be determined in accordance with the following formula:

Target Number of Performance Shares x Applicable Award Modifier = Total Vested Performance Shares

3. **PAYMENT.** The total value (the "*Earned Amount*") owed to you in connection with this Agreement will be determined by multiplying the number of Total Vested Performance Shares by the average Fair Market Value of the Common Stock for the last ten trading days of the Performance Period. Except as otherwise expressly provided herein, the total value owed to you based on the calculations set forth above will be paid to you one hundred percent (100%) in cash (the "*Cash Payment*").

Any amount payable to you pursuant to this Agreement will be paid to you by the legal entity that is a member of the group comprising the Company and all Affiliates (collectively, the "*Company Group*") and that is classified as your employer (the "*Employer*") (or the Company, as applicable), as soon as administratively practicable following the date of the Committee's certification that the Performance Goal has been satisfied, but no later than March 15 of the calendar year following the calendar year in which the Ending Date occurs (the "*Payment Date*"). The Cash Payment made to you under this Agreement will be issued and made to you in exchange for the Performance Shares and thereafter you shall have no further rights with respect to such Performance Shares or this Agreement.

4. EXAMPLE CALCULATION.

Assume the following:

- Performance Share Grant of 1,000 shares.
- Threshold, Target, and Maximum Award Modifiers of 75%, 100%, and 200% respectively.
- Actual Company performance precisely halfway between the Target and Maximum milestones.
- The average Fair Market Value of the Common Stock for the last ten trading days of the Performance Period is $25.00.

The total number of Performance Shares to vest would be calculated as follows:

1,000 Performance Shares x 150% Award Modifier = 1,500 Performance Shares

Total Performance Shares to vest = 1,500 Vested Performance Shares

Example Payment of Vested Shares:

The executive will receive 100% of the award in cash. The Cash Payment will be equal to 1,500 Vested Shares x the average of the Fair Market Value of Common Stock for the last ten trading days of the Performance Period ($25.00), which results in a Cash Payment of $37,500.

5. SEPARATION FROM SERVICE/CHANGE IN CONTROL OF THE COMPANY. Notwithstanding anything to the contrary in this Agreement, the following provisions will apply in the event of your Separation from Service (within the meaning of Section 409A (your "*Separation from Service*")) from the Company Group, or a Change in Control (as such term is defined in the Plan) of the Company occurs, on or before the Ending Date.

5.1 Separation from Service Generally. Except as otherwise expressly provided to the contrary in this Section 5, in the event of your Separation from Service on or before the Ending Date, all of your rights in this Agreement, including all rights to the Performance Shares granted to you, will lapse and be completely forfeited without consideration on the date of your Separation from Service.

5.2 Change in Control of the Company. If a Change in Control of the Company occurs on or before the Ending Date, you do not incur a Separation from Service prior to that time, and the successor company in the Change in Control does not otherwise assume or substitute for the award granted hereby, then no later than ten (10) business days after the closing date of the Change in Control of the Company, the Company or its successor will pay to you an amount in cash equal to the product of the Company's closing stock price on the date of the Change in Control multiplied by (1) the Vested Shares as calculated as of the date of the Change in Control (i.e., based on actual performance as of the Change in Control), if calculable at that time, or if not so calculable, (2) the Target Number of Performance Shares that were awarded to you under this Agreement for the fiscal year in which the Change in Control of the Company occurs (the "*Award Target Value*"). Such payment will be made to you in exchange for the Performance Shares and thereafter you shall have no further rights with respect to such Performance Shares or this Agreement and the Company Group will have no further obligations to you pursuant to the Performance Shares or this Agreement. Notwithstanding the foregoing, if a Change in Control constitutes a payment event with respect to the deferral of compensation and payment hereunder is subject to Section 409A, then the transaction or event with respect to such payment must also constitute a "*change in control event*," as defined in Treasury Regulation §1.409A-3(i)(5) to the extent required by Section 409A, and if it does not, and the payment does not meet any other exemption under Section 409A, then payment shall be made when it otherwise would have been made, notwithstanding the Change in Control.

If this Award is assumed or substituted for in connection with a Change in Control, and if you incur an involuntary termination by the Company or its successor without Cause, or you voluntarily terminate employment for Good Reason, in each case within twenty-four (24) months following the effective date of a Change in Control of the Company, then any unvested portion of this Award shall vest in full upon such termination. For purposes of this Award, the following terms are defined as follows:

"Cause" means any action or inaction by you that constitutes (a) gross negligence or willful misconduct in connection with your duties or in the course of your employment with the Company; (b) any act of fraud, embezzlement or theft in connection with your duties or in the course of employment with the Company; (c) intentional wrongful damage to property of the Company; (d) a substantial failure by you to perform your duties after notice to you and a reasonable opportunity to cure; (e) your material breach of

restrictive covenants contained in any Company policy or any agreement between you and the Company; or (f) your intentional wrongful disclosure of secret processes or confidential information of the Company.

"Good Reason" means, to the extent any such action has been taken without your written consent, the occurrence of any of the following events: (a) the Company or its successor assigns to you any duties materially inconsistent with your position (including offices, titles and reporting requirements), authority, duties or responsibilities with the Company in effect immediately before the occurrence of the Change in Control, or otherwise makes any material negative change in any such position, authority, duties or responsibilities; (b) the Company or its successor takes any other action that results in a material diminution in such position, authority, duties or responsibilities or otherwise take any action that materially interferes therewith; (c) the Company or its successor materially reduces your annual base salary or target annual bonus as in effect immediately before the occurrence of the Change in Control, other than as part of a reduction of less than ten percent (10%) that is applicable to all executives of the Company or its successor; or (d) the Company or its successor relocates your principal office more than fifty (50) miles from your principal office at the time of the Change in Control, provided that such relocation results in an increase to your daily commute time. A termination for Good Reason also requires that you give the Company written notice of the Good Reason facts and circumstances within sixty (60) days of after becoming aware (or should have become aware) of the applicable facts and circumstances, the Company has an opportunity to cure such circumstances within thirty (30) days after receipt of notice, and you must terminate employment within thirty (30) days after expiration of the Company's opportunity to cure.

5.3 Disability. In the event of your Separation from Service due to your Disability on or before the Ending Date, you will be entitled to receive a Cash Payment based on the Target Number of Performance Shares, as soon as reasonably practicable following your Separation from Service. Such payment will be made to you in exchange for the Performance Shares and thereafter you shall have no further rights with respect to such Performance Shares or this Agreement and the Company Group will have no further obligations to you pursuant to the Performance Shares or this Agreement.

5.4 Death. In the event of your Separation from Service due to your death on or before the Ending Date, your estate will be entitled to receive a Cash Payment based on the Target Number of Performance Shares, as soon as reasonably practicable following your Separation from Service. Such payment will be made in exchange for the Performance Shares and thereafter your estate and heirs, executors, and administrators shall have no further rights with respect to such Performance Shares or this Agreement and the Company Group will have no further obligations pursuant to the Performance Shares or this Agreement.

5.5 Retirement. In the event of your Separation from Service due to your Retirement on or before the Ending Date, you will be entitled to receive a Cash Payment, on the Payment Date, equal to the product of (1) and (2) where (1) is the amount in cash you would have received under this Agreement if you had not incurred a Separation from Service on or before the Ending Date and (2) is a fraction, the numerator of which is the number of days from the beginning of the Performance Period through the date of your Separation from Service and the denominator of which is the number of days in the Performance Period. Such payment will be made to you in exchange for the Performance Shares and thereafter you shall have no further rights with respect to such Performance Shares or this Agreement and the Company Group will have no further obligations to you pursuant to the Performance Shares or this Agreement. For purposes of this Section 5.5 "*Retirement*" means your voluntary Separation from Service on or after the date on which (a) you are age 65 or (b) you are age 55 and have five years of service with the Company Group.

6. **TAX WITHHOLDING**. To the extent that any payment pursuant to this Agreement results in income, wages or other compensation to you for any income, employment or other tax purposes with respect to which the Company or the Employer, as applicable, has a withholding obligation, you shall deliver to the Company or the Employer at the time of such payment, as the case may be, such amount of money as the Company or the Employer may require to meet its obligation under applicable tax laws or regulations, and, if you fail to do so, the Company or the Employer is authorized to withhold from any payment under this Agreement, or from any cash or stock remuneration or other payment then or thereafter payable to you by the Company or the Employer, any tax required to be withheld by reason of such taxable income, wages or compensation including (without limitation) shares of Common Stock sufficient to satisfy the withholding obligation based on the last per share sales price of the Common Stock for the trading day immediately preceding the date that the withholding obligation arises, as reported in the New York Stock Exchange Composite Transactions.

7. **NONTRANSFERABILITY.** The Performance Shares and your rights under this Agreement may not be sold, assigned, pledged, exchanged, hypothecated or otherwise transferred, encumbered or disposed of. Any such attempted sale, assignment, pledge, exchange, hypothecation, transfer, encumbrance or disposition in violation of this Agreement shall be void and the Company Group shall not be bound thereby.

8. **CAPITAL ADJUSTMENTS AND REORGANIZATIONS.** The existence of the Performance Shares shall not affect in any way the right or power of the Company or any company the stock of which is awarded pursuant to the Agreement to make or authorize any adjustment, recapitalization, reorganization or other change in its capital structure or its business, engage in any merger or consolidation, issue any debt or equity securities, dissolve or liquidate, or sell, lease, exchange or otherwise dispose of all or any part of its assets or business, or engage in any other corporate act or proceeding.

9. **PERFORMANCE SHARES DO NOT AWARD CERTAIN RIGHTS OF A SHAREHOLDER**. You shall not have the voting rights or any of the other rights, powers or privileges of a holder of the stock of the Company with respect to the Performance Shares that are awarded hereby.

10. **RIGHTS TO RECEIVE DIVIDEND EQUIVALENT PAYMENTS.** You shall be entitled to Dividend Equivalents, pursuant to which you shall be entitled to receive, pursuant to the Plan, an amount equal to the aggregate regular cash dividends with a record date during the Performance Period that would have been payable to you with respect to the shares of Common Stock underlying the Award had such shares been outstanding on the applicable record date. Such Dividend Equivalents, cash dividends, stock, and any other property distributed as a dividend or otherwise with respect to the Performance Shares covered by this Award shall be accumulated, and shall be subject to restrictions and risk of forfeiture to the same extent as otherwise set forth in this Agreement. The combined value of any such distributions shall be paid to you in cash at the time such restrictions and risk of forfeiture subject to this Award lapse.

11. **EMPLOYMENT RELATIONSHIP.** For purposes of the Agreement, you shall be considered to be in the employment of the Company Group as long as you have an employment relationship with the Company Group. The Committee shall determine any questions as to whether and when there has been a termination of such employment relationship, and the cause of such termination, under the Plan, and the Committee's determination shall be final and binding on all persons.

12. **NOT AN EMPLOYMENT AGREEMENT**. This Agreement is not an employment agreement, and no provision of this Agreement shall be construed or interpreted to create an employment relationship between you and the Company or any Affiliate or guarantee the right to remain employed by the Company or any Affiliate for any specified term.

13. **LIMIT OF LIABILITY**. Under no circumstances will the Company or an Affiliate be liable for any indirect, incidental, consequential or special damages (including lost profits) of any form incurred by any person, whether or not foreseeable and regardless of the form of the act in which such a claim may be brought, with respect to the Plan.

14. **REIMBURSEMENT OF EXECUTIVE COMPENSATION IN RESTATEMENT SITUATIONS.** To the extent permitted by law, and as determined by the Board in its judgment, the Company may require reimbursement of a portion of any payment to you under this Agreement when (a) the award payment was predicated upon the achievement of certain financial results that were subsequently the subject of a material restatement and (b) a lower payment would have been made to you based upon the restated financial results. In each such instance, the Company will, to the extent practicable, seek to recover the amount by which your cash payment for the relevant period exceeded the lower payment that would have been made based on the restated financial results. If there are multiple performance metrics and one is more readily calculable to determine whether a lower payment should have been made, then the same ratio or percentage applicable for the readily calculable metric shall be applied to the other metric(s) so that the entire award payment is recovered on a pro-rata basis to the event. No reimbursement shall be required if such material restatement was caused by or resulted from any change in accounting policy or rules.

15. **AGREEMENT TO REPAYMENT OF PERFORMANCE BASED INCENTIVE COMPENSATION WHEN PAYMENTS ARE REQUIRED UNDER FEDERAL LAW OR THE RULES OF AN EXCHANGE**. You acknowledge that the Company is a publicly-traded entity subject to the laws and regulations of the United States Securities and Exchange Commission, as well as the requirements of the New York Stock Exchange. You further acknowledge that the Company's approved form agreements for performance-based incentive compensation granted to you contain certain "clawback" terms and provisions. You agree to the terms and conditions of any policy adopted by the Company to comply with, or any decision of the Company to adhere to, any requirement or policy of the New York Stock Exchange (or any other exchange on which the securities of the Company are listed) pursuant to Section 10D of the Securities Exchange Act of 1934 (the "*Policy*") from this point forward for any grants made previously or in the future. Section 10D provides for the recovery of incentive-based compensation that has been erroneously granted, earned, vested or paid because of one or more errors that are material in the financial statements of the Company. To the extent such Policy requires the repayment or recovery of incentive-based compensation granted to, or earned or received by you, or in which you vested, whether granted, vested, earned or paid pursuant to any past or future award agreements or any other plan of incentive-based compensation maintained in the past or adopted in the future by the Company, you agree to the forfeiture, recovery or repayment of such amounts to the extent required by such Policy.

16. **EMPLOYER LIABLE FOR PAYMENT.** Except as the Committee may determine otherwise in connection with a Change in Control, the Employer (or the Company, as applicable), is liable for the payment of any amounts that become due under this Agreement.

17. **SECTION 409A OF THE INTERNAL REVENUE CODE**. This Agreement and all payments made hereunder, are intended to meet the short-term deferral exception described under section 1.409A-1(b)(4) of the applicable Treasury regulations, or otherwise comply with, Section 409A, and this Agreement shall be interpreted so as to effect that intent. By accepting this Award, you acknowledge and agree that (a) you are not relying upon any written or oral statement or oral statement or representation of the Company, its Affiliates, or any of their respective employees, directors, officers, attorneys or agents (collectively, the "*Company Parties*") regarding the tax effects associated with execution of this Agreement and the Cash Payment made pursuant to the Plan, and (b) in deciding to enter into this Agreement, you are relying on your own judgment and the judgment of the professionals of your choice with whom you have consulted. By accepting this Award, you thereby release, acquit and forever discharge the Company Parties from all actions, causes of actions, suits, debts, obligations, liabilities, claims, damages, losses, costs and expenses of any nature whatsoever, known or unknown, on account of, arising out of, or in any way related to the tax effects associated with the Award and this Agreement.

18. **DELAYED PAYMENT IN CERTAIN CIRCUMSTANCES. NOTWITHSTANDING ANY OTHER PROVISION OF THIS AGREEMENT, IF YOU ARE A "*SPECIFIED EMPLOYEE*" (WITHIN THE MEANING OF SECTION 409A) AND THE COMPANY DETERMINES THAT A PAYMENT HEREUNDER IS NOT PERMITTED TO BE PAID ON THE DATE**

SPECIFIED WITHOUT THE IMPOSITION OF ADDITIONAL TAXES, INTEREST OR PENALTIES UNDER SECTION 409A, THEN NO PAYMENTS SHALL BE MADE TO YOU PURSUANT TO THIS AWARD DUE TO A SEPARATION FROM SERVICE FOR ANY REASON BEFORE THE EARLIER OF THE DATE THAT IS SIX MONTHS AND A DAY AFTER THE DATE ON WHICH YOU INCUR SUCH SEPARATION FROM SERVICE OR FIVE BUSINESS DAYS FOLLOWING THE DATE OF YOUR DEATH.

19. **MISCELLANEOUS**. This Agreement is awarded pursuant to and is subject to all of the provisions of the Plan, including amendments to the Plan, if any. In the event of a conflict between this Agreement and the Plan provisions, the Plan provisions will control. The term "*you*" and "*your*" refer to the Grantee named in this Agreement. Capitalized terms that are not defined herein shall have the meanings ascribed to such terms in the Plan. This Agreement shall be binding on all successors and assigns of the Company.

In accepting the award of Performance Shares set forth in this Agreement you accept and agree to be bound by all the terms and conditions of the Plan and this Agreement.

QUANEX BUILDING PRODUCTS CORPORATION

____

[Name]
[Title]

QUANEX BUILDING PRODUCTS CORPORATION

STOCK SETTLED
PERFORMANCE RESTRICTED STOCK UNITS
AWARD AGREEMENT

[____________________]
"Grantee"

Date of Award: **[_________________]**

Target Number of Performance Restricted Stock Units: **[____]**

AWARD OF PERFORMANCE RESTRICTED STOCK UNITS ("PRSUs")

1. **GRANT OF PERFORMANCE RESTRICTED STOCK UNITS.** The Compensation Committee (the "*Committee*") of the Board of Directors of Quanex Building Products Corporation, a Delaware corporation (the "*Company*"), subject to the terms and provisions of the Quanex Building Products Corporation 2020 Omnibus Incentive Plan (the "*Plan*"), hereby awards to you, the above-named Grantee, effective as of the Date of Award set forth above, the number of PRSUs (the "*Target Number*") set forth above in accordance with the formulas below, on the terms and conditions set forth in this PRSU Award Agreement (this "*Agreement*").

The grant of PRSUs represents the right to receive a percentage of the Target Number upon vesting, with each PRSU that vests representing the right to receive one (1) share of the Company's Common Stock, par value $0.01 ("*Stock*"). Unless and until the PRSUs have vested in accordance with the terms of this Agreement, you shall not have any right to delivery of the shares of Stock underlying such PRSUs or any other consideration in respect thereof. The PRSUs are subject to attainment of the Performance Goal(s) during the Performance Period (as described herein) and your continued service throughout the Performance Period (unless otherwise provided in this Agreement or the Plan). For purposes of this Agreement, the term "*Performance Period*" means the three-year period beginning November 1, [____], and ending October 31, [____] (the "*Ending Date*").

2. **AWARD MODIFIER**. The aggregate number of PRSUs to vest under this Agreement shall be equal to the Target Number multiplied by the award modifier set forth below (the "*Award Modifier*").

The Award Modifier will be determined based on the achievement of the Performance Goal[s], [_____________], as follows:

	[____]	[____]
Maximum Milestone	[____]	[____]
Target Milestone	[____]	[____]
Threshold Milestone	[____]	[____]
Below Threshold	[____]	0% (award is forfeited and cancelled without payment)

The Award Modifier will be interpolated for performance between threshold and target milestones, and target and maximum milestones.

3. **PAYMENT.** Except as otherwise expressly provided herein, the total value owed to you based on the calculations set forth above will be paid to you one hundred percent (100%) in Stock of the Company, and will be paid to you by the legal entity that is a member of the Company Group (as defined below) and that is classified as your employer (the "*Employer*") (or the Company, as applicable) as soon as administratively practicable following the date of the Committee's certification that the Performance Goal has been satisfied, but no later than March 15 of the calendar year following the calendar year in which the Ending Date occurs (the "*Payment Date*"). "*Company Group*" shall mean the Company and all Affiliates of the Company.

4. **EXAMPLE CALCULATION.**

Assume the following:

- PRSU Grant of 1,000 shares.
- Threshold, Target, and Maximum Award Modifiers of 50%, 100%, and 150% respectively.
- Company achieves its Performance Goal equal to precisely the target milestone.

The total number of Performance Restricted Stock Units to vest would be the following:

1,000 PRSUs x 100% Award Modifier = 1,000 PRSUs

Total PRSUs to vest = 1,000 Shares of Stock

5. **SEPARATION FROM SERVICE/CHANGE IN CONTROL OF THE COMPANY.** Notwithstanding anything to the contrary in this Agreement, the following provisions will apply in the event of your Separation from Service (within the meaning of Section 409A (your "*Separation from Service*")) from the Company Group, or a Change in Control (as such term is defined in the Plan) of the Company occurs, on or before the Ending Date.

5.1 Separation from Service Generally. Except as otherwise expressly provided to the contrary in this Section 5, in the event of your Separation from Service on or before the Ending Date, all of your rights in this Agreement, including all rights to the PRSUs granted to you, will lapse and be completely forfeited without consideration on the date of your Separation from Service.

5.2 Change in Control of the Company. If a Change in Control of the Company occurs on or before the Ending Date, you do not incur a Separation from Service prior to that time, and the successor company in the Change in Control does not otherwise assume or substitute for the award granted hereby, then the PRSUs shall immediately vest in full. The number of earned PRSUs will be determined by measuring actual performance as of the date of the Change in Control and in accordance with the Award Modifier, if calculable at that time, and if not calculable, shall be based on the target Award. Notwithstanding the foregoing, if a Change in Control constitutes a payment event with respect to the deferral of compensation and payment hereunder is subject to Section 409A, then the transaction or event with respect to such payment must also constitute a "*change in control event*," as defined in Treasury Regulation §1.409A-3(i)(5) to the extent required by Section 409A, and if it does not, and the payment does not meet any other exemption under Section 409A, then payment shall be made when it otherwise would have been made, notwithstanding the Change in Control.

If this Award is assumed or substituted for in connection with a Change in Control, and if you incur an involuntary termination by the Company or its successor without Cause, or you voluntarily terminate employment for Good Reason, in each case within twenty-four (24) months following the effective date of a Change in Control of the Company, then any unvested portion of this Award shall vest in full upon such termination. For purposes of this Award, the following terms are defined as follows:

"Cause" means any action or inaction by you that constitutes (a) gross negligence or willful misconduct in connection with your duties or in the course of your employment with the Company; (b) any act of fraud, embezzlement or theft in connection with your duties or in the course of employment with the Company; (c) intentional wrongful damage to property of the Company; (d) a substantial failure by you to perform your duties after notice to you and a reasonable opportunity to cure; (e) your material breach of restrictive covenants contained in any Company policy or any agreement between you and the Company; or (f) your intentional wrongful disclosure of secret processes or confidential information of the Company.

"Good Reason" means, to the extent any such action has been taken without your written consent, the occurrence of any of the following events: (a) the Company or its successor assigns to you any duties materially inconsistent with your position (including offices, titles and reporting requirements), authority, duties or responsibilities with the Company in effect immediately before the occurrence of the Change in Control, or otherwise makes any material negative change in any such position, authority, duties or responsibilities; (b) the Company or its successor takes any other action that results in a material diminution in such position, authority, duties or responsibilities or otherwise take any action that materially interferes therewith; (c) the Company or its successor materially reduces your annual base salary or target annual bonus as in effect immediately before the occurrence of the Change in Control, other than as part of a reduction of less than ten percent (10%) that is applicable to all executives of the Company or its successor; or (d) the Company or its successor relocates your principal office more than fifty (50) miles from your principal office at the time of the Change in Control, provided that such relocation results in an increase to your daily commute time. A termination for Good Reason also requires that you give the Company written notice of the Good Reason facts and circumstances within sixty (60) days of after becoming aware (or should have become aware) of the applicable facts and circumstances, the Company has an opportunity to cure such circumstances within thirty (30) days after receipt of notice, and you must terminate employment within thirty (30) days after expiration of the Company's opportunity to cure.

5.3 Death, Disability, or Retirement. In the event of your Separation from Service due to your death or Disability on or before the Ending Date, you (or your estate) will be entitled to receive your target Award as soon as reasonably practicable following your Separation from Service. In the event of your Separation from Service due to your Retirement on or before the Ending Date, (a) you or your estate will be eligible to vest in a pro-rata portion of this award based on actual performance results for the full Performance Period and your length of service, which shall be calculated as the product of (1) and (2) where (1) is the number of shares you would have received under this Agreement if you had not incurred a Separation from Service on or before the Ending Date and (2) is a fraction, the numerator of which is the number of days from the beginning of the Performance Period through the date of your Separation from Service and the denominator of which is the number of days in the Performance Period. Any amount payable pursuant to this Section 5.3 as a result of Retirement will be paid to you (or your estate) on the same date as for then employed participants. For purposes of this Section 5.3, "*Retirement*" means your voluntary Separation from Service on or after the date on which (a) you are age 65 or (b) you are age 55 and have five years of service with the Company Group.

6. **TAX WITHHOLDING**. To the extent that the issuance of shares of Stock or any payment pursuant to this Agreement results in income, wages or other compensation to you for any income, employment or other tax purposes with respect to which the Company or Employer, as applicable, has a withholding obligation, you shall deliver to the Company or the Employer at the time of such receipt, issuance, or payment, as the case may be, such amount of money as the Company or the Employer may require to meet its obligation under applicable tax laws or regulations, and, if you fail to do so, the Company or the Employer is authorized to withhold from any payment or issuance of shares under this Agreement, or from any cash or stock remuneration or other payment then or thereafter payable to you by the Company or the Employer, any tax required to be withheld by reason of such taxable income, wages or compensation including (without limitation) shares of Common Stock sufficient to satisfy the withholding obligation based on the last per share sales price of the Common Stock for the trading day immediately preceding the date that the withholding obligation arises, as reported in the New York Stock Exchange Composite Transactions.

7. **NONTRANSFERABILITY.** The PRSUs and your rights under this Agreement may not be sold, assigned, pledged, exchanged, hypothecated or otherwise transferred, encumbered or disposed of. Any such attempted sale, assignment, pledge, exchange, hypothecation, transfer, encumbrance or disposition in violation of this Agreement shall be void and the Company Group shall not be bound thereby.

8. **CAPITAL ADJUSTMENTS AND REORGANIZATIONS.** The existence of the PRSUs shall not affect in any way the right or power of the Company or any company the stock of which is awarded pursuant to the Agreement to make or authorize any adjustment, recapitalization, reorganization or other change in its capital structure or its business, engage in any merger or consolidation, issue any debt or equity securities, dissolve or liquidate, or sell, lease, exchange or otherwise dispose of all or any part of its assets or business, or engage in any other corporate act or proceeding.

9. **PERFORMANCE RESTRICTED STOCK UNITS DO NOT AWARD CERTAIN RIGHTS OF A SHAREHOLDER**. You shall not have the voting rights or any of the other rights, powers or privileges of a holder of the stock of the Company with respect to the PRSUs that are awarded hereby. Only after shares of Stock are issued in exchange for your rights under this Agreement will you have all of the rights of a shareholder with respect to such shares.

10. **RIGHTS TO RECEIVE DIVIDEND EQUIVALENTS PAYMENTS.** You shall be entitled to Dividend Equivalents, pursuant to which you shall be entitled to receive, pursuant to the Plan, an amount equal to the aggregate regular cash dividends with a record date during the Performance Period that would have been payable to you with respect to the shares of Common Stock underlying the Award had it been outstanding on the applicable record date. Such Dividend Equivalents, cash dividends, stock, and any other property distributed as a dividend or otherwise with respect to the PRSUs covered by this Award shall be accumulated, and shall be subject to restrictions and risk of forfeiture to the same extent as otherwise set forth in this Agreement. The combined value of any such distributions shall be paid to you in cash at the time such restrictions and risk of forfeiture subject to this Award lapse.

11. **EMPLOYMENT RELATIONSHIP.** For purposes of the Agreement, you shall be considered to be in the employment of the Company Group as long as you have an employment relationship with the Company Group. The Committee shall determine any questions as to whether and when there has been a termination of such employment relationship, and the cause of such termination, under the Plan, and the Committee's determination shall be final and binding on all persons.

12. **NOT AN EMPLOYMENT AGREEMENT**. This Agreement is not an employment agreement, and no provision of this Agreement shall be construed or interpreted to create an employment relationship between you and the Company or any Affiliate or guarantee the right to remain employed by the Company or any Affiliate for any specified term.

13. **SECURITIES ACT LEGEND.** If you are or become an officer or affiliate of the Company under the Securities Act of 1933, you consent to the placing on any certificate for the shares of Stock of an appropriate legend restricting resale or other transfer of the shares except in accordance with such Act and all applicable rules thereunder.

14. **LIMIT OF LIABILITY**. Under no circumstances will the Company or an Affiliate be liable for any indirect, incidental, consequential or special damages (including lost profits) of any form incurred by any person, whether or not foreseeable and regardless of the form of the act in which such a claim may be brought, with respect to the Plan.

15. **REGISTRATION**. The shares of Stock that may be issued under the Plan are registered with the Securities and Exchange Commission under a Registration Statement on Form S-8.

16. **SALE OF SECURITIES**. The shares of Stock that may be issued under this Agreement may not be sold or otherwise disposed of in any manner that would constitute a violation of any applicable federal or state securities laws. You also agree that (a) the Company may refuse to cause the transfer of the shares to be registered on the stock register of the Company if such proposed transfer would in the opinion of counsel satisfactory to the Company constitute a violation of any applicable federal or state securities law and (b) the Company may give related instructions to the transfer agent, if any, to stop registration of the transfer of the shares.

17. **REIMBURSEMENT OF EXECUTIVE COMPENSATION IN RESTATEMENT SITUATIONS.** To the extent permitted by law, and as determined by the Board in its judgment, the Company may require reimbursement of a portion of any payment to you under this Agreement when (a) the award payment was predicated upon the achievement of certain financial results that were subsequently the subject of a material restatement and (b) a lower payment would have been made to you based upon the restated financial results. In each such instance, the Company will, to the extent practicable, seek to recover the amount by which your payment for the relevant period exceeded the lower payment that would have been made based on the restated financial results. No reimbursement shall be required if such material restatement was caused by or resulted from any change in accounting policy or rules.

18. **AGREEMENT TO REPAYMENT OF PERFORMANCE BASED INCENTIVE COMPENSATION WHEN PAYMENTS**

ARE REQUIRED UNDER FEDERAL LAW OR THE RULES OF AN EXCHANGE. You acknowledge that the Company is a publicly-traded entity subject to the laws and regulations of the United States Securities and Exchange Commission, as well as the requirements of the New York Stock Exchange. You further acknowledge that the Company's approved form agreements for performance-based incentive compensation granted to you contain certain "clawback" terms and provisions. You agree to the terms and conditions of any policy adopted by the Company to comply with, or any decision of the Company to adhere to, any requirement or policy of the New York Stock Exchange (or any other exchange on which the securities of the Company are listed) pursuant to Section 10D of the Securities Exchange Act of 1934 (the "*Policy*") from this point forward for any grants made previously or in the future. Section 10D provides for the recovery of incentive-based compensation that has been erroneously granted, earned, vested or paid because of one or more errors that are material in the financial statements of the Company. To the extent such Policy requires the repayment or recovery of incentive-based compensation granted to, or earned or received by you, or in which you vested, whether granted, vested, earned or paid pursuant to any past or future award agreements or any other plan of incentive-based compensation maintained in the past or adopted in the future by the Company, you agree to the forfeiture, recovery or repayment of such amounts to the extent required by such Policy.

19. **EMPLOYER LIABLE FOR PAYMENT.** Except as the Committee may determine otherwise in connection with a Change in Control, the Employer (or the Company, as applicable) is liable for the payment of any amounts that become due under this Agreement.

20. **SECTION 409A OF THE INTERNAL REVENUE CODE**. This Agreement and all payments made hereunder, are intended to meet the short-term deferral exception described under section 1.409A-1(b)(4) of the applicable Treasury regulations, or otherwise comply with, Section 409A, and this Agreement shall be interpreted so as to effect that intent. By accepting this award, you acknowledge and agree that (a) you are not relying upon any written or oral statement or oral statement or representation of the Company, its Affiliates, or any of their respective employees, directors, officers, attorneys or agents (collectively, the **"***Company Parties***"**) regarding the tax effects associated with execution of this Agreement and the payment made pursuant to the Plan, and (b) in deciding to enter into this Agreement, you are relying on your own judgment and the judgment of the professionals of your choice with whom you have consulted. By accepting this award, you thereby release, acquit and forever discharge the Company Parties from all actions, causes of actions, suits, debts, obligations, liabilities, claims, damages, losses, costs and expenses of any nature whatsoever, known or unknown, on account of, arising out of, or in any way related to the tax effects associated with the award and this Agreement.

21. **DELAYED PAYMENT IN CERTAIN CIRCUMSTANCES. NOTWITHSTANDING ANY OTHER PROVISION OF THIS AGREEMENT, IF YOU ARE A "*SPECIFIED EMPLOYEE*" (WITHIN THE MEANING OF SECTION 409A) AND THE COMPANY DETERMINES THAT A PAYMENT HEREUNDER IS NOT PERMITTED TO BE PAID ON THE DATE SPECIFIED WITHOUT THE IMPOSITION OF ADDITIONAL TAXES, INTEREST OR PENALTIES UNDER SECTION 409A, THEN NO PAYMENTS SHALL BE MADE TO YOU PURSUANT TO THIS AWARD DUE TO A SEPARATION FROM SERVICE FOR ANY REASON BEFORE THE EARLIER OF THE DATE THAT IS SIX MONTHS AND A DAY AFTER THE DATE ON WHICH YOU INCUR SUCH SEPARATION FROM SERVICE OR FIVE BUSINESS DAYS FOLLOWING THE DATE OF YOUR DEATH.**

22. **FRACTIONAL SHARES PAID IN CASH.** In the event any share of Stock due hereunder is a fractional share, the Company shall pay the value of such fractional share in cash.

23. **MISCELLANEOUS**. This Agreement is awarded pursuant to and is subject to all of the provisions of the Plan, including amendments to the Plan, if any. In the event of a conflict between this Agreement and the Plan provisions, the Plan provisions will control. The term "*you*" and "*your*" refer to the Grantee named in this Agreement. Capitalized terms that are not defined herein shall have the meanings ascribed to such terms in the Plan. This Agreement shall be binding on all successors and assigns of the Company.

In accepting this award of PRSUs you accept and agree to be bound by all the terms and conditions of the Plan and this Agreement.

QUANEX BUILDING PRODUCTS CORPORATION

____

[Name]
[Title]

QUANEX BUILDING PRODUCTS CORPORATION

DIRECTOR CASH-SETTLED
RESTRICTED STOCK UNIT AWARD AGREEMENT

[_______________]
Grantee

Date of Award: **[__________________]**

Number of Restricted Stock Units: **[______]**

General Vesting Schedule/Restricted Period: 100% vested on the Date of Award

AWARD OF RESTRICTED STOCK UNITS

1. **GRANT OF RESTRICTED STOCK UNIT AWARD**. The Board of Directors (the "*Board*") of Quanex Building Products Corporation, a Delaware corporation (the "*Company*"), subject to the terms and provisions of the Quanex Building Products Corporation 2020 Omnibus Incentive Plan (the "*Plan*"), hereby awards to you, the above-named Grantee, effective as of the Date of Award set forth above (the "*Date of Award*"), that number of restricted stock units set forth above (the "*RSUs*"), on the terms and conditions set forth in this Restricted Stock Unit Award Agreement (this "*Agreement*").

The RSUs will be evidenced by entries in a bookkeeping ledger account which reflect the number of RSUs credited under the Plan for your benefit.

Upon the earlier of (1) the date on which you cease to be a member of the Board of Directors of the Company for any reason or (2) the date on which there occurs a "change in the ownership or effective control of the corporation" or a "change in the ownership of a substantial portion of the assets of the corporation" (within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (the "*Code*")) with respect to the Company, the Company shall issue to you (or to your legal representative or heir) cash in an amount equal to the fair market value of one share of the Company's common stock, $0.01 par value per share (the "*Common Stock*"), in exchange for each RSU that is awarded to you hereby and thereafter you shall have no further rights with respect to such RSU.

2. **NONTRANSFERABILITY**. Notwithstanding anything in this Agreement to the contrary, the RSUs awarded to you under this Agreement shall not be transferable or assignable by you other than by will or the laws of descent and distribution.

3. **CAPITAL ADJUSTMENTS AND REORGANIZATIONS**. The existence of the RSUs shall not affect in any way the right or power of the Company or any company the stock of which is awarded pursuant to this Agreement to make or authorize any adjustment, recapitalization, reorganization or other change in its capital structure or its business, engage in any merger or consolidation, issue any debt or equity securities, dissolve or liquidate, or sell, lease, exchange or otherwise dispose of all or any part of its assets or business, or engage in any other corporate act or proceeding.

4. **RSUs DO NOT AWARD ANY RIGHTS OF A SHAREHOLDER**. You shall not have the voting rights or any of the other rights, powers or privileges of a holder of the Common Stock with respect to the RSUs that are awarded hereby.

5. **PAYMENT OF DIVIDEND EQUIVALENTS**. If during the period you hold any RSUs awarded hereby the Company pays a dividend in cash with respect to the outstanding shares of the Common Stock (a "*Cash Dividend*"), then the Company will pay to you in cash, an amount equal to the product of (a) the RSUs awarded hereby that have not been exchanged by the Company for cash and (b) the amount of the Cash Dividend paid per share of the Common Stock (the "*Dividend Equivalent*"). The Company shall pay to you currently (and in no case later than the end of the calendar year in which the dividends are paid to the holders of the Common Stock, or if later, the 15th day of the third month following the date the dividends are paid to the holders of the Common Stock) an amount equal to such Dividend Equivalents.

If during the period you hold any RSUs awarded hereby the Company pays a dividend in shares of the Common Stock with respect to the outstanding shares of the Common Stock, then the Company will increase the RSUs awarded hereby that have not then been exchanged by the Company for shares of the Common Stock by an amount equal to the product of (a) the RSUs awarded hereby that have not been exchanged by the Company for cash and (b) the number of shares of the Common Stock paid by the Company per share of the Common Stock (collectively, the "*Stock Dividend RSUs*"). Each Stock Dividend RSU will be paid in cash at the same time and on the same basis as such RSU.

6. **NOT A SERVICE OR EMPLOYMENT AGREEMENT**. This Agreement is not a service or employment agreement, and no provision of this Agreement shall be construed or interpreted to create a service or employment relationship between you and the Company or any Affiliate or guarantee the right to remain as a director of or employed by the Company or any Affiliate for any specified term.

7. **LIMIT OF LIABILITY**. Under no circumstances will the Company or an Affiliate be liable for any indirect, incidental, consequential or special damages (including lost profits) of any form incurred by any person, whether or not foreseeable and regardless of the form of the act in which such a claim may be brought, with respect to the Plan.

8. **SECTION 409A OF THE CODE**. This Agreement and all payments made hereunder are intended to be exempt from or compliant with Section 409A of the Code and be "Permissible under Section 409A" as defined in the Plan. Specifically, payments of this RSU Award are intended to meet the short-term deferral exception described in 26 C.F.R. 1.409A-1(b)(4) or to comply with Section 409A of the Code by reason of being paid upon your separation from service pursuant to 26 C.F.R. Section 1.409A-3(a)(1) or pursuant to change in control event pursuant to 26 C.F.R. Section 1.409A-3(a)(5), and the provisions of this Agreement will be administered, interpreted and construed accordingly. Notwithstanding the foregoing, the Company does not guarantee the tax treatment of any payment hereunder and shall have no liability to you or any other person if any provisions of this Agreement are determined to constitute deferred compensation subject to Section 409A of the Code and do not satisfy an exemption from, or comply with, Section 409A of the Code. By accepting this Award, you acknowledge and agree that (a) you are not relying upon any written or oral statement or oral statement or representation of the Company, its Affiliates, or any of their respective employees, directors, officers, attorneys or agents (collectively, the "*Company Parties*") regarding the tax effects associated with execution of this Agreement and the payment made pursuant to the Plan, and (b) in deciding to enter into this Agreement, you are relying on your own judgment and the judgment of the professionals of your choice with whom you have consulted. By accepting this Award, you thereby release, acquit and forever discharge the Company Parties from all actions, causes of actions, suits, debts, obligations, liabilities, claims, damages, losses, costs and expenses of any nature whatsoever, known or unknown, on account of, arising out of, or in any way related to the tax effects associated with the Award and this Agreement.

For all purposes of this Agreement, you shall be considered to have ceased to be a member of the Board when you incur a "separation from service" with the Company within the meaning of Section 409A(a)(2)(A)(i) of the Code and 26 C.F.R. Section 1.409A-1(h).

9. MISCELLANEOUS. This Agreement is awarded pursuant to and is subject to all of the provisions of the Plan, including amendments to the Plan, if any. In the event of a conflict between this Agreement and the Plan provisions, the Plan provisions will control. The term "you" and "your" refer to the Grantee named in this Agreement. Capitalized terms that are not defined herein shall have the meanings ascribed to such terms in the Plan. This Agreement shall be binding on the Company's successors and assigns.

In accepting the award of RSUs set forth in this Agreement you accept and agree to be bound by all the terms and conditions of the Plan and this Agreement.

QUANEX BUILDING PRODUCTS CORPORATION

____

[Name]
[Title]

Exhibit 31.1

CHIEF EXECUTIVE OFFICER CERTIFICATION

I, George L. Wilson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Quanex Building Products Corporation (the “Registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures [as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)] and internal control over financial reporting [as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)] for the Registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the Registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the Registrant’s internal control over financial reporting that occurred during the Registrant’s most recent fiscal quarter (the Registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant’s internal control over financial reporting; and
5. The Registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant’s auditors and the audit committee of the Registrant’s board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant’s ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant’s internal control over financial reporting.

June 5, 2020

/s/ George L. Wilson

George L. Wilson
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CHIEF FINANCIAL OFFICER CERTIFICATION

I, Scott M. Zuehlke, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Quanex Building Products Corporation (the “Registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures [as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)] and internal control over financial reporting [as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)] for the Registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. Evaluated the effectiveness of the Registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the Registrant’s internal control over financial reporting that occurred during the Registrant’s most recent fiscal quarter (the Registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant’s internal control over financial reporting; and
5. The Registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant’s auditors and the audit committee of the Registrant’s board of directors (or persons performing the equivalent functions):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant’s ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant’s internal control over financial reporting.

June 5, 2020

/s/ Scott M. Zuehlke

Scott M. Zuehlke
Senior Vice President - Chief Financial Officer and Treasurer
(Principal Financial Officer)

Exhibit 32.1

Certification Pursuant To Section 906 of the Sarbanes-Oxley Act of 2002

We hereby certify that the accompanying Quarterly Report on Form 10-Q of Quanex Building Products Corporation for the quarter ended April 30, 2020 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Report fairly presents, in all material respects, the financial condition and results of operations of Quanex Building Products Corporation.

June 5, 2020

/s/ George L. Wilson	/s/ Scott M. Zuehlke
George L. Wilson	Scott M. Zuehlke
President and Chief Executive Officer	*Senior Vice President—Chief Financial Officer and Treasurer*
(Principal Executive Officer)	*(Principal Financial Officer)*