

NCI BUILDING SYSTEMS INC  
Form 10-Q  
June 07, 2018

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

FORM 10-Q

(Mark  
One)

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

For the quarterly period ended April 29, 2018

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: 1-14315

NCI BUILDING SYSTEMS, INC.  
(Exact name of registrant as specified in its charter)

Delaware 76-0127701  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)

10943 North Sam Houston Parkway West 77064  
Houston, TX  
(Address of principal executive offices) (Zip Code)

(281) 897-7788  
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).  Yes  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.

|  |   |
|--|---|
| Large accelerated filer <input type="checkbox"/>   | Accelerated filer <input checked="" type="checkbox"/> |
| Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company) | Smaller reporting company <input type="checkbox"/>    |
|  | Emerging growth company <input type="checkbox"/>      |

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 Exchange Act.

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

#### APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date.

Common Stock, \$.01 par value - 66,164,248 shares as of May 31, 2018.

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## PART I — FINANCIAL INFORMATION

## Item 1. Unaudited Consolidated Financial Statements.

## NCI BUILDING SYSTEMS, INC.

## CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

(Unaudited)

|   | Fiscal Three Months |                   | Fiscal Six Months |                   |
|---|---------------------|-------------------|-------------------|-------------------|
|   | Ended               |                   | Ended             |                   |
|   | April 29,<br>2018   | April 30,<br>2017 | April 29,<br>2018 | April 30,<br>2017 |
| Sales   | \$457,069           | \$420,464         | \$878,418         | \$812,167         |
| Cost of sales   | 352,986             | 319,625           | 682,418           | 627,377           |
| Gross profit  | 104,083             | 100,839           | 196,000           | 184,790           |
| Engineering, selling, general and administrative expenses | 74,406              | 75,124            | 149,192           | 144,164           |
| Intangible asset amortization                             | 2,413               | 2,405             | 4,825             | 4,810             |
| Restructuring and impairment charges                      | 488                 | 315               | 1,582             | 2,578             |
| Strategic development and acquisition related costs       | 1,134               | 124               | 1,861             | 481               |
| Loss on disposition of business                           | 6,686               | —                 | 6,686             | —                 |
| Gain on insurance recovery                                | —                   | (9,601)           | —                 | (9,601)           |
| Income from operations                                    | 18,956              | 32,472            | 31,854            | 42,358            |
| Interest income   | 37                  | 138               | 70                | 144               |
| Interest expense  | (4,849)             | (7,479)           | (12,341)          | (14,365)          |
| Foreign exchange (loss) gain                              | (305)               | 127               | 166               | 50                |
| Loss on extinguishment of debt                            | (21,875)            | —                 | (21,875)          | —                 |
| Other income, net   | 270                 | 322               | 727               | 708               |
| Income (loss) before income taxes                         | (7,766)             | 25,580            | (1,399)           | 28,895            |
| (Benefit) provision for income taxes                      | (2,082)             | 8,606             | (964)             | 9,882             |
| Net income (loss)   | \$(5,684)           | \$16,974          | \$(435)           | \$19,013          |
| Net income allocated to participating securities          | —                   | (115)             | —                 | (131)             |
| Net income (loss) applicable to common shares             | \$(5,684)           | \$16,859          | \$(435)           | \$18,882          |
| Income (loss) per common share:                           |                     |                   |                   |                   |
| Basic   | \$(0.09)            | \$0.24            | \$(0.01)          | \$0.27            |
| Diluted   | \$(0.09)            | \$0.24            | \$(0.01)          | \$0.27            |
| Weighted average number of common shares outstanding:     |                     |                   |                   |                   |
| Basic   | 66,210              | 70,988            | 66,311            | 70,933            |
| Diluted   | 66,210              | 71,122            | 66,311            | 71,107            |

See accompanying notes to consolidated financial statements.

NCI BUILDING SYSTEMS, INC.  
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME  
 (In thousands)  
 (Unaudited)

|  | Fiscal Three<br>Months Ended |                   | Fiscal Six<br>Months Ended |                   |
|--|------------------------------|-------------------|----------------------------|-------------------|
|  | April 29,<br>2018            | April 30,<br>2017 | April 29,<br>2018          | April 30,<br>2017 |
| Comprehensive income (loss):                                 |                              |                   |                            |                   |
| Net income (loss)  | \$(5,684)                    | \$16,974          | \$(435)                    | \$19,013          |
| Other comprehensive income, net of tax:                      |                              |                   |                            |                   |
| Foreign exchange translation losses and other <sup>(1)</sup> | (261 )                       | (144 )            | (24 )                      | (58 )             |
| Other comprehensive loss                                     | (261 )                       | (144 )            | (24 )                      | (58 )             |
| Comprehensive (loss) income                                  | \$(5,945)                    | \$16,830          | \$(459)                    | \$18,955          |

<sup>(1)</sup> Foreign exchange translation losses and other are presented net of taxes of \$0 in both the three months ended April 29, 2018 and April 30, 2017 and in both the six months ended April 29, 2018 and April 30, 2017.

See accompanying notes to consolidated financial statements.

NCI BUILDING SYSTEMS, INC.  
CONSOLIDATED BALANCE SHEETS  
(In thousands, except share data)  
(Unaudited)

|   | April 29,<br>2018 | October 29,<br>2017 |
|---|-------------------|---------------------|
| <b>ASSETS</b>   |                   |                     |
| Current assets:   |                   |                     |
| Cash and cash equivalents   | \$35,335          | \$65,658            |
| Restricted cash   | 177               | 136                 |
| Accounts receivable, net  | 180,393           | 199,897             |
| Inventories, net  | 221,369           | 198,296             |
| Income taxes receivable   | 6,439             | 3,617               |
| Investments in debt and equity securities, at market  | 6,332             | 6,481               |
| Prepaid expenses and other  | 36,551            | 31,359              |
| Assets held for sale  | 10,102            | 5,582               |
| Total current assets  | 496,698           | 511,026             |
| Property, plant and equipment, net  | 221,398           | 226,995             |
| Goodwill  | 148,291           | 148,291             |
| Intangible assets, net  | 132,338           | 137,148             |
| Deferred income taxes   | 2,513             | 2,544               |
| Other assets, net   | 5,369             | 5,108               |
| Total assets  | \$1,006,607       | \$1,031,112         |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>   |                   |                     |
| Current liabilities:  |                   |                     |
| Note payable  | \$1,656           | \$440               |
| Accounts payable  | 157,819           | 147,772             |
| Accrued compensation and benefits   | 49,850            | 59,189              |
| Accrued interest  | 1,464             | 6,414               |
| Other accrued expenses  | 104,475           | 102,233             |
| Total current liabilities   | 315,264           | 316,048             |
| Long-term debt, net of deferred financing costs of \$6,043 and \$6,857 on April 29, 2018 and October 29, 2017, respectively   | 408,957           | 387,290             |
| Deferred income taxes   | 1,928             | 4,297               |
| Other long-term liabilities   | 18,134            | 18,230              |
| Total long-term liabilities   | 429,019           | 409,817             |
| Stockholders' equity:   |                   |                     |
| Common stock, \$.01 par value, 100,000,000 shares authorized; 66,252,112 and 68,677,684 shares issued at April 29, 2018 and October 29, 2017, respectively; 66,142,319 and 68,386,556 shares outstanding at April 29, 2018 and October 29, 2017, respectively | 663               | 687                 |
| Additional paid-in capital  | 521,190           | 562,277             |
| Accumulated deficit   | (249,832 )        | (248,046 )          |
| Accumulated other comprehensive loss, net   | (7,555 )          | (7,531 )            |
| Treasury stock, at cost (109,793 and 291,128 shares at April 29, 2018 and October 29, 2017, respectively)   | (2,142 )          | (2,140 )            |
| Total stockholders' equity  | 262,324           | 305,247             |
| Total liabilities and stockholders' equity  | \$1,006,607       | \$1,031,112         |

See accompanying notes to consolidated financial statements.

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NCI BUILDING SYSTEMS, INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(In thousands)  
(Unaudited)

|  | Fiscal Six Months Ended |  |                   |
|--|-------------------------|--|-------------------|
|  | April 29,<br>2018       |  | April 30,<br>2017 |
| Cash flows from operating activities:  |                         |  |                   |
| Net income (loss)  | \$ (435 )               |  | \$ 19,013         |
| Adjustments to reconcile net income (loss) to net cash from operating activities:            |                         |  |                   |
| Depreciation and amortization  | 20,800                  |  | 20,378            |
| Amortization of deferred financing costs   | 781                     |  | 954               |
| Loss on extinguishment of debt   | 21,875                  |  | —                 |
| Share-based compensation expense   | 7,868                   |  | 5,862             |
| Gain on insurance recovery   | —                       |  | (9,601 )          |
| Loss on disposition of business  | 6,192                   |  | —                 |
| (Gains) losses on assets, net  | (250 )                  |  | 262               |
| Provision for doubtful accounts  | (44 )                   |  | 1,406             |
| Benefit for deferred income taxes  | (1,676 )                |  | (113 )            |
| Changes in operating assets and liabilities, net of effect of acquisitions and dispositions: |                         |  |                   |
| Accounts receivable  | 17,060                  |  | 12,232            |
| Inventories  | (24,920 )               |  | (8,617 )          |
| Income taxes   | (2,822 )                |  | 982               |
| Prepaid expenses and other   | (4,182 )                |  | (1,875 )          |
| Accounts payable   | 12,686                  |  | (21,737 )         |
| Accrued expenses   | (12,016 )               |  | (11,068 )         |
| Other, net   | (931 )                  |  | (189 )            |
| Net cash provided by operating activities  | 39,986                  |  | 7,889             |



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|  |           |   |           |
|--|-----------|---|-----------|
| Cash flows from investing activities:                            |           |   |           |
| Capital expenditures   | (16,897   | ) | (11,556 ) |
| Proceeds from sale of property, plant and equipment              | 2,678     |   | 2,533     |
| Business disposition, net  | (4,415    | ) | —         |
| Proceeds from insurance  | —         |   | 420       |
| Net cash used in investing activities                            | (18,634   | ) | (8,603 )  |
| Cash flows from financing activities:                            |           |   |           |
| (Deposit) refund of restricted cash                              | (41       | ) | 240       |
| Proceeds from stock options exercised                            | 1,040     |   | 1,196     |
| Proceeds from ABL facility                                       | 65,000    |   | 35,000    |
| Payments on ABL facility   | (65,000   | ) | (35,000 ) |
| Proceeds from term loan  | 415,000   |   | —         |
| Payments on term loan  | (144,147  | ) | (10,000 ) |
| Payments on senior notes   | (265,470  | ) | —         |
| Payments on note payable   | (441      | ) | (458 )    |
| Payments of financing costs                                      | (6,275    | ) | —         |
| Payments related to tax withholding for share-based compensation | (4,612    | ) | (2,389 )  |
| Purchases of treasury stock                                      | (46,705   | ) | (3,533 )  |
| Net cash used in financing activities                            | (51,651   | ) | (14,944 ) |
| Effect of exchange rate changes on cash and cash equivalents     | (24       | ) | (63 )     |
| Net decrease in cash and cash equivalents                        | (30,323   | ) | (15,721 ) |
| Cash and cash equivalents at beginning of period                 | 65,658    |   | 65,403    |
| Cash and cash equivalents at end of period                       | \$ 35,335 |   | \$ 49,682 |

See accompanying notes to consolidated financial statements.

NCI BUILDING SYSTEMS, INC.  
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY  
(In thousands, except share data)  
(Unaudited)

|   | Common Stock |        | Additional         | Retained              | Accumulated                                | Treasury Stock |           | Stockholders'<br>Equity |
|---|--------------|--------|--------------------|-----------------------|--|----------------|-----------|-------------------------|
|   | Shares       | Amount | Paid-In<br>Capital | Earnings<br>(Deficit) | Other<br>Comprehensive<br>(Loss)<br>Income | Shares         | Amount    |                         |
| Balance, October 29,<br>2017                                    | 68,677,684   | \$ 687 | \$562,277          | \$(248,046)           | \$ (7,531 )                                | (291,128 )     | \$(2,140) | \$ 305,247              |
| Treasury stock<br>purchases                                     | —            | —      | —                  | —                     | —  | (2,917,034)    | (51,317)  | (51,317 )               |
| Retirement of treasury<br>shares                                | (2,916,930 ) | (29 )  | (51,286 )          | —                     | —  | 2,916,930      | 51,315    | —                       |
| Issuance of restricted<br>stock                                 | 397,722      | 4      | (4 )               | —                     | —  | 181,439        | —         | —                       |
| Stock options<br>exercised                                      | 93,636       | 1      | 1,039              | —                     | —  | —              | —         | 1,040                   |
| Foreign exchange<br>translation loss and<br>other, net of taxes | —            | —      | (55 )              | —                     | (24 )                                      | —              | —         | (79 )                   |
| Share-based<br>compensation                                     | —            | —      | 7,868              | —                     | —  | —              | —         | 7,868                   |
| Cumulative effect of<br>accounting change                       | —            | —      | 1,351              | (1,351 )              | —  | —              | —         | —                       |
| Net loss  | —            | —      | —                  | (435 )                | —  | —              | —         | (435 )                  |
| Balance, April 29,<br>2018                                      | 66,252,112   | \$ 663 | \$521,190          | \$(249,832)           | \$ (7,555 )                                | (109,793 )     | \$(2,142) | \$ 262,324              |

See accompanying notes to consolidated financial statements.

NCI BUILDING SYSTEMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

April 29, 2018

(Unaudited)

#### NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Basis of Presentation

The accompanying unaudited consolidated financial statements for NCI Building Systems, Inc. (together with its subsidiaries, unless otherwise indicated, the “Company,” “NCI,” “we,” “us” or “our”) have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, the unaudited consolidated financial statements included herein contain all adjustments, which consist of normal recurring adjustments, necessary to fairly present our financial position, results of operations and cash flows for the periods indicated. Operating results for the fiscal three and six month period ended April 29, 2018 are not necessarily indicative of the results that may be expected for the fiscal year ending October 28, 2018. Our sales and earnings are subject to both seasonal and cyclical trends and are influenced by general economic conditions, interest rates, the price of steel relative to other building materials, the level of nonresidential construction activity, roof repair and retrofit demand and the availability and cost of financing for construction projects.

For further information, refer to the consolidated financial statements and footnotes thereto included in our Annual Report on Form 10-K for the fiscal year ended October 29, 2017 filed with the Securities and Exchange Commission (the “SEC”) on December 18, 2017.

##### Reporting Periods

We use a four-four-five week calendar each quarter with our fiscal year end being on the Sunday closest to October 31. The year end for fiscal 2018 is October 28, 2018.

##### Change in Operating Segments

On February 22, 2018, the Company announced changes to NCI’s reportable business segments, effective January 28, 2018 starting with the first quarter of fiscal 2018, to align with changes in how the Company manages its business, reviews operating performance and allocates resources.

As of the first quarter, the Company began reporting results under four reportable segments: Engineered Building Systems; Metal Components; Insulated Metal Panels; and Metal Coil Coating. Previously, operating results for the Insulated Metal Panel product line were included in the Metal Components segment. In addition, CENTRIA’s coil coating operations, which had also been included in the Metal Components segment since the Company’s acquisition of CENTRIA in January 2015, will now be reported within the Metal Coil Coating segment. The Company began reporting its financial results under the new reportable segments with the filing of the Form 10-Q for the quarter ending January 28, 2018.

##### Disposition of Business

In the second quarter of fiscal 2018, the Company closed on the sale of CENTRIA International LLC, which owned our China manufacturing facility. The Company recognized a \$6.7 million loss on the sale in the Insulated Metals Panel segment during the second quarter of fiscal 2018. The disposition does not represent a strategic shift that has or will have a major effect of the Company’s operations or financial results.

#### NOTE 2 — ACCOUNTING PRONOUNCEMENTS

##### Adopted Accounting Pronouncements

In July 2015, the FASB issued ASU 2015-11, Inventory (Topic 330): Simplifying the Measurement of Inventory. ASU 2015-11 requires that inventory that has historically been measured using first-in, first-out (FIFO) or average cost method should now be measured at the lower of cost and net realizable value. We adopted this guidance in our first quarter of fiscal 2018 on a prospective basis. The adoption of this guidance did not have a material impact on our financial position or results of operations.

In November 2015, the FASB issued ASU 2015-17, Balance Sheet Classification of Deferred Taxes. ASU 2015-17 requires all deferred tax assets and liabilities to be presented on the balance sheet as noncurrent. The requirement that deferred tax liabilities and assets of a tax-paying component of an entity be offset and presented as a single amount is not affected by this update. We adopted ASU 2015-17 in our first quarter in fiscal 2018 on a retrospective basis. As a result deferred tax assets of \$20.1 million that were presented on our October 29, 2017 consolidated balance sheet have been reclassified to non-current deferred tax liabilities

and the remaining \$2.5 million deferred tax assets have been reclassified to non-current deferred tax assets to be consistent with the current year classification.

In March 2016, the FASB issued ASU 2016-09, Improvements to Employee Share-Based Payment Accounting, which simplifies certain aspects of the accounting for share-based payment transactions, including income tax effects, forfeitures, minimum statutory tax withholding requirements, classification as either equity or liability, and classification on the statement of cash flows. We adopted ASU 2016-09 in our first quarter in fiscal 2018. ASU 2016-09 requires all excess tax benefits and tax deficiencies be recognized as income tax expense or benefit in the income statement, thus eliminating additional paid-in capital pools. The Company applied the new standard guidance prospectively to all excess tax benefits and tax deficiencies resulting from settlements after October 29, 2017. The standard also requires a policy election to either estimate the number of awards that are expected to vest or account for forfeitures when they occur. The Company recognized a cumulative effect adjustment of \$1.4 million to increase accumulated deficit on a modified retrospective basis as of October 29, 2017 and has elected to account for forfeitures when they occur on a prospective basis. The standard requires that excess tax benefits should be classified along with other income tax cash flows as an operating activity on the statement of cash flows, which differs from the Company's historical classification of the excess tax benefits as cash inflows from financing activities. The Company elected to apply this provision using the retrospective transition method and reclassified \$1.5 million of excess tax benefits from financing activities to operating activities on the statement of cash flows for the fiscal six months ended April 30, 2017. Additionally, the standard requires cash paid by an employer when directly withholding shares for tax withholding purposes to be classified in the statement of cash flows as a financing activity. Payments for shares withheld for tax withholding purposes of \$4.6 million and \$2.4 million are classified on the consolidated statements of cash flows for the six months ended April 29, 2018 and April 30, 2017, respectively.

#### Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). ASU 2014-09 supersedes the revenue recognition requirements in ASC Topic 605, Revenue Recognition, and most industry-specific guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. During 2016, the FASB also issued ASU 2016-08, Revenue from Contracts with Customers: Principal versus Agent Considerations (Reporting Revenue Gross versus Net); ASU 2016-10, Revenue from Contracts with Customers: Identifying Performance Obligations and Licensing; ASU 2016-11, Rescission of SEC Guidance Because of Accounting Standards Updates 2014-09 and 2014-16 Pursuant to Staff Announcements at the March 3, 2016 EITF Meeting; and ASU 2016-12, Revenue from Contracts with Customers: Narrow-Scope Improvements and Practical Expedients; and ASU 2016-20, Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers (collectively, the "new revenue standard"), all of which were issued to improve and clarify the guidance in ASU 2014-09. These ASUs are effective for our fiscal year ending November 3, 2019, including interim periods within that fiscal year, using either a full or modified retrospective approach. To adopt the new revenue standard, we anticipate applying the modified retrospective approach, pursuant to which we will record an adjustment to the opening balance of accumulated deficit as of October 29, 2018 (the first day of our fiscal year ending November 3, 2019) for the impact of applying the new revenue standard to all contracts existing as of the date of application. For each revenue contract type, we are conducting a contract review process to evaluate the impact, if any, that the new revenue standard may have. At this time, our assessment is not yet complete and therefore we are unable to quantify the potential impacts to our consolidated financial statements; however, we do anticipate the adoption will have a material impact on our financial statement disclosures.

In February 2016, the FASB issued ASU 2016-02, Leases, which will require lessees to record most leases on the balance sheet and modifies the classification criteria and accounting for sales-type leases and direct financing leases for lessors. ASU 2016-02 is effective for our fiscal year ending November 1, 2020, including interim periods within that fiscal year. The guidance requires entities to use a modified retrospective approach for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements. While we are evaluating the impact that the adoption of this guidance will have on our consolidated financial statements, we currently believe

that most of our operating leases will be reflected on the consolidated balance sheet upon adoption. In June 2016, the FASB issued ASU 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. This ASU requires an entity to measure all expected credit losses for financial assets, including trade receivables, held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Entities will now incorporate forward-looking information based on expected losses to estimate credit losses. ASU 2016-13 is effective for our fiscal year ending October 31, 2021, including interim periods within that fiscal year. We are evaluating the impact that the adoption of this ASU will have on our consolidated financial position, result of operations and cash flows.

In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments, which provides guidance on eight cash flow classification issues with the objective of reducing differences in practice. We will be required to adopt the amendments in this ASU in annual and interim periods for our fiscal year ending November 3, 2019, with early adoption permitted. Adoption is required to be on a retrospective basis, unless impracticable for any of the amendments, in which case a prospective application is permitted. We are evaluating the impact that ASU 2016-15 will have on our consolidated financial statements.

In October 2016, the FASB issued ASU 2016-16, Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other than Inventory, which eliminates the exception that prohibits the recognition of current and deferred income tax effects for intra-entity transfers of assets other than inventory until the asset has been sold to an outside party. We will be required to adopt the amendments in this ASU in the annual and interim periods for our fiscal year ending November 3, 2019, with early adoption permitted. The application of the amendments will require the use of a modified retrospective basis through a cumulative-effect adjustment to retained earnings as of the beginning of the period of adoption. We are evaluating the standard and the impact it will have on our consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force), which clarifies how entities should present restricted cash and restricted cash equivalents in the statement of cash flows. Entities will no longer present transfers between cash and cash equivalents and restricted cash and restricted cash equivalents in the statement of cash flows. An entity with a material balance of restricted cash and restricted cash equivalents must disclose information about the nature of the restrictions. We will be required to adopt this guidance on a retrospective basis in the annual and interim periods for our fiscal year ending November 3, 2019, with early adoption permitted. We are evaluating the impact ASU 2016-18 will have on our consolidated financial statements.

In January 2017, the FASB issued ASU 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business. This ASU adds guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. Under the new guidance, if a single asset or group of similar identifiable assets comprise substantially all of the fair value of the gross assets acquired (or disposed of) in a transaction, the assets and related activities are not a business. Also, a minimum of an input process and a substantive process must be present and significantly contribute to the ability to create outputs in order to be considered a business. We will be required to adopt this guidance on a prospective basis in the annual and interim periods for our fiscal year ending November 3, 2019, with early adoption permitted. We are evaluating the impact ASU 2017-01 will have on our consolidated financial statements.

In March 2017, the FASB issued ASU 2017-07, Compensation—Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost, which amends the requirements related to the income statement presentation of the components of net periodic benefit cost for employer sponsored defined benefit pension and other postretirement benefit plans. Under the new guidance, an entity must disaggregate and present the service cost component of net periodic benefit cost in the same income statement line items as other employee compensation costs arising from services rendered during the period, and only the service cost component will be eligible for capitalization. Other components of net periodic benefit cost will be presented separately from the line items that include the service cost. We will be required to adopt this guidance in the annual and interim periods for our fiscal year ending November 3, 2019, with early adoption permitted. Entities must use a retrospective transition method to adopt the requirement for separate presentation of the income statement service cost and other components, and a prospective transition method to adopt the requirement to limit the capitalization of benefit cost to the service component. We are evaluating the impact of adopting this guidance.

In May 2017, the FASB issued ASU 2017-09, Compensation—Stock Compensation (Topic 718): Scope of Modification Accounting, which provides clarity on the accounting for modifications of stock-based awards. We will be required to adopt this guidance on a prospective basis in the annual and interim periods for our fiscal year ending November 3, 2019 for share-based payment awards modified on or after the adoption date. We are evaluating the impact ASU 2017-09 will have on our consolidated financial statements.

NOTE 3 —RESTRUCTURING

As part of the plans developed in the fourth quarter of fiscal 2015 primarily to improve engineering, selling, general and administrative (“ESG&A”) and manufacturing cost efficiency and to optimize our combined manufacturing footprint given the Company’s acquisitions, dispositions and restructuring efforts, we incurred restructuring charges of \$0.5 million, including \$0.3 million, \$0.1 million and \$0.1 million in the Engineered Building Systems segment, Metal Components segment and Insulated Metal Panels segment, respectively, during the three months ended April 29, 2018. During the three months ended April 30, 2017, we incurred restructuring charges of \$0.3 million, including \$0.2 million and \$0.1 million, in the Engineered Building Systems segment and Metal Components segment, respectively.

For the six months ended April 29, 2018, we incurred restructuring charges of \$1.6 million, including \$1.5 million and \$1.4 million in the Engineered Building Systems segment and Insulated Metals Panel segment, respectively, partially offset by a gain



of \$1.3 million on a sale of a facility in our Metal Components segment. For the six months ended April 30, 2017, we incurred restructuring charges, primarily consisting of severance related costs of \$2.6 million, including approximately \$2.1 million and \$0.5 million in the Engineered Building Systems segment and Metal Components segment, respectively.

The following table summarizes the costs and charges associated with the restructuring plans during the three and six months ended April 29, 2018, which are recorded in restructuring and impairment charges in the Company's consolidated statements of operations (in thousands):

|                           | Fiscal<br>Three<br>Months<br>Ended<br>April 29,<br>2018 | Fiscal<br>Six<br>Months<br>Ended<br>April 29,<br>2018 | Cost<br>Incurred<br>To Date<br>(since<br>inception) |
|---------------------------|---|---|---|
| General severance         | \$ 417  | \$ 1,733  | \$ 10,695   |
| Plant closing severance   | —   | —   | 3,279   |
| Asset impairments         | 71  | 1,171   | 7,140   |
| Gain on sale of facility  | —   | (1,424 )  | (1,424 )  |
| Other restructuring costs | —   | 102   | 1,415   |
| Total restructuring costs | \$ 488  | \$ 1,582  | \$ 21,105   |

The following table summarizes our severance liability and cash payments made pursuant to the restructuring plans from inception through April 29, 2018 (in thousands):

|                                  | General<br>Severance | Plant<br>Closing<br>Severance | Total    |
|----------------------------------|----------------------|-------------------------------|----------|
| Balance at November 2, 2014      | \$ —                 | \$ —                          | \$ —     |
| Costs incurred                   | 3,887                | 1,575                         | 5,462    |
| Cash payments                    | (2,941 )             | (1,575)                       | (4,516 ) |
| Accrued severance <sup>(1)</sup> | 739                  | —                             | 739      |
| Balance at November 1, 2015      | \$ 1,685             | \$ —                          | \$ 1,685 |
| Costs incurred <sup>(1)</sup>    | 2,725                | 165                           | 2,890    |
| Cash payments                    | (3,928 )             | (165 )                        | (4,093 ) |
| Balance at October 30, 2016      | \$ 482               | \$ —                          | \$ 482   |
| Costs incurred                   | 2,350                | 1,539                         | 3,889    |
| Cash payments                    | (2,549 )             | (1,539)                       | (4,088 ) |
| Balance at October 29, 2017      | \$ 283               | \$ —                          | \$ 283   |
| Costs incurred                   | 1,733                | —                             | 1,733    |
| Cash payments                    | (1,782 )             | —                             | (1,782 ) |
| Balance at April 29, 2018        | \$ 234               | \$ —                          | \$ 234   |

During the second and fourth quarters of fiscal 2015, we entered into transition and separation agreements with certain executive officers. Each terminated executive officer was entitled to severance benefit payments issuable in (1) two installments. The termination benefits were measured initially at the separation dates based on the fair value of the liability as of the termination date and were recognized ratably over the future service period. Costs incurred during fiscal 2016 exclude \$0.7 million of amortization expense associated with these termination benefits. We expect to fully execute our plans in phases over the next 12 months and estimate that we will incur future additional restructuring charges associated with these plans. We are unable at this time to make a good faith determination of cost estimates, or ranges of cost estimates, associated with future phases of these plans.

#### NOTE 4 — INVENTORIES

The components of inventory are as follows (in thousands):

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|                                    | April 29,<br>2018 | October 29,<br>2017 |
|------------------------------------|-------------------|---------------------|
| Raw materials                      | \$ 164,805        | \$ 150,919          |
| Work in process and finished goods | 56,564            | 47,377              |
|                                    | \$ 221,369        | \$ 198,296          |

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**NOTE 5 — ASSETS HELD FOR SALE**

We record assets held for sale at the lower of the carrying value or fair value less costs to sell. The following criteria are used to determine if property is held for sale: (i) management has the authority and commits to a plan to sell the property; (ii) the property is available for immediate sale in its present condition; (iii) there is an active program to locate a buyer and the plan to sell the property has been initiated; (iv) the sale of the property is probable within one year; (v) the property is being actively marketed at a reasonable sale price relative to its current fair value; and (vi) it is unlikely that the plan to sell will be withdrawn or that significant changes to the plan will be made.

In determining the fair value of the assets less cost to sell, we consider factors including current sales prices for comparable assets in the area, recent market analysis studies, appraisals and any recent legitimate offers. If the estimated fair value less cost to sell of an asset is less than its current carrying value, the asset is written down to its estimated fair value less cost to sell. The total carrying value of assets held for sale was \$10.1 million and \$5.6 million as of April 29, 2018 and October 29, 2017, respectively. All of these assets continued to be actively marketed for sale or are under contract as of April 29, 2018.

During the three and six months ended April 29, 2018, we completed the sale of an idle facility in the Metal Components segment which had previously been classified in assets held for sale. In connection with the sale of the facility, we received net cash proceeds of \$0.4 million, and recognized a net loss of approximately \$70 thousand, which is included in restructuring and impairment charges in the consolidated statements of operations.

Due to uncertainties in the estimation process, it is reasonably possible that actual results could differ from the estimates used in our historical analysis. Our assumptions about property sales prices require significant judgment because the current market is highly sensitive to changes in economic conditions. We determined the estimated fair values of assets held for sale based on current market conditions and assumptions made by management, which may differ from actual results and may result in impairments if market conditions deteriorate. Certain assets held for sale are valued at fair value and are measured at fair value on a nonrecurring basis. Assets held for sale are reported at fair value, if, on an individual basis, the fair value of the asset is less than carrying value. The fair value of assets held for sale is estimated using Level 3 inputs, such as broker quotes for like-kind assets or other market indications of a potential selling value that approximates fair value. Assets held for sale, reported at fair value, less costs to sell, totaled \$5.0 million as of April 29, 2018.

**NOTE 6 — SHARE-BASED COMPENSATION**

Our 2003 Long-Term Stock Incentive Plan (“Incentive Plan”) is an equity-based compensation plan that allows us to grant a variety of types of awards, including stock options, restricted stock, restricted stock units, stock appreciation rights, performance share units (“PSUs”), phantom stock awards, long-term incentive awards with performance conditions (“Performance Share Awards”) and cash awards. Awards are generally granted once per year, with the amounts and types of awards determined by the Compensation Committee of our Board of Directors (the “Committee”). As a general rule, option awards terminate on the earlier of (i) 10 years from the date of grant, (ii) 30 days after termination of employment or service for a reason other than death, disability or retirement, (iii) one year after death or (iv) one year for incentive stock options or five years for other awards after disability or retirement. Awards are non-transferable except by disposition on death or to certain family members, trusts and other family entities as the Committee may approve. Awards may be paid in cash, shares of our Common Stock or a combination, in lump sum or installments and currently or by deferred payment, all as determined by the Committee.

As of April 29, 2018, and for all periods presented, our share-based awards under this plan have consisted of restricted stock grants, PSUs and stock option grants, none of which can be settled through cash payments, and Performance Share Awards. Both our stock options and restricted stock awards are subject only to vesting requirements based on continued employment at the end of a specified time period and typically vest in annual increments over three to four years or earlier upon death, disability or a change of control. Restricted stock awards issued after December 15, 2013 do not vest upon attainment of a specified retirement age, as provided by the agreements governing such awards. The vesting of our Performance Share Awards is described below.

Our time-based restricted stock awards are typically subject to graded vesting over a service period, which is typically three or four years. Our performance-based and market-based restricted stock awards are typically subject to cliff vesting at the end of the service period, which is typically three years. We recognize compensation cost for these

awards on a straight-line basis over the requisite service period for each annual award grant. In the case of performance-based awards, expense is recognized based upon management's assessment of the probability that such performance conditions will be achieved. Certain of our awards provide for accelerated vesting upon qualified retirement, after a change of control or upon termination without cause or for good reason. We recognize compensation cost for such awards over the period from grant date to the date the employee first becomes eligible for retirement.

We adopted the provisions of ASU 2016-09, Improvements to Employee Share-Based Payment Accounting, in our first quarter in fiscal 2018. For additional information see Note 2 - Accounting Pronouncements.

#### Stock option awards

During the six month period ended April 30, 2017, we granted 10,424 stock options. The grant date fair value of options granted during the six month period ended April 30, 2017 was \$6.59 per share. We did not grant stock options during the six month period ended April 29, 2018.

There were 0.1 million options with an intrinsic value of \$0.6 million exercised during the six month period ended April 29, 2018. Cash received from options exercised was \$1.0 million during the six month period ended April 29, 2018.

#### Restricted stock and performance awards

Long-term incentive awards granted to our senior executives generally have a three-year performance period. Long-term incentive awards include restricted stock units and PSUs representing 40% and 60% of the total value, respectively. The restricted stock units vest upon continued employment. Vesting of the PSUs is contingent upon continued employment and the achievement of targets with respect to the following metrics, as defined by management: (1) cumulative free cash flow (weighted 40%); (2) cumulative earnings per share (weighted 40%); and (3) total shareholder return (weighted 20%), in each case during the performance period. At the end of the performance period, the number of actual shares to be awarded varies between 0% and 200% of target amounts. The PSUs vest pro rata if an executive's employment terminates prior to the end of the performance period due to death, disability, or termination by the Company without cause or by the executive for good reason. If an executive's employment terminates for any other reason prior to the end of the performance period, all outstanding unvested PSUs, whether earned or unearned, will be forfeited and cancelled. If a change of control occurs prior to the end of the performance period, the PSU payout will be calculated and paid assuming that the maximum benefit had been achieved. If an executive's employment terminates due to death or disability while any of the restricted stock is unvested, then all of the unvested restricted stock will become vested. If an executive's employment is terminated by the Company without cause or after reaching normal retirement age, the unvested restricted stock will be forfeited. If a change of control occurs prior to the end of the performance period, the restricted stock will fully vest. The fair value of the awards is based on the Company's stock price as of the date of grant. During the six month periods ended April 29, 2018 and April 30, 2017, we granted PSUs with a total fair value of approximately \$4.5 million and \$4.6 million, respectively, to the Company's senior executives.

Long-term incentive awards granted to our key employees generally have a three-year performance period. Long-term incentive awards are granted 50% in restricted stock units and 50% in PSUs. Vesting of PSUs is contingent upon continued employment and the achievement of free cash flow and earnings per share targets, as defined by management, over a three-year performance period. At the end of the performance period, the number of actual shares to be awarded varies between 0% and 150% of target amounts. The PSUs vest earlier upon death, disability or a change of control. A portion of the awards also vests upon termination without cause or after reaching normal retirement age prior to the vesting date, as defined by the agreements governing such awards. The fair value of PSUs is based on the Company's stock price as of the date of grant. During the six month periods ended April 29, 2018 and April 30, 2017, we granted awards to key employees with equity fair values of \$2.1 million and \$2.0 million, respectively, and during the six month period ended April 30, 2017 we granted awards to key employees with cash values of \$2.0 million. We did not grant awards with cash value to key employees during the six month period ended April 29, 2018.

On December 15, 2017, the performance period ended for certain PSUs granted to senior executives and key employees in December 2014. The PSUs vested at 69.4%, and resulted in the issuance of 0.1 million shares, net of shares withheld for taxes.

During the six month periods ended April 29, 2018 and April 30, 2017, we granted time-based restricted stock units with a fair value of \$6.8 million, representing 0.3 million shares, and \$4.0 million, representing 0.3 million shares, respectively.

During the six month periods ended April 29, 2018 and April 30, 2017, we recorded share-based compensation expense for all awards of \$7.9 million and \$5.9 million, respectively. Included in the share-based compensation expense during the six month period ended April 29, 2018 were accelerated awards of \$3.6 million due to the retirement of the Company's former CEO.

#### Deferred Compensation

In accordance with the Company's Deferred Compensation Plan, amounts deferred into the Company Stock Fund must remain invested in the Company Stock Fund until distribution. The deferred compensation obligation related to the Company's stock may only be settled by the delivery of a fixed number of the Company's common shares held on the participant's behalf. As a result, we have a deferred compensation obligation of \$1.2 million related to the Company Stock Fund that is recorded within equity in additional paid-in capital on the consolidated balance sheet as of April 29, 2018. Subsequent changes in the fair value of the deferred compensation obligation classified within equity are not recognized. Additionally, the Company currently holds 109,689 shares in treasury shares, relating to deferred, vested PSU awards, until participants are eligible to receive benefits under the terms of the Deferred Compensation Plan.

## NOTE 7 — EARNINGS (LOSS) PER COMMON SHARE

Basic earnings (loss) per common share is computed by dividing net income allocated to common shares by the weighted average number of common shares outstanding. Diluted earnings per common share, if applicable, considers the dilutive effect of common stock equivalents. The reconciliation of the numerator and denominator used for the computation of basic and diluted earnings (loss) per common share is as follows (in thousands, except per share data):

|   | Fiscal Three<br>Months Ended<br>April 29, 2018 |          | Fiscal Six<br>Months Ended<br>April 30, 2017 |          |
|---|--|----------|--|----------|
| Numerator for Basic and Diluted Earnings (Loss) Per Common Share:   |  |          |  |          |
| Net income (loss) applicable to common shares                       | \$(5,684)                                      | \$16,859 | \$(435)                                      | \$18,882 |
| Denominator for Basic and Diluted Earnings (Loss) Per Common Share: |  |          |  |          |
| Weighted average basic number of common shares outstanding          | 66,210   | 70,988   | 66,311                                       | 70,933   |
| Common stock equivalents:   |  |          |  |          |
| Employee stock options  | —  | 134      | —  | 138      |
| PSUs and Performance Share Awards                                   | —  | —        | —  | 36       |
| Weighted average diluted number of common shares outstanding        | 66,210   | 71,122   | 66,311                                       | 71,107   |
| Basic earnings (loss) per common share                              | \$(0.09)                                       | \$0.24   | \$(0.01)                                     | \$0.27   |
| Diluted earnings (loss) per common share                            | \$(0.09)                                       | \$0.24   | \$(0.01)                                     | \$0.27   |

Incentive Plan securities excluded from dilution<sup>(1)</sup> 95 2 122 2

(1) Represents securities not included in the computation of diluted earnings (loss) per common share because their effect would have been anti-dilutive.

We calculate earnings (loss) per share using the “two-class” method, whereby unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents are “participating securities” and, therefore, these participating securities are treated as a separate class in computing earnings (loss) per share. The calculation of earnings per share presented here excludes the income attributable to unvested restricted stock units related to our Incentive Plan from the numerator and excludes the dilutive impact of those shares from the denominator. Awards subject to the achievement of performance conditions or market conditions for which such conditions had been met at the end of any of the fiscal periods presented are included in the computation of diluted earnings per common share if their effect was dilutive.

## NOTE 8 — WARRANTY

We sell weathertightness warranties to our customers for protection from leaks in our roofing systems related to weather. These warranties generally range from 2 years to 20 years. We sell two types of warranties, standard and Single Source™, and three grades of coverage for each. The type and grade of coverage determines the price to the customer. For standard warranties, our responsibility for leaks in a roofing system begins after 24 consecutive leak-free months. For Single Source™ warranties, the roofing system must pass our inspection before warranty coverage will be issued. Inspections are typically performed at three stages of the roofing project: (i) at the project start-up; (ii) at the project mid-point; and (iii) at the project completion. These inspections are included in the cost of the warranty. If the project requires or the customer requests additional inspections, those inspections are billed to the customer. Upon the sale of a warranty, we record the resulting revenue as deferred revenue, which is included in other accrued expenses on our consolidated balance sheets.

The following table represents the rollforward of our accrued warranty obligation and deferred warranty revenue activity for the fiscal six months ended April 29, 2018 and April 30, 2017 (in thousands):

|                    | Fiscal Six Months Ended |                |
|--------------------|-------------------------|----------------|
|                    | April 29, 2018          | April 30, 2017 |
| Beginning balance  | \$27,016                | \$27,200       |
| Warranties sold    | 1,605                   | 1,234          |
| Revenue recognized | (1,314 )                | (1,512 )       |
| Ending balance     | \$27,307                | \$26,922       |

#### NOTE 9 — DEFINED BENEFIT PLANS

**RCC Pension Plan** — With the acquisition of Robertson-Ceco II Corporation (“RCC”) on April 7, 2006, we assumed a defined benefit plan (the “RCC Pension Plan”). Benefits under the RCC Pension Plan are primarily based on years of service and the employee’s compensation. The RCC Pension Plan is frozen and, therefore, employees do not accrue additional service benefits. Plan assets of the RCC Pension Plan are invested in broadly diversified portfolios of government obligations, mutual funds, stocks, bonds, fixed income securities and master limited partnerships.

**CENTRIA Benefit Plans** — As a result of the CENTRIA Acquisition on January 16, 2015, we assumed noncontributory defined benefit plans covering certain hourly employees (the “CENTRIA Benefit Plans”) and are closed to new participants. Benefits under the CENTRIA Benefit Plans are calculated based on fixed amounts for each year of service rendered, although benefits accruals for one of the plans previously ceased. Plan assets of the CENTRIA Benefit Plans are invested in broadly diversified portfolios of domestic and international equity mutual funds, bonds, mortgages and other funds. CENTRIA also sponsors postretirement medical and life insurance plans that cover certain of its employees and their spouses (the “OPEB Plans”).

In addition to the CENTRIA Benefit Plans, CENTRIA contributes to a multi-employer plan, Steelworkers Pension Trust. The minimum required annual contribution to this plan is \$0.3 million. The current contract expires on June 1, 2019. If we were to withdraw our participation from this multi-employer plan, CENTRIA may be required to pay a withdrawal liability representing an amount based on the underfunded status of the plan. The plan is not significant to the Company’s consolidated financial statements.

We refer to the RCC Pension Plan and the CENTRIA Benefit Plans collectively as the “Defined Benefit Plans” in this Note.

The following tables sets forth the components of the net periodic benefit cost, before tax, and funding contributions, for the periods indicated (in thousands):

|                                      | Fiscal Three Months Ended April 29, 2018 |            |        | Fiscal Three Months Ended April 30, 2017 |            |        |
|--------------------------------------|--|------------|--------|--|------------|--------|
|                                      | Defined Benefit Plans                    | OPEB Plans | Total  | Defined Benefit Plans                    | OPEB Plans | Total  |
| Service cost                         | \$22                                     | \$ 7       | \$29   | \$24                                     | \$ 9       | \$33   |
| Interest cost                        | 494                                      | 62         | 556    | 513                                      | 64         | 577    |
| Expected return on assets            | (729 )                                   | —          | (729 ) | (700 )                                   | —          | (700 ) |
| Amortization of prior service credit | 15                                       | —          | 15     | (2 )                                     | —          | (2 )   |
| Amortization of net actuarial loss   | 248                                      | —          | 248    | 344                                      | —          | 344    |
| Net periodic benefit cost            | \$50                                     | \$ 69      | \$119  | \$179                                    | \$ 73      | \$252  |
| Funding contributions                | \$639                                    | \$ —       | \$639  | \$591                                    | \$ —       | \$591  |



|                                      | Fiscal Six Months Ended |            |         | Fiscal Six Months Ended |            |         |
|--------------------------------------|-------------------------|------------|---------|-------------------------|------------|---------|
|                                      | April 29, 2018          |            |         | April 30, 2017          |            |         |
|                                      | Defined Benefit Plans   | OPEB Plans | Total   | Defined Benefit Plans   | OPEB Plans | Total   |
| Service cost                         | \$44                    | \$ 14      | \$ 58   | \$49                    | \$ 18      | \$ 67   |
| Interest cost                        | 988                     | 124        | 1,112   | 1,027                   | 129        | 1,156   |
| Expected return on assets            | (1,458)                 | —          | (1,458) | (1,399)                 | —          | (1,399) |
| Amortization of prior service credit | 28                      | —          | 28      | (5 )                    | —          | (5 )    |
| Amortization of net actuarial loss   | 496                     | —          | 496     | 687                     | —          | 687     |
| Net periodic benefit cost            | \$98                    | \$ 138     | \$ 236  | \$359                   | \$ 147     | \$ 506  |
| Funding contributions                | \$910                   | \$ —       | \$ 910  | \$825                   | \$ —       | \$ 825  |

We expect to contribute an additional \$1.6 million to the Defined Benefit Plans for the remainder of fiscal 2018. Our policy is to fund the CENTRIA Benefit Plans as required by minimum funding standards of the Internal Revenue Code. The contributions to the OPEB Plans by retirees vary from none to 25% of the total premiums paid.

#### NOTE 10 — LONG-TERM DEBT AND NOTE PAYABLE

Debt is comprised of the following (in thousands):

|  | April 29, 2018 | October 29, 2017 |
|--|----------------|------------------|
| Term loan credit facility, due February 2025 and June 2022, respectively           | \$415,000      | \$ 144,147       |
| 8.25% senior notes, due January 2023   | —              | 250,000          |
| Asset-based lending credit facility, due February 2023 and June 2019, respectively | —              | —                |
| Less: unamortized deferred financing costs <sup>(1)</sup>                          | 6,043          | 6,857            |
| Total long-term debt, net of deferred financing costs                              | \$408,957      | \$ 387,290       |

Includes the unamortized deferred financing costs associated with the term loan credit facilities and Notes.

- (1) The unamortized deferred financing costs associated with the asset-based credit lending facilities of \$1.3 million and \$0.7 million as of April 29, 2018 and October 29, 2017, respectively, are classified in other assets on the consolidated balance sheets.

#### Debt Redemption and Refinancing

On February 8, 2018, the Company entered into a Term Loan Credit Agreement and ABL Credit Agreement (each defined below), the proceeds of which, together, were used to redeem the 8.25% senior notes and to refinance the Company's existing term loan credit facility and the Company's existing asset-based revolving credit facility.

##### Term Loan Credit Agreement

On February 8, 2018, the Company entered into a Term Loan Credit Agreement (the "Term Loan Credit Agreement") which provides for a term loan credit facility in an original aggregate principal amount of \$415.0 million ("Term Loan Credit Facility"). Proceeds from borrowings under the Term Loan Credit Facility were used, together with cash on hand, (i) to refinance the existing term loan credit agreement, (ii) to redeem and repay the Notes and (iii) to pay any fees, premiums and expenses incurred in connection with the refinancing.

The term loans under the Term Loan Credit Agreement will mature on February 7, 2025 and, prior to such date, will amortize in nominal quarterly installments equal to one percent of the aggregate initial principal amount thereof per annum.

The term loans under the Term Loan Credit Agreement may be prepaid at the Company's option at any time, subject to minimum principal amount requirements. Prepayments in connection with a repricing transaction (as defined in the Term Loan Credit Agreement) during the first six months after the closing of the Term Loan Credit Facility will be subject to a prepayment premium equal to 1% of the principal amount of the term loans being prepaid. Prepayments may otherwise be made without premium or penalty (other than customary breakage costs). The Company will also have the ability to repurchase a portion of the term loans under the Term Loan Credit Agreement subject to certain

terms and conditions set forth in the Term Loan Credit Agreement.

Subject to certain exceptions, the term loans under the Term Loan Credit Agreement will be subject to mandatory prepayment in an amount equal to:

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the net cash proceeds of (1) certain asset sales (subject to reduction to 50% or 0%, if specified leverage ratio targets are met), (2) certain debt offerings, and (3) certain insurance recovery and condemnation events; and 50% of annual excess cash flow (as defined in the Term Loan Credit Agreement), subject to reduction to 0% if specified leverage ratio targets are met.

The obligations under the Term Loan Credit Agreement are guaranteed by each direct and indirect U.S. restricted subsidiary of the Company, other than certain excluded subsidiaries, and are secured by:

a perfected security interest in substantially all tangible and intangible assets of the Company and each guarantor (other than ABL Priority Collateral (as defined below)), including the capital stock of each direct material domestic subsidiary owned by the Company and each guarantor, and 65% of the capital stock of any non-U.S. subsidiary held directly by the Company or any guarantor, subject to customary exceptions (the "Term Loan Priority Collateral"), which security interest will be senior to the security interest in the foregoing assets securing the ABL Credit Facility (as defined below); and

a perfected security interest in the ABL Priority Collateral, which security interest will be junior to the security interest in the ABL Priority Collateral securing the ABL Credit Facility.

At the Company's election, the interest rates applicable to the term loans under the Term Loan Credit Agreement will be based on a fluctuating rate of interest measured by reference to either (i) an adjusted LIBOR plus a borrowing margin of 2.00% per annum or (ii) an alternative base rate not less than 1.00% plus a borrowing margin of 1.00% per annum. At April 29, 2018, the interest rate on the Term Loans was 3.88%.

#### ABL Credit Agreement

On February 8, 2018, the subsidiaries of the Company, NCI Group, Inc. and Robertson-Ceco II Corporation, and the Company as a guarantor, entered into an ABL Credit Agreement (the "ABL Credit Agreement"). The ABL Credit Agreement provides for an asset-based revolving credit facility (the "ABL Credit Facility") which allows aggregate maximum borrowings by the ABL borrowers of up to \$150 million, letters of credit of up to \$30 million and up to \$20 million for swingline borrowings. Borrowing availability is determined by a monthly borrowing base collateral calculation that is based on specified percentages of the value of accounts receivable, eligible credit card receivables and eligible inventory, less certain reserves and subject to certain other adjustments. Availability is reduced by issuance of letters of credit as well as any borrowings. All borrowings under the ABL Credit Facility mature on February 8, 2023.

The obligations under the ABL Credit Agreement are guaranteed by each direct and indirect U.S. restricted subsidiary of the Company, other than certain excluded subsidiaries, and are secured by:

a perfected security interest in all present and after-acquired inventory, accounts receivable, deposit accounts, securities accounts, and any cash or other assets in such accounts (and, to the extent evidencing or otherwise related to such items, all general intangibles, intercompany debt, insurance proceeds, letter of credit rights, commercial tort claims, chattel paper, instruments, supporting obligations, documents, investment property and payment intangibles) and the proceeds of any of the foregoing and all books and records relating to, or arising from, any of the foregoing, except to the extent such proceeds constitute Term Loan Priority Collateral, and subject to customary exceptions (the "ABL Priority Collateral"), which security interest is senior to the security interest in the foregoing assets securing the Term Loan Credit Facility; and

a perfected security interest in the Term Loan Priority Collateral, which security interest will be junior to the security interest in the Term Loan Priority Collateral securing the Term Loan Credit Facility.

At April 29, 2018 and October 29, 2017, the Company's excess availability under its asset-based lending credit facilities was \$141.1 million and \$140.0 million, respectively. At April 29, 2018 and October 29, 2017, the Company had no revolving loans outstanding under its asset-based lending credit facilities. In addition, at April 29, 2018 and October 29, 2017, standby letters of credit related to certain insurance policies totaling approximately \$8.9 million and \$10.0 million, respectively, were outstanding but undrawn under the Company's asset-based lending credit facilities. The ABL Credit Agreement includes a minimum fixed charge coverage ratio of 1.00:1.00, which will apply if we fail to maintain a specified minimum borrowing capacity. The minimum level of borrowing capacity as of April 29, 2018 was \$14.1 million. Although the ABL Credit Agreement does not require any financial covenant compliance, at April 29, 2018 NCI's fixed charge coverage ratio, which is calculated on a trailing twelve month basis, was 3.56:1.00.

Loans under the ABL Credit Facility bear interest, at NCI's option, as follows:

- (1) Base Rate loans at the Base Rate plus a margin. The margin ranges from 0.25% to 0.75% depending on the quarterly average excess availability under such facility; and
- (2) LIBOR loans at LIBOR plus a margin. The margin ranges from 1.25% to 1.75% depending on the quarterly average excess availability under such facility.

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A commitment fee is paid on the ABL Credit Facility at an annual rate of 0.25% or 0.35%, depending on the average daily used percentage, based on the amount by which the maximum credit exceeds the average daily principal balance of outstanding loans and letter of credit obligations. Additional customary fees in connection with the ABL Credit Facility also apply.

#### Redemption of 8.25% Senior Notes

On January 16, 2015, the Company issued \$250.0 million in aggregate principal amount of 8.25% senior notes due 2023 (the “Notes”). On February 8, 2018, the Company redeemed the outstanding \$250.0 million aggregate principal amount of the Notes for approximately \$265.5 million using the proceeds from borrowings under the new Term Loan Facility.

During the three months ended April 29, 2018, the Company incurred a pretax loss, primarily on the extinguishment of the Notes, of \$21.9 million, of which approximately \$15.5 million represents the call premium paid on the redemption of the Notes.

#### Debt Covenants

The Company’s outstanding debt agreements contain a number of covenants that, among other things, limit or restrict the ability of the Company and its subsidiaries to incur additional indebtedness, make dividends and other restricted payments, create liens securing indebtedness, engage in mergers and acquisitions, enter into restrictive agreements, amend certain documents in respect of other indebtedness, change the nature of the business and engage in certain transactions with affiliates. As of April 29, 2018, the Company was in compliance with all covenants that were in effect on such date.

#### Insurance Note Payable

As of April 29, 2018 and October 29, 2017, the Company had an outstanding note payable in the amount of \$1.7 million and \$0.4 million, respectively, related to financed insurance premiums. Insurance premium financings are generally secured by the unearned premiums under such policies.

#### NOTE 11 — CD&R FUNDS

On August 14, 2009, the Company entered into an Investment Agreement (as amended, the “Investment Agreement”), by and between the Company and Clayton, Dubilier & Rice Fund VIII, L.P. (“CD&R Fund VIII”). In connection with the Investment Agreement and the Stockholders Agreement dated October 20, 2009 (the “Stockholders Agreement”), the CD&R Fund VIII and the Clayton, Dubilier & Rice Friends & Family Fund VIII, L.P. (collectively, the “CD&R Funds”) purchased convertible preferred stock, which was converted into shares of our common stock on May 14, 2013. Among other provisions, the Stockholders Agreement entitles the CD&R Funds to certain nomination or designation rights with respect to our board of directors; subscription rights with respect to future issuances of common stock by us; corporate governance rights; and consent rights with respect to certain types of transactions we may enter into in the future.

On December 11, 2017, the CD&R Funds completed a registered underwritten offering of 7,150,000 shares of the Company’s Common Stock at a price to the public of \$19.36 per share (the “2017 Secondary Offering”). Pursuant to the underwriting agreement, at the CD&R Funds request, the Company purchased 1.15 million of the 7.15 million shares of the Common Stock from the underwriters in the 2017 Secondary Offering at a price per share equal to the price at which the underwriters purchased the shares from the CD&R Funds. The total amount the Company spent on these repurchases was \$22.3 million.

As of April 29, 2018, and October 29, 2017, the CD&R Funds owned approximately 34.5% and 43.8%, respectively, of the outstanding shares of our common stock.

#### NOTE 12 — STOCK REPURCHASE PROGRAM

On September 8, 2016, the Company announced that its board of directors authorized a stock repurchase program for the repurchase of up to an aggregate of \$50.0 million of the Company’s outstanding Common Stock. On October 10, 2017 and March 7, 2018, the Company announced that its board of directors authorized new stock repurchase programs for the repurchase of up to an aggregate of \$50.0 million and \$50.0 million, respectively, of the Company’s outstanding Common Stock. Under these repurchase programs, the Company is authorized to repurchase shares, if at all, at times and in amounts that it deems appropriate in accordance with all applicable securities laws and regulations. Shares repurchased are usually retired. There is no time limit on the duration of the programs.

During the six months ended April 29, 2018, the Company repurchased approximately 2.7 million shares for \$46.7 million under the stock repurchase programs announced on September 8, 2016 and October 10, 2017, which included 1.15 million shares for \$22.3 million purchased pursuant to the CD&R Funds 2017 Secondary Offering (see Note 11 — CD&R Funds). As of April 29, 2018, approximately \$55.6 million remained available for stock repurchases under the programs announced on October 10, 2017 and March 7, 2018. The timing and method of any repurchases, which will depend on a variety of factors, including market conditions, are subject to results of operations, financial conditions, cash requirements and other factors, and may be suspended or discontinued at any time.

The Company canceled the 2.7 million shares repurchased under the stock repurchase programs during the six months ended April 29, 2018, resulting in a \$46.7 million decrease in both additional paid in capital and treasury stock. In addition to the common stock repurchased during the six months ended April 29, 2018, the Company also withheld 0.2 million shares of stock to satisfy minimum tax withholding obligations arising in connection with the vesting of stock awards, which are included in treasury stock purchases in the consolidated statements of stockholders' equity. The Company also cancelled these shares during the six months ended April 29, 2018, resulting in a \$4.6 million decrease in both additional paid in capital and treasury stock.

#### NOTE 13 — FAIR VALUE OF FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS

##### Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, restricted cash, trade accounts receivable, accounts payable and notes payable approximate fair value as of April 29, 2018 and October 29, 2017, respectively, because of their relatively short maturities. The carrying amount of revolving loans outstanding under the asset-based lending facilities approximates fair value as the interest rates are variable and reflective of market rates. The fair values of the remaining financial instruments not currently recognized at fair value on our consolidated balance sheets at the respective fiscal period ends were (in thousands):

|  | April 29, 2018     |            | October 29,<br>2017 |            |
|--|--------------------|------------|---------------------|------------|
|  | Carrying<br>Amount | Fair Value | Carrying<br>Amount  | Fair Value |
| Term Loan Credit Facility, due February 2025 | \$415,000          | \$415,519  | \$ —                | —          |
| Credit Agreement, due June 2022              | —                  | —          | 144,147             | 144,147    |
| 8.25% senior notes, due January 2023         | —                  | —          | 250,000             | 267,500    |

The fair values of the Term Loan Credit Facility, Credit Agreement and the Notes were based on recent trading activities of comparable market instruments, which are level 2 inputs.

##### Fair Value Measurements

ASC Subtopic 820-10, Fair Value Measurements and Disclosures, requires us to use valuation techniques to measure fair value that maximize the use of observable inputs and minimize the use of unobservable inputs. These inputs are prioritized as follows:

Level 1: Observable inputs such as quoted prices for identical assets or liabilities in active markets.

Level 2: Other inputs that are observable directly or indirectly, such as quoted prices for similar assets or liabilities or market-corroborated inputs.

Level 3: Unobservable inputs for which there is little or no market data and which require us to develop our own assumptions about how market participants would price the assets or liabilities.

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value.

There have been no changes in the methodologies used as of April 29, 2018 and October 29, 2017.

Money market: Money market funds have original maturities of three months or less. The original cost of these assets approximates fair value due to their short-term maturity.

Mutual funds: Mutual funds are valued at the closing price reported in the active market in which the mutual fund is traded.

Assets held for sale: Assets held for sale are valued based on current market conditions, prices of similar assets in similar condition and expected proceeds from the sale of the assets, representative of Level 3 inputs.

Deferred compensation plan liability: Deferred compensation plan liability is comprised of phantom investments in the deferred compensation plan and is valued at the closing price reported in the active markets in which the money market and mutual funds are traded.

The following tables summarize information regarding our financial assets and liabilities that are measured at fair value on a recurring basis as of April 29, 2018 and October 29, 2017, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value (in thousands):

|  | April 29, 2018 |         |         |          |
|--|----------------|---------|---------|----------|
|  | Level 1        | Level 2 | Level 3 | Total    |
| Assets:  |                |         |         |          |
| Short-term investments in deferred compensation plan: <sup>(1)</sup> |                |         |         |          |
| Money market   | \$790          | \$—     | \$      | —\$790   |
| Mutual funds – Growth  | 1,057          | —       | —       | 1,057    |
| Mutual funds – Blend   | 2,018          | —       | —       | 2,018    |
| Mutual funds – Foreign blend   | 946            | —       | —       | 946      |
| Mutual funds – Fixed income  | —              | 1,521   | —       | 1,521    |
| Total short-term investments in deferred compensation plan           | 4,811          | 1,521   | —       | 6,332    |
| Total assets   | \$4,811        | \$1,521 | \$      | —\$6,332 |
| Liabilities:   |                |         |         |          |
| Deferred compensation plan liability                                 | \$—            | \$5,310 | \$      | —\$5,310 |
| Total liabilities  | \$—            | \$5,310 | \$      | —\$5,310 |

|  | October 29, 2017 |         |         |          |
|--|------------------|---------|---------|----------|
|  | Level 1          | Level 2 | Level 3 | Total    |
| Assets:  |                  |         |         |          |
| Short-term investments in deferred compensation plan: <sup>(1)</sup> |                  |         |         |          |
| Money market   | \$1,114          | \$—     | \$      | —\$1,114 |
| Mutual funds – Growth  | 958              | —       | —       | 958      |
| Mutual funds – Blend   | 1,948            | —       | —       | 1,948    |
| Mutual funds – Foreign blend   | 915              | —       | —       | 915      |
| Mutual funds – Fixed income  | —                | 1,546   | —       | 1,546    |
| Total short-term investments in deferred compensation plan           | 4,935            | 1,546   | —       | 6,481    |
| Total assets   | \$4,935          | \$1,546 | \$      | —\$6,481 |
| Liabilities:   |                  |         |         |          |
| Deferred compensation plan liability                                 | \$—              | \$4,923 | \$      | —\$4,923 |
| Total liabilities  | \$—              | \$4,923 | \$      | —\$4,923 |

Unrealized holding gain (loss) for the three months ended April 29, 2018 and April 30, 2017 was \$(0.2) million and \$0.2 million, respectively. Unrealized holding gain (loss) for the six months ended April 29, 2018 and April 30, 2017 was \$0.1 million and \$(0.3) million, respectively. These unrealized holding gains (losses) were substantially offset by changes in the deferred compensation plan liability.



## NOTE 14 — INCOME TAXES

The reconciliation of income tax computed at the statutory tax rate to the effective income tax rate is as follows:

|   | Fiscal Three<br>Months Ended |                   | Fiscal Six Months<br>Ended |                   |
|---|------------------------------|-------------------|----------------------------|-------------------|
|   | April 29,<br>2018            | April 30,<br>2017 | April 29,<br>2018          | April 30,<br>2017 |
| Statutory federal income tax rate                                       | 23.3 %                       | 35.0 %            | 23.3 %                     | 35.0 %            |
| State income taxes  | 3.4 %                        | 3.8 %             | 3.7 %                      | 3.8 %             |
| Domestic production activities deduction                                | (1.5 )%                      | (3.2 )%           | (1.1 )%                    | (3.2 )%           |
| Non-deductible expenses   | 0.7 %                        | 0.9 %             | 0.9 %                      | 0.9 %             |
| Tax credits   | (0.6 )%                      | (0.9 )%           | (0.8 )%                    | (0.9 )%           |
| China valuation allowance   | — %                          | (0.5 )%           | (0.9 )%                    | (0.1 )%           |
| Revaluation of U.S. deferred income tax due to statutory rate reduction | — %                          | — %               | 74.7 %                     | — %               |
| One-time repatriation tax on foreign earnings                           | — %                          | — %               | (51.6 )%                   | — %               |
| Other   | 1.5 %                        | (1.5 )%           | 20.7 %                     | (1.3 )%           |
| Effective tax rate  | 26.8 %                       | 33.6 %            | 68.9 %                     | 34.2 %            |

The increase in the effective tax rate was primarily the result of the net loss for the six months ended April 29, 2018 and the net impact of the Tax Cuts and Jobs Act (“U.S. Tax Reform”) which was enacted by the United States on December 22, 2017. U.S. Tax Reform incorporates significant changes to U.S. corporate income tax laws including, among other things, a reduction in the federal statutory corporate income tax rate from 35% to 21%, an exemption for dividends received from certain foreign subsidiaries, a one-time repatriation tax on deemed repatriated earnings from foreign subsidiaries, immediate expensing of certain depreciable tangible assets, limitations on the deduction for net interest expense and certain executive compensation and the repeal of the Domestic Production Activities Deduction. The majority of these changes will be effective for the Company’s fiscal year beginning October 29, 2018. However, the corporate income tax rate reduction is effective December 22, 2017. As such, the Company’s statutory federal corporate income tax rate for the fiscal year ending October 28, 2018 will be 23.3%. In addition, the one-time repatriation tax will be recognized by the Company for the tax year ending October 28, 2018.

Under ASC Topic 740, Income Taxes (“ASC 740”), a company is generally required to recognize the effect of changes in tax laws in its financial statements in the period in which the legislation is enacted. U.S. income tax laws are deemed to be effective on the date the president signs tax legislation. The President signed the U.S. Tax Reform legislation on December 22, 2017. As such, the Company is required to recognize the related impacts to the financial statements in the quarter ended January 28, 2018. In acknowledgment of the substantial changes incorporated in the U.S. Tax Reform, in conjunction with the timing of the enactment being just weeks before the majority of the provisions became effective, the SEC staff issued Staff Accounting Bulletin (“SAB”) 118 to provide certain guidance in determining the accounting for income tax effects of the legislation in the accounting period of enactment as well as provide a measurement period within which to finalize and reflect such final effects associated with U.S. Tax Reform. Further, SAB 118 summarizes a three-step approach to be applied each reporting period within the overall measurement period: (1) amounts should be reflected in the period including the date of enactment for those items which are deemed to be complete, (2) to the extent the effects of certain changes due to U.S. Tax Reform for which the accounting is not deemed complete but for which a reasonable estimate can be determined, such provisional amount(s) should be reflected in the period so determined and adjusted in subsequent periods as such effects are finalized and (3) to the extent a reasonable estimate cannot be determined for a specific effect of the tax law change associated with U.S. Tax Reform, no provisional amount should be recorded but rather, continue to apply ASC 740 based upon the tax law in effect prior to the enactment of U.S. Tax Reform. Such measurement period is deemed to end when all necessary information has been obtained, prepared and analyzed such that a final accounting determination can be concluded, but in no event should the period extend beyond one year.

In consideration of this guidance, the Company obtained, prepared and analyzed various information associated with the enactment of U.S. Tax Reform. Based upon this review, the Company recognized a discrete estimated net income tax benefit with respect to U.S. Tax Reform for the first quarter of fiscal 2018 of \$0.3 million. This net income tax

benefit reflects a \$1.0 million net estimated income tax benefit associated with the remeasurement of the Company's net U.S. deferred tax liability, partially offset with a \$0.7 million estimated income tax expense associated with the impact of the deemed repatriated earnings from the Company's foreign subsidiaries, including the one-time repatriation tax of \$2.1 million. Due to the Company's fiscal year-end of October 28, 2018 and the timing of the various technical provisions provided for under U.S. Tax Reform, the financial statement impacts recorded in the first quarter of fiscal 2018 relating to U.S. Tax Reform are not deemed to be complete but rather are deemed to be reasonable, provisional estimates based upon the current available information. As such, the Company will update and finalize the accounting for the tax effect of the enactment of U.S. Tax Reform in future quarters in accordance with the guidance as outlined

in SAB 118, as deemed necessary. The Company did not make any material updates to the provisional estimates during the second quarter of fiscal 2018.

**NOTE 15 — OPERATING SEGMENTS**

Operating segments are defined as components of an enterprise that engage in business activities and by which discrete financial information is available that is evaluated on a regular basis by the chief operating decision maker to make decisions about how to allocate resources to the segment and assess the performance of the segment. On February 22, 2018, the Company announced changes to NCI's reportable business segments, effective January 28, 2018 for the first quarter of fiscal 2018, to align with changes in how the Company manages its business, reviews operating performance and allocates resources. We have revised our segment reporting to represent how we now manage our business, restating prior periods to conform to the current segment presentation.

We have four operating segments: Engineered Building Systems; Metal Components; Insulated Metal Panels; and Metal Coil Coating. All operating segments operate primarily in the nonresidential construction market. Sales and earnings are influenced by general economic conditions, the level of nonresidential construction activity, metal roof repair and retrofit demand and the availability and terms of financing available for construction. Products of our operating segments use similar basic raw materials enabling us to leverage our supply chain. The Metal Coil Coating segment consists of cleaning, treating, painting and slitting continuous steel coils before the steel is fabricated for use by construction and industrial users. The Metal Components segment products include metal roof and wall panels, doors, metal partitions, metal trim, and other related accessories. The Insulated Metal Panels segment produces panels consisting of rigid foam encased between two sheets of coated metal in a variety of modules, lengths and reveal combinations which are used in architectural, commercial, industrial and cold storage market applications. The Engineered Building Systems segment manufactures custom designed and engineered products such as structural frames, Long Bay® Systems, metal roofing and wall systems, and the related value-added engineering and drafting, to provide customers a complete building envelope solution. The operating segments follow the same accounting policies used for our consolidated financial statements.

We evaluate a segment's performance based primarily upon operating income before corporate expenses. Intersegment sales are recorded based on standard material costs plus a standard markup to cover labor and overhead and consist of (i) hot-rolled, light gauge painted and slit material and other services provided by the Metal Coil Coating segment to the Engineered Building Systems, Metal Components and Insulated Metal Panels segments; (ii) building components provided by the Metal Components and Insulated Metal Panels segment to the Engineered Building Systems segment; and (iii) structural framing provided by the Engineered Building Systems segment to the Metal Components segment. Corporate assets consist primarily of cash, but also include deferred taxes and property, plant and equipment associated with our headquarters in Houston, Texas. These items (and income and expenses related to these items) are not allocated to the operating segments. Corporate unallocated expenses include share-based compensation expenses, and executive, legal, finance, tax, treasury, human resources, information technology, strategic sourcing, and corporate travel expenses. Additional unallocated amounts primarily include interest income, interest expense and other (expense) income.

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The following table represents summary financial data attributable to these operating segments for the periods indicated (in thousands):

|                                | Fiscal Three Months Ended |                | Fiscal Six Months Ended |                |
|--------------------------------|---------------------------|----------------|-------------------------|----------------|
|                                | April 29, 2018            | April 30, 2017 | April 29, 2018          | April 30, 2017 |
| Total sales:                   |                           |                |                         |                |
| Engineered Building Systems    | \$ 167,240                | \$ 162,624     | \$ 324,204              | \$ 313,887     |
| Metal Components               | 168,456                   | 154,895        | 315,288                 | 289,068        |
| Insulated Metal Panels         | 113,413                   | 102,937        | 224,207                 | 198,132        |
| Metal Coil Coating             | 95,190                    | 86,729         | 183,533                 | 175,069        |
| Intersegment sales             | (87,230 )                 | (86,721 )      | (168,814 )              | (163,989 )     |
| Total sales                    | \$457,069                 | \$420,464      | \$878,418               | \$812,167      |
| External sales:                |                           |                |                         |                |
| Engineered Building Systems    | \$ 157,136                | \$ 154,456     | \$ 305,424              | \$ 299,477     |
| Metal Components               | 147,661                   | 133,290        | 275,189                 | 248,847        |
| Insulated Metal Panels         | 99,792                    | 86,773         | \$ 197,305              | 169,214        |
| Metal Coil Coating             | 52,480                    | 45,945         | 100,500                 | 94,629         |
| Total sales                    | \$457,069                 | \$420,464      | \$878,418               | \$812,167      |
| Operating income (loss):       |                           |                |                         |                |
| Engineered Building Systems    | \$9,271                   | \$6,894        | \$17,534                | \$13,397       |
| Metal Components               | 22,082                    | 19,997         | 39,171                  | 32,373         |
| Insulated Metal Panels         | 1,540                     | 19,377         | \$8,611                 | 21,569         |
| Metal Coil Coating             | 7,129                     | 6,227          | 12,505                  | 12,933         |
| Corporate                      | (21,066 )                 | (20,023 )      | (45,967 )               | (37,914 )      |
| Total operating income         | \$18,956                  | \$32,472       | \$31,854                | \$42,358       |
| Unallocated other expense, net | (26,722 )                 | (6,892 )       | (33,253 )               | (13,463 )      |
| Income before income taxes     | \$(7,766 )                | \$25,580       | \$(1,399 )              | \$28,895       |

|                             | April 29, 2018 | October 29, 2017 |
|-----------------------------|----------------|------------------|
| Total assets:               |                |                  |
| Engineered Building Systems | \$205,839      | \$195,426        |
| Metal Components            | 192,958        | 186,369          |
| Insulated Metal Panels      | 368,363        | 380,308          |
| Metal Coil Coating          | 176,837        | 175,046          |
| Corporate                   | 62,610         | 93,963           |
| Total assets                | \$1,006,607    | \$1,031,112      |

NOTE 16 — CONTINGENCIES

As a manufacturer of products primarily for use in nonresidential building construction, the Company is inherently exposed to various types of contingent claims, both asserted and unasserted, in the ordinary course of business. As a result, from time to time, the Company and/or its subsidiaries become involved in various legal proceedings or other contingent matters arising from claims, or potential claims. The Company insures against these risks to the extent deemed prudent by its management and to the extent insurance is available. Many of these insurance policies contain deductibles or self-insured retentions in amounts the Company deems prudent and for which the Company is responsible for payment. In determining the amount of self-insurance, it is the Company's policy to self-insure those losses that are predictable, measurable and recurring in nature, such as claims for automobile liability and general liability. The Company regularly reviews the status of ongoing proceedings and other contingent matters along with legal counsel. Liabilities for such items are recorded when it is probable that the liability has been incurred and when

the amount of the liability can be reasonably estimated. Liabilities are adjusted when additional information becomes available. Management believes that the ultimate disposition of these matters will not have a material adverse effect on the

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Company's results of operations, financial position or cash flows. However, such matters are subject to many uncertainties and outcomes are not predictable with assurance.

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NCI BUILDING SYSTEMS, INC.

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

The following information should be read in conjunction with the unaudited consolidated financial statements included herein under "Item 1. Unaudited Consolidated Financial Statements" and the audited consolidated financial statements and the notes thereto and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our Annual Report on Form 10-K for the fiscal year ended October 29, 2017.

**FORWARD LOOKING STATEMENTS**

This Quarterly Report includes statements concerning our expectations, beliefs, plans, objectives, goals, strategies, future events or performance and underlying assumptions and other statements that are not historical facts. These statements are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Actual results may differ materially from those expressed or implied by these statements. In some cases, our forward-looking statements can be identified by the words "anticipate," "believe," "continue," "could," "estimate," "expect," "forecast," "goal," "intend," "may," "objective," "plan," "potential," "predict," "projection," "should," "will" or other similar words. We based our forward-looking statements on our management's beliefs and assumptions based on information available to our management at the time the statements are made. We caution you that assumptions, beliefs, expectations, intentions and projections about future events may and often do vary materially from actual results. Therefore, we cannot assure you that actual results will not differ materially from those expressed or implied by our forward-looking statements. Accordingly, investors are cautioned not to place undue reliance on any forward-looking information, including any earnings guidance, if applicable. Although we believe that the expectations reflected in the forward-looking statements are reasonable, these expectations and the related statements are subject to risks, uncertainties, and other factors that could cause the actual results to differ materially from those projected. These risks, uncertainties, and other factors include, but are not limited to:

- industry cyclicality and seasonality and adverse weather conditions;
- challenging economic conditions affecting the nonresidential construction industry;
- volatility in the United States ("U.S.") economy and abroad, generally, and in the credit markets;
- substantial indebtedness and our ability to incur substantially more indebtedness;
- our ability to generate significant cash flow required to service or refinance our existing debt, and obtain future financing;
- our ability to comply with the financial tests and covenants in our existing and future debt obligations;
- operational limitations or restrictions in connection with our debt;
- increases in interest rates;
- recognition of asset impairment charges;
- commodity price increases and/or limited availability of raw materials, including steel;
- our ability to make strategic acquisitions accretive to earnings;
- retention and replacement of key personnel;
- our ability to carry out our restructuring plans and to fully realize the expected cost savings;
- enforcement and obsolescence of intellectual property rights;
- fluctuations in customer demand;
- costs related to environmental clean-ups and liabilities;
- competitive activity and pricing pressure;
- increases in energy prices;
- volatility of the Company's stock price;
- dilutive effect on the Company's common stockholders of potential future sales of the Company's Common Stock held by our sponsor;
- substantial governance and other rights held by our sponsor;





breaches of our information system security measures and damage to our major information management systems; hazards that may cause personal injury or property damage, thereby subjecting us to liabilities and possible losses, which may not be covered by insurance; changes in laws or regulations, including the Dodd–Frank Act; costs and other effects of legal and administrative proceedings, settlements, investigations, claims and other matters; timing and amount of any stock repurchases; and other risks detailed under the caption “Risk Factors” in Part I, Item 1A in our most recent Annual Report on Form 10-K as filed with the SEC.

A forward-looking statement may include a statement of the assumptions or bases underlying the forward-looking statement. We believe that we have chosen these assumptions or bases in good faith and that they are reasonable. However, we caution you that assumed facts or bases almost always vary from actual results, and the differences between assumed facts or bases and actual results can be material, depending on the circumstances. When considering forward-looking statements, you should keep in mind the risk factors and other cautionary statements in this report, including those described under the caption “Risk Factors” in our most recent Annual Report on Form 10-K as filed with the SEC and other risks described in documents subsequently filed by the Company from time to time with the SEC. We expressly disclaim any obligations to release publicly any updates or revisions to these forward-looking statements to reflect any changes in our expectations unless the securities laws require us to do so.

#### OVERVIEW

NCI Building Systems, Inc. (together with its subsidiaries, unless the context requires otherwise, the “Company,” “NCI,” “we,” “us” or “our”) is one of North America’s largest integrated manufacturers and marketers of metal products for the nonresidential construction industry. We design, engineer, manufacture and market Engineered Building Systems, Metal Components and Insulated Metal Panels primarily for nonresidential construction use. We manufacture and distribute extensive lines of metal products for the nonresidential construction market under multiple brand names through a nationwide network of plants and distribution centers. We sell our products for both new construction and repair and retrofit applications. We also provide Metal Coil Coating services for commercial and construction applications, servicing both internal and external customers.

Engineered Building Systems offer a number of advantages over traditional construction alternatives, including shorter construction time, more efficient use of materials, lower construction costs, greater ease of expansion and lower maintenance costs. Similarly, Metal Components and Insulated Metal Panels offer builders, designers, architects and end-users several advantages, including lower long-term costs, longer life, attractive aesthetics and design flexibility.

We use a 52/53 week year with our fiscal year end on the Sunday closest to October 31. In fiscal 2018, our year end will be October 28, 2018.

We assess performance across our operating segments by analyzing and evaluating, among other indicators, gross profit and operating income, as well as whether each segment has achieved its projected sales goals. In assessing our overall financial performance, we regard return on adjusted operating assets, as well as growth in earnings, as key indicators of shareholder value.

#### Change in Operating Segments

On February 22, 2018, the Company announced changes to NCI’s reportable business segments, effective January 28, 2018 for the first quarter of fiscal 2018, to align with changes in how the Company manages its business, reviews operating performance and allocates resources.

During the first quarter of fiscal 2018, the Company began reporting results under four reportable segments, which are Engineered Building Systems, Metal Components, Insulated Metal Panels and Metal Coil Coating. Previously, operating results for the Insulated Metal Panel product line were included in the Metal Components segment. In addition, CENTRIA’s coil coating operations, which had been included in the Metal Components segment since the Company’s acquisition of CENTRIA in January 2015, are now reported within the Metal Coil Coating segment. Prior periods have been restated to conform to the current segment presentation.

Second Fiscal Quarter

During the second quarter of fiscal 2018, the Company has continued to realize the benefits of our focus on commercial discipline in the pass-through of material costs and the Company's ongoing cost reduction initiatives. Overall, year-over-year comparisons in most of our financial metrics reflect the pass-through of higher material input costs, as well as operational improvements over the previous three years to better leverage our fixed cost structure. We achieved year-over-year growth in both consolidated sales and gross profit.

Consolidated revenues increased by approximately 9% from the same period in the prior year. The year-over-year improvement was primarily driven by continued commercial discipline in the pass-through of higher costs in a rising cost environment predominantly in the Engineered Building Systems, Metal Components, and Insulated Metal Panels segments, and underlying volume growth in the Metal Components and Insulated Metal Panels segments.

The Company's gross margin in the current period was 22.8% as compared to 24.0% in the second quarter of 2017. The lower margins in the current period were primarily driven by less favorable product mix in the Insulated Metal Panels segment and increased manufacturing costs in the Metal Coil Coating segment in preparation for higher activity levels. Engineering, selling, general and administrative expenses as a percentage of revenues decreased by 160 basis points to 16.3% of sales compared to the same period last year, as we continue to execute on our strategic initiatives and restructuring activities.

#### Industry Conditions

Our sales and earnings are subject to both seasonal and cyclical trends and are influenced by general economic conditions, interest rates, the price of steel relative to other building materials, the level of nonresidential construction activity, roof repair and retrofit demand and the availability and cost of financing for construction projects. Our sales are normally lower in the first half of each fiscal year compared to the second half because of unfavorable weather conditions for construction and typical business planning cycles affecting construction.

The nonresidential construction industry is highly sensitive to national and regional macroeconomic conditions. Following a significant downturn in 2008 and 2009, the current recovery of low-rise construction has been uneven and slow but is now showing some signs of steady growth. The annual volume of new construction starts remains below previous cyclical average trough levels of activity from the last 50 years. However, we believe that the economy is recovering and that the nonresidential construction industry will return to mid-cycle levels of activity over the next several years. The graph below shows the annual nonresidential new construction starts, measured in square feet, since 1968, as compiled and reported by Dodge Data & Analytics:

Current market data continues to show uneven activity across the nonresidential construction markets. According to Dodge Data & Analytics, low-rise nonresidential new construction starts, as measured in square feet and comprising buildings of up to five stories, were up approximately 1% during fiscal 2017 as compared to fiscal 2016. Even though this measure tends to be revised upward in succeeding periods, we believe the underlying growth we are achieving is outpacing market activity. Leading indicators for low-rise, nonresidential construction activity indicate continued positive momentum in fiscal 2018.

The leading indicators that we follow and that typically have the most meaningful correlation to nonresidential low-rise construction starts are the American Institute of Architects' ("AIA") Architecture Mixed Use Index, Dodge Residential single family starts and the Conference Board Leading Economic Index ("LEI"). Historically, there has been a very high correlation to the Dodge low-rise nonresidential starts when the three leading indicators are combined and then seasonally adjusted. The combined forward projection of these metrics, based on a 9- to 14-month historical lag for each metric, indicates low single-digit growth for low-rise new construction starts in fiscal 2018.

We normally do not maintain an inventory of steel in excess of our current production requirements. However, from time to time, we may purchase steel in advance of announced steel price increases. We can give no assurance that steel will be readily available or that prices will not continue to be volatile. While most of our sales contracts have escalation clauses that allow us, under certain circumstances, to pass along all or a portion of increases in the price of steel after the date of the contract but prior to delivery, for competitive or other reasons, we may not be able to pass such price increases along. If the available supply of steel declines, we could experience price increases that we are not able to pass on to the end users, a deterioration of service from our suppliers or interruptions or delays that may cause us not to meet delivery schedules to our customers. Any of these problems could adversely affect our results of operations and financial condition. For additional discussion, see “Item 3. Quantitative and Qualitative Disclosures About Market Risk — Steel Prices.”

#### Restructuring

We continue to execute on our plans to improve cost efficiency through the optimization of our combined manufacturing plant footprint and the elimination of certain fixed and indirect ESG&A costs. During the three months ended April 29, 2018, we incurred charges of \$0.5 million, including \$0.3 million, \$0.1 million and \$0.1 million in the Engineered Building Systems segment, Metal Components segment and Insulated Metal Panels segment, respectively. We are currently unable to make a good faith determination of cost estimates, or range of cost estimates, for actions associated with the plans. Restructuring charges will be recorded for the plans as they become estimable and probable. See Note 3 — Restructuring in the notes to the unaudited consolidated financial statements for additional information.

#### RESULTS OF OPERATIONS

Operating segments are defined as components of an enterprise that engage in business activities and by which discrete financial information is available that is evaluated on a regular basis by the chief operating decision maker to make decisions about how to allocate resources to the segment and assess the performance of the segment. We have four operating segments: (i) Engineered Building Systems; (ii) Metal Components; (iii) Insulated Metal Panels; and (iv) Metal Coil Coating. All operating segments operate primarily in the nonresidential construction market. Sales and earnings are influenced by general economic conditions, the level of nonresidential construction activity, metal roof repair and retrofit demand and the availability and terms of financing available for construction. Our operating segments are vertically integrated and benefit from similar basic raw materials. The Metal Coil coating segment consists of cleaning, treating, painting and slitting continuous steel coils before the steel is fabricated for use by construction and industrial users. The Metal Components segment products include metal roof and wall panels, doors, metal partitions, metal trim, and other related accessories. The Insulated Metal Panels segment produces panels consisting of rigid foam encased between two sheets of coated metal in a variety of modules, lengths and reveal combinations which are used in architectural, commercial, industrial and cold storage market applications. The Engineered Building Systems segment manufactures custom designed and engineered products such as structural frames, Long Bay® Systems, metal roofing and wall systems, and the related value-added engineering and drafting, to provide customers a complete building envelope solution. The operating segments follow the same accounting policies used for our consolidated financial statements.

We evaluate a segment’s performance based primarily upon operating income before corporate expenses. Intersegment sales are recorded based on standard material costs plus a standard markup to cover labor and overhead and consist of: (i) structural framing provided by the Engineered Building Systems segment to the Metal Components segment; (ii) building components provided by the Metal Components and Insulated Metal Panels segments to the Engineered Building Systems segment; and (iii) hot-rolled, light gauge painted, and slit material and other services provided by the Metal Coil Coating segment to the Engineered Building Systems, Metal Components and Insulated Metal Panels. Corporate assets consist primarily of cash and investments, but also include deferred taxes and property, plant and equipment associated with our headquarters in Houston, Texas. These items (and income and expenses related to these items) are not allocated to the operating segments. Corporate unallocated expenses include share-based compensation expenses, and executive, legal, finance, tax, treasury, human resources, information technology, purchasing, marketing and corporate travel expenses. Additional unallocated amounts primarily include interest income, interest expense and other (expense) income. See Note 15 — Operating Segments in the notes to the unaudited consolidated financial statements for more information on our segments.



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We have revised our segment reporting to represent how we now manage our business, restating prior periods to conform to the current segment presentation. The following table represents sales and operating income (loss) attributable to these operating segments for the periods indicated (in thousands):

|                                   | Fiscal Three Months Ended |                  | Fiscal Six Months Ended |                  |
|-----------------------------------|---------------------------|------------------|-------------------------|------------------|
|                                   | April 29, 2018            | April 30, 2017   | April 29, 2018          | April 30, 2017   |
| <b>Total sales:</b>               |                           |                  |                         |                  |
| Engineered Building Systems       | \$ 167,240                | \$ 162,624       | \$ 324,204              | \$ 313,887       |
| Metal Components                  | 168,456                   | 154,895          | 315,288                 | 289,068          |
| Insulated Metal Panels            | 113,413                   | 102,937          | 224,207                 | 198,132          |
| Metal Coil Coating                | 95,190                    | 86,729           | 183,533                 | 175,069          |
| Intersegment sales                | (87,230 )                 | (86,721 )        | (168,814 )              | (163,989 )       |
| <b>Total sales</b>                | <b>\$457,069</b>          | <b>\$420,464</b> | <b>\$878,418</b>        | <b>\$812,167</b> |
| <b>External sales:</b>            |                           |                  |                         |                  |
| Engineered Building Systems       | \$ 157,136                | \$ 154,456       | \$ 305,424              | \$ 299,477       |
| Metal Components                  | 147,661                   | 133,290          | 275,189                 | 248,847          |
| Insulated Metal Panels            | 99,792                    | 86,773           | \$ 197,305              | 169,214          |
| Metal Coil Coating                | 52,480                    | 45,945           | 100,500                 | 94,629           |
| <b>Total sales</b>                | <b>\$457,069</b>          | <b>\$420,464</b> | <b>\$878,418</b>        | <b>\$812,167</b> |
| <b>Operating income (loss):</b>   |                           |                  |                         |                  |
| Engineered Building Systems       | \$9,271                   | \$6,894          | \$17,534                | \$13,397         |
| Metal Components                  | 22,082                    | 19,997           | 39,171                  | 32,373           |
| Insulated Metal Panels            | 1,540                     | 19,377           | 8,611                   | 21,569           |
| Metal Coil Coating                | 7,129                     | 6,227            | 12,505                  | 12,933           |
| Corporate                         | (21,066 )                 | (20,023 )        | (45,967 )               | (37,914 )        |
| <b>Total operating income</b>     | <b>\$18,956</b>           | <b>\$32,472</b>  | <b>\$31,854</b>         | <b>\$42,358</b>  |
| Unallocated other expense         | (26,722 )                 | (6,892 )         | (33,253 )               | (13,463 )        |
| <b>Income before income taxes</b> | <b>\$(7,766 )</b>         | <b>\$25,580</b>  | <b>\$(1,399 )</b>       | <b>\$28,895</b>  |

**FISCAL THREE MONTHS ENDED APRIL 29, 2018 COMPARED TO FISCAL THREE MONTHS ENDED APRIL 30, 2017**

Consolidated sales increased by 8.7%, or \$36.6 million, for the three months ended April 29, 2018, compared to the three months ended April 30, 2017. The increase in revenue resulted from continued commercial discipline, as well as the pass-through of material and other input costs in an inflationary environment, predominantly in the Engineered Building Systems, Metal Components, and Insulated Metal Panels segments, and underlying volume growth in the Engineered Building Systems and Metal Components segments.

Consolidated cost of sales increased by 10.4%, or \$33.4 million, for the three months ended April 29, 2018, compared to the three months ended April 30, 2017. The increase in cost of sales resulted primarily from higher input costs, including transportation, materials and skilled labor.

Gross margin percentage was 22.8% for the three months ended April 29, 2018, compared to 24.0% for the same period in the prior year. The lower margins in the current period were primarily driven by less favorable product mix in both the Insulated Metal Panels segment and doors products and increased manufacturing costs in the Metal Coil Coating segment in preparation for higher activity levels.

Engineered Building Systems sales increased by 2.8%, or \$4.6 million, to \$167.2 million in the three months ended April 29, 2018, from \$162.6 million in the same period in the prior year. Sales to third parties for the three months ended April 29, 2018 increased by \$2.7 million to \$157.1 million from \$154.5 million in the same period in the prior year, primarily due to the pass-through of higher input costs and improved product mix. Engineered Building Systems third-party sales accounted for 34.4% of total consolidated third-party sales in the three months ended April 29, 2018, compared to 36.7% in the three months ended April 30, 2017.

Operating income of the Engineered Building Systems segment increased to \$9.3 million in the three months ended April 29, 2018, from \$6.9 million in the same period in the prior year. The \$2.4 million, or 34.5%, increase resulted primarily from improved

product mix and lower engineering, selling, general and administrative expenses resulting from the execution of prior year cost reduction initiatives.

Metal Components sales increased by 8.8%, or \$13.6 million, to \$168.5 million in the three months ended April 29, 2018, from \$154.9 million in the same period in the prior year. Sales to third parties for the three months ended April 29, 2018 increased by \$14.4 million to \$147.7 million from \$133.3 million in the same period in the prior year, primarily driven by higher external volumes and the pass-through of increasing materials costs. The increase in external volume was driven mostly by an increase in the demand for our commercial doors products as we continue to execute on our adjacency growth initiatives. Metal Components third-party sales accounted for 32.3% of total consolidated third-party sales in the three months ended April 29, 2018, compared to 31.7% in the three months ended April 30, 2017.

Operating income of the Metal Components segment increased to \$22.1 million in the three months ended April 29, 2018, compared to \$20.0 million in the same period in the prior year. The \$2.1 million, or 10.4%, increase was driven primarily by an improvement in product mix and improved operating leverage across the cost structure on higher volumes. Prior period operating income includes \$0.4 million of gain on insurance recovery for settlements on damaged plant and equipment. There was no corresponding gain in the current period.

Insulated Metal Panels sales increased by 10.2%, or \$10.5 million, to \$113.4 million in the three months ended April 29, 2018, compared to \$102.9 million in the same period in the prior year. Sales to third parties for the three months ended April 29, 2018 increased by \$13.0 million to \$99.8 million from \$86.8 million in the same period in the prior year, primarily as a result of commercial discipline emphasizing project profitability over volume in a period of increasing input costs. The increase in volume was driven by strong demand for our cold storage products. Insulated Metal Panel third-party sales accounted for 21.8% of total consolidated third-party sales in the three months ended April 29, 2018, compared to 20.6% in the three months ended April 30, 2017

Operating income of the Insulated Metal Panels segment decreased to \$1.5 million in the three months ended April 29, 2018, from \$19.4 million in the same period in the prior year. The \$17.8 million, or 92.1%, decrease was primarily due to items present in both fiscal years that are not representative of our ongoing operations and a change in product mix away from the unusually high prior year mix of architectural panels. The three months ended April 29, 2018 includes a \$6.7 million loss recognized on the sale of the China manufacturing facility. Prior period operating income includes a \$9.2 million gain related to the settlement of property claims with insurers for damage caused by a fire in one of the facilities.

Metal Coil Coating sales were \$95.2 million and \$86.7 million in the three months ended April 29, 2018 and April 30, 2017, respectively. Sales to third parties for the three months ended April 29, 2018 increased by \$6.5 million to \$52.5 million from \$45.9 million in the same period in the prior year, primarily as a result of higher tonnage volume in package sales. Metal Coil Coating third-party sales accounted for 11.5% of total consolidated third-party sales in the three months ended April 29, 2018, compared to 10.9% in the three months ended April 30, 2017.

Operating income of the Metal Coil Coating segment increased to \$7.1 million in the three months ended April 29, 2018, from \$6.2 million in the same period in the prior year. The \$0.9 million, or 14.5%, increase was primarily due to lower manufacturing efficiency due to ramping up additional shifts in preparation for increasing activity levels.

Consolidated engineering, selling, general and administrative expenses decreased to \$74.4 million in the three months ended April 29, 2018, compared to \$75.1 million in the same period in the prior year primarily resulting from the continued execution of cost reduction initiatives discussed herein. As a percentage of sales, engineering, selling, general and administrative expenses decreased 160 basis points to 16.3% for the three months ended April 29, 2018, as compared to 17.9% for the three months ended April 30, 2017.

Consolidated intangible amortization remained consistent period over period at \$2.4 million in the three months ended April 29, 2018, compared to \$2.4 million in the same period in the prior year.

Consolidated restructuring and impairment charges for the three months ended April 29, 2018 and April 30, 2017 were \$0.5 million and \$0.3 million, respectively. These charges, primarily consisting of severance related costs, relate to our actions taken to streamline our management and engineering and drafting activities, and also to optimize our overall manufacturing structure and footprint.



Consolidated strategic development and acquisition related costs for the three months ended April 29, 2018 were \$1.1 million, compared to \$0.1 million for the three months ended April 30, 2017. These non-operational costs include external legal, financial and due diligence costs incurred to deliver on our strategic initiatives.

Loss on disposition of business for the three months ended April 29, 2018 was \$6.7 million, related to the disposal of our China manufacturing facility in the Insulated Metal Panels segment.

Consolidated gain on insurance recovery for the three months ended April 30, 2017 was \$9.6 million, which related to settlements with the Company's insurers for property damage to two facilities in the Metal Components and Insulated Metal Panels segments. There was no corresponding gain in the three months ended April 29, 2018.

Consolidated interest expense decreased to \$4.8 million for the three months ended April 29, 2018, compared to \$7.5 million for the same period of the prior year. The 35.2% decrease in interest expense is a primarily due to the redemption of our 8.25% Senior Notes and lower variable rates on our Term Loan Credit Facility, both results of activities to strengthen our capital structure that were completed in February 2018.

Consolidated foreign exchange gain (loss) for the three months ended April 29, 2018 was a \$0.3 million loss, compared to a gain of \$0.1 million for the same period of the prior year, due to exchange rate fluctuations in the Mexican peso and Canadian dollar relative to the U.S. dollar.

Loss on debt extinguishment for the three months ended April 29, 2018 was \$21.9 million. There was no corresponding amount recorded in the same period of the prior year. During our second quarter of fiscal 2018, we recognized a pretax loss, primarily on the extinguishment of our 8.25% senior notes due 2023, of \$21.9 million, of which approximately \$15.5 million represented the call premium paid on the redemption of the notes.

Consolidated benefit for income taxes was \$2.1 million for the three months ended April 29, 2018, compared to expense of \$8.6 million for the same period in the prior year. The effective tax rate for the three months ended April 29, 2018 was 26.8%, compared to 33.6% for the same period in the prior year. The change in the effective tax rate was primarily driven by net loss recorded during the three months ended April 29, 2018 and the continuing effects associated with the enactment of U.S. Tax Reform.

FISCAL SIX MONTHS ENDED APRIL 29, 2018 COMPARED TO FISCAL SIX MONTHS ENDED APRIL 30, 2017

Consolidated sales increased by 8.2%, or \$66.3 million, for the six months ended April 29, 2018, compared to the six months ended April 30, 2017. The increase in revenue resulted from continued commercial discipline, as well as the pass-through of material and other input costs in an inflationary environment, predominantly in the Engineered Building Systems, Metal Components and Insulated Metal Panels segments.

Consolidated cost of sales increased by 8.8%, or \$55.0 million, for the six months ended April 29, 2018, compared to the six months ended April 30, 2017. The increase in cost of sales resulted primarily from higher input costs, including transportation, materials and skilled labor.

Gross margin percentage was 22.3% for the six months ended April 29, 2018, compared to 22.8% for the same period in the prior year. The lower margins in the current period were primarily driven by material and supply chain disruptions from severe winter weather during the late first quarter and early second quarter of fiscal 2018, which resulted in higher freight costs and lower manufacturing efficiencies.

Engineered Building Systems sales increased by 3.3%, or \$10.3 million, to \$324.2 million in the six months ended April 29, 2018, from \$313.9 million in the same period in the prior year. Sales to third parties for the six months ended April 29, 2018 increased by \$5.9 million to \$305.4 million from \$299.5 million in the same period in the prior year, primarily due to commercial discipline and the pass through of higher materials costs. Engineered Building Systems third-party sales accounted for 34.8% of total consolidated third-party sales in the six months ended April 29, 2018, compared to 36.9% in the six months ended April 30, 2017.

Operating income of the Engineered Building Systems segment increased to \$17.5 million in the six months ended April 29, 2018, from \$13.4 million in the same period in the prior year. The \$4.1 million, or 30.9%, increase resulted primarily from commercial discipline, improved product mix and lower engineering, selling, general and administrative expenses resulting from the execution of prior year cost reduction initiatives.

Metal Components sales increased by 9.1%, or \$26.2 million, to \$315.3 million in the six months ended April 29, 2018, from \$289.1 million in the same period in the prior year, primarily driven by higher external volumes and the pass-through of increasing materials costs. The increase in sales was primarily driven by higher external volumes due to higher demand for our commercial doors products as we continue to execute on our adjacency growth initiatives. Sales to third parties for the six months ended April 29, 2018 increased by \$26.3 million to \$275.2 million from \$248.8 million in the same period in the prior year. Metal Components third-party sales accounted for 31.3% of total consolidated third-party sales in the six months ended April 29, 2018, compared to 30.6% in the six months ended

April 30, 2017.

Operating income of the Metal Components segment increased to \$39.2 million in the six months ended April 29, 2018, compared to \$32.4 million in the same period in the prior year. The \$6.8 million, or 21.0%, increase was driven primarily by commercial discipline improved operating leverage across the cost structure on higher volumes, offset by higher transportation costs. Prior period operating income includes \$0.4 million of gain on insurance recovery for settlements on damaged or destroyed plant and equipment. There was no corresponding gain in the six months ended April 29, 2018.

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Insulated Metal Panels sales increased by 13.2%, or \$26.1 million, to \$224.2 million in the six months ended April 29, 2018, compared to \$198.1 million in the same period in the prior year. Sales to third parties for the six months ended April 29, 2018 increased by \$28.1 million to \$197.3 million from \$169.2 million in the same period in the prior year due to continued high demand, predominantly within our cold storage and industrial, commercial, and institutional products. Insulated Metal Panel third-party sales accounted for 22.5% of total consolidated third-party sales in the six months ended April 29, 2018, compared to 20.8% in the six months ended April 30, 2017.

Operating income of the Insulated Metal Panels segment decreased to \$8.6 million in the six months ended April 29, 2018, from \$21.6 million in the same period in the prior year. The \$13.0 million, or 60.1%, decrease was primarily due to lower manufacturing leverage due to lower volumes and higher material costs, and a \$6.7 million loss recognized on the sale of the China manufacturing facility. Prior period operating income includes \$9.2 million of gain on insurance recovery for settlements on damaged or destroyed plant and equipment. There was no corresponding gain in the six months ended April 29, 2018.

Metal Coil Coating sales increased by 4.8%, or \$8.5 million, to \$183.5 million in the six months ended April 29, 2018, compared to \$175.1 million in the same period in the prior year. Sales to third parties for the six months ended April 29, 2018 increased by \$5.9 million to \$100.5 million from \$94.6 million in the same period in the prior year, primarily as a result of an increase in tonnage volume. Metal Coil Coating third-party sales remained consistent and accounted for 11.4% and 11.7% of total consolidated third-party sales in the six month periods ended April 29, 2018 and April 30, 2017, respectively.

Operating income of the Metal Coil Coating segment decreased to \$12.5 million in the six months ended April 29, 2018, from \$12.9 million in the same period in the prior year. The \$0.4 million, or 3.3%, decrease was primarily due to unfavorable product mix and lower manufacturing efficiencies commensurate with the processing of higher mix of insulated metal panel products.

Consolidated engineering, selling, general and administrative expenses increased \$5.0 million, or 3.5%, to \$149.2 million in the six months ended April 29, 2018, compared to \$144.2 million in the same period in the prior year. Consolidated engineering, selling, general and administrative expenses for the six months ended April 29, 2018 includes a charge related to the acceleration of retirement benefits of our former CEO. Excluding the effects of the acceleration of CEO retirement benefits, as a percentage of sales, engineering, selling, general and administrative expenses were 16.5% for the six months ended April 29, 2018, as compared to 17.8% for the six months ended April 30, 2017. The decrease was primarily due to continued execution of our cost reduction integration initiatives. Consolidated intangible amortization remained consistent period over period at \$4.8 million in the six months ended April 29, 2018, compared to \$4.8 million in the six months ended April 30, 2017.

Consolidated restructuring and impairment charges for the six months ended April 29, 2018 and April 30, 2017 were \$1.6 million and \$2.6 million, respectively. These charges relate to our actions taken to streamline our management and engineering and drafting activities, and also to optimize our overall manufacturing structure and footprint. Consolidated strategic development and acquisition related costs for the six months ended April 29, 2018 were \$1.9 million, compared to \$0.5 million for the six months ended April 30, 2017. These non-operational costs include external legal, financial and due diligence costs incurred to pursue specific acquisition targets or costs directly associated with integrating previous acquisitions.

Loss on disposition of business for the six months ended April 29, 2018 was \$6.7 million, related to the disposal of our China manufacturing facility included in the Insulated Metal Panels segment.

Consolidated gain on insurance recovery for the six months ended April 30, 2017 was \$9.6 million, which related to settlements with the Company's insurers for property damage to two facilities in the Metal Components and Insulated Metal Panels segment. There was no corresponding gain in the six months ended April 29, 2018.

Consolidated interest expense decreased to \$12.3 million for the six months ended April 29, 2018, compared to \$14.4 million for the same period of the prior year. The 14.1% decrease in interest expense is a primarily due to the redemption of our 8.25% Senior Notes and lower variable rates on our Term Loan Credit Facility, both results of activities to strengthen our capital structure that were completed in February 2018.

Consolidated foreign exchange gain (loss) for the six months ended April 29, 2018 was a \$0.2 million gain, compared to \$0.1 million gain for the same period of the prior year, due to exchange rate fluctuations in the Mexican peso and

Canadian dollar relative to the U.S. dollar.

Loss on debt extinguishment for the six months ended April 29, 2018 was \$21.9 million. There was no corresponding amount recorded in the same period of the prior year. During our second quarter of fiscal 2018, we recognized a pretax loss, primarily on the extinguishment of our 8.25% senior notes due 2023, of \$21.9 million, of which approximately \$15.5 million represented the call premium paid on the redemption of the notes.

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Consolidated benefit for income taxes was \$1.0 million for the six months ended April 29, 2018, compared to expense of \$9.9 million for the same period in the prior year. The effective tax rate for the six months ended April 29, 2018 was 68.9%, compared to 34.2% for the same period in the prior year. The change in the effective tax rate was primarily driven by net loss recorded during the six months ended April 29, 2018 and the effects associated with the enactment of U.S. Tax Reform, including the remeasurement of existing deferred tax assets and liabilities under lower statutory tax rates.

## LIQUIDITY AND CAPITAL RESOURCES

### General

Our cash and cash equivalents decreased from \$65.7 million as of October 29, 2017 to \$35.3 million as of April 29, 2018. The following table summarizes our consolidated cash flows for the six months ended April 29, 2018 and April 30, 2017 (in thousands):

|  | Fiscal Six Months<br>Ended |                   |
|--|----------------------------|-------------------|
|  | April 29,<br>2018          | April 30,<br>2017 |
| Net cash provided by operating activities                    | \$39,986                   | \$7,889           |
| Net cash used in investing activities                        | (18,634 )                  | (8,603 )          |
| Net cash used in financing activities                        | (51,651 )                  | (14,944 )         |
| Effect of exchange rate changes on cash and cash equivalents | (24 )                      | (63 )             |
| Net decrease in cash and cash equivalents                    | (30,323 )                  | (15,721 )         |
| Cash and cash equivalents at beginning of period             | 65,658                     | 65,403            |
| Cash and cash equivalents at end of period                   | \$35,335                   | \$49,682          |

### Operating Activities

Our business is both seasonal and cyclical and cash flows from operating activities may fluctuate during the year and from year-to-year due to economic conditions. We rely on cash and short-term borrowings, when needed, to meet cyclical and seasonal increases in working capital needs. These needs generally rise during periods of increased economic activity or increasing raw material prices due to higher levels of inventory and accounts receivable. During economic slowdowns, or periods of decreasing raw material costs, working capital needs generally decrease as a result of the reduction of inventories and accounts receivable.

Net cash provided by operating activities was \$40.0 million during the six months ended April 29, 2018 compared to net cash provided by operating activities of \$7.9 million in the six months ended April 30, 2017. The improved cash flow from operations is due to current period operations and normal seasonal trends in the timing of working capital turns in the first half of fiscal 2018.

Net cash provided by accounts receivable was \$17.1 million for the six months ended April 29, 2018, compared to \$12.2 million for the six months ended April 30, 2017. Our days sales outstanding as of April 29, 2018 and April 30, 2017 were 33.6 days and 34.7 days, respectively.

For the six months ended April 29, 2018, the change in cash flows relating to inventory was \$24.9 million and resulted primarily from the continued increase in material costs, particularly steel. Our days inventory on-hand decreased to 54.1 days as of April 29, 2018 from 55.2 days as of April 30, 2017.

Net cash provided by accounts payable for the six months ended April 29, 2018 was \$12.7 million, whereas net cash used by accounts payable was \$21.7 million in the six months ended April 30, 2017. Our vendor payments can significantly fluctuate based on the timing of disbursements, inventory purchases and vendor payment terms. Our days payable outstanding as of April 29, 2018 increased to 33.4 days from 32.3 days as of April 30, 2017.

### Investing Activities

Net cash used in investing activities increased to \$18.6 million during the six months ended April 29, 2018 compared to \$8.6 million in the six months ended April 30, 2017. In the six months ended April 29, 2018, we used \$16.9 million for capital expenditures and sold a business in China, resulting in a net use of \$4.4 million of cash. Additionally, we sold two manufacturing facilities in our Metal Components segment for total cash consideration of \$2.7 million. We used \$11.6 million for capital expenditures and sold assets that had been classified as held for sale for \$2.5 million in

the six months ended April 30, 2017.

Financing Activities

Net cash used in financing activities was \$51.7 million during the six months ended April 29, 2018 compared to \$14.9 million in the comparable prior year period. During the six months ended April 29, 2018, we borrowed \$65.0 million under our ABL Facility and repaid \$65.0 million of that amount as of the end of the period, used \$51.3 million to repurchase shares of our outstanding common stock under programs approved by the Board of Directors in September 2016 and October 2017 and for the purchase

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s of shares related to restricted stock that were withheld to satisfy minimum tax withholding obligations arising in connection with the vesting of restricted stock awards and units. Net cash used in the redemption of our Senior Notes and refinancing of long-term debt, including payments of financing costs was \$0.9 million. We received \$1.0 million in cash proceeds from the exercises of stock options.

During the six months ended April 30, 2017, we used \$5.9 million to repurchase shares of our outstanding common stock under the program approved by the Board of Directors in September 2016, as well as shares of restricted stock that were withheld to satisfy minimum tax withholding obligations arising in connection with the vesting of awards of restricted stock, and \$10.0 million to make a voluntary principal prepayment on borrowings under our Credit Agreement. We received \$1.2 million in cash proceeds from the exercises of stock options.

We invest our excess cash in various overnight investments which are issued or guaranteed by the U.S. federal government.

#### Debt

On February 8, 2018, the Company entered into a Term Loan Credit Agreement and ABL Credit Agreement, the proceeds of which, together, were used to redeem the 8.25% senior notes and to refinance the Company's existing term loan credit facility and the Company's existing asset-based revolving credit facility.

The Term Loan Credit Agreement provides for an aggregate principal amount of \$415.0 million (the "Term Loan Credit Facility"). Proceeds from borrowings under the Term Loan Credit Facility were used, together with cash on hand, (i) to refinance the existing term loan credit agreement, (ii) to redeem and repay the Notes (the foregoing, collectively, the "Refinancing") and (iii) to pay any fees, premiums and expenses incurred in connection with the Refinancing.

The ABL Credit Agreement provides for an asset-based revolving credit facility which allows aggregate maximum borrowings by the ABL Borrowers of up to \$150.0 million (the "ABL Credit Facility"). As set forth in the ABL Credit Agreement, extensions of credit under the ABL Credit Facility are limited by a borrowing base calculated periodically based on specified percentages of the value of eligible accounts receivable, eligible credit card receivables and eligible inventory, less certain reserves and certain adjustments. Availability will be reduced by issuance of letters of credit as well as any borrowings.

As of April 29, 2018, we had an aggregate principal amount of \$415.0 million of outstanding indebtedness, comprising \$415.0 million of borrowings under our Term Loan Credit Facility. We had no of revolving loans outstanding under the ABL Credit Facility. Our excess availability under the ABL Credit Facility was \$141.1 million as of April 29, 2018. In addition, standby letters of credit related to certain insurance policies totaling approximately \$8.9 million were outstanding but undrawn under the ABL Credit Facility.

For additional information, see Note 10 — Long-Term Debt and Note Payable in the notes to the unaudited consolidated financial statements.

#### Equity Investment

On August 14, 2009, the Company entered into an Investment Agreement (as amended, the "Investment Agreement"), by and between the Company and Clayton, Dubilier & Rice Fund VIII, L.P. ("CD&R Fund VIII"). In connection with the Investment Agreement and the Stockholders Agreement dated October 20, 2009 (the "Stockholders Agreement"), the CD&R Fund VIII and the Clayton, Dubilier & Rice Friends & Family Fund VIII, L.P. (collectively, the "CD&R Funds") purchased convertible preferred stock, which was converted into shares of our Common Stock on May 14, 2013. Among other provisions, the Stockholders Agreement entitles the CD&R Funds to certain nomination or designation rights with respect to our board of directors; subscription rights with respect to future issuances of common stock by us; corporate governance rights; and consent rights with respect to certain types of transactions we may enter into in the future.

On December 11, 2017, the CD&R Funds completed a registered underwritten offering of 7,150,000 shares of the Company's Common Stock at a price to the public of \$19.36 per share (the "2017 Secondary Offering"). Pursuant to the underwriting agreement, at the CD&R Funds request, the Company purchased 1.15 million of the 7.15 million shares of the Common Stock from the underwriters in the 2017 Secondary Offering at a price per share equal to the price at which the underwriters purchased the shares from the CD&R Funds. The total amount the Company spent on these repurchases was \$22.3 million.



At April 29, 2018 and October 29, 2017, the CD&R Funds owned approximately 34.5% and 43.8%, respectively, of the outstanding shares of our common stock.

Cash Flow

We periodically evaluate our liquidity requirements, capital needs and availability of resources in view of inventory levels, expansion plans, debt service requirements and other operating cash needs. To meet our short-term and long-term liquidity requirements, including payment of operating expenses and repayment of debt, we rely primarily on cash from operations. Beyond cash generated from operations, \$141.1 million is available with our ABL Credit Facility at April 29, 2018 and we have a cash balance of \$35.3 million as of April 29, 2018.

We expect to contribute \$1.6 million to our defined benefit plans during the remainder of fiscal 2018.

We expect that cash generated from operations and our availability under the ABL Credit Facility will be sufficient to provide us the ability to fund our operations and to provide the increased working capital necessary to support our strategy and fund planned capital expenditures of between approximately \$45 million and \$55 million for fiscal 2018 and expansion when needed.

Our corporate strategy seeks potential acquisitions that would provide additional synergies in our Engineered Building Systems, Metal Components, Insulated Metal Panels and Metal Coil Coating segments. From time to time, we may enter into letters of intent or agreements to acquire assets or companies in these business lines. The consummation of these transactions could require substantial cash payments and/or issuance of additional debt.

From time to time, we have used available funds to repurchase shares of our common stock under our stock repurchase programs. On September 8, 2016, our Board of Directors authorized a stock repurchase program for the repurchase of up to an aggregate of \$50.0 million of the Company's outstanding Common Stock. On October 10, 2017 and March 7, 2018, the Company announced that its Board of Directors authorized new stock repurchase programs for the repurchase of up to an aggregate of \$50.0 million and \$50.0 million, respectively, of the Company's outstanding Common Stock. Under these repurchase programs, the Company is authorized to repurchase shares, if at all, at times and in amounts that we deem appropriate in accordance with all applicable securities laws and regulations. Shares repurchased are usually retired. There is no time limit on the duration of the program. During the six months ended April 29, 2018, the Company repurchased approximately 2.7 million shares for \$46.7 million under the stock repurchase programs, which included 1.15 million shares for \$22.3 million purchased pursuant to the CD&R Funds 2017 Secondary Offering. As of April 29, 2018, approximately \$55.6 million remained available for stock repurchases, all under the program announced on October 10, 2017 and March 7, 2018. In addition to the common stock repurchased during the six months ended April 29, 2018, we also withheld shares of restricted stock to satisfy minimum tax withholding obligations arising in connection with the vesting of awards of restricted stock related to our 2003 Long-Term Stock Incentive Plan.

The Company may from time to time take steps to reduce the Company's debt or otherwise improve the Company's financial position. These actions could include prepayments, opportunistic refinancing of debt and raising additional capital. The amount of prepayments or the amount of debt that may be refinanced, if any, will depend on market conditions, the Company's cash position, compliance with debt covenants and other considerations.

## NON-GAAP MEASURES

Set forth below are certain non-GAAP measures which include adjusted operating income (loss), adjusted EBITDA, adjusted net income per diluted common share and adjusted net income applicable to common shares. We define adjusted operating income (loss) as operating income (loss) adjusted for items broadly consisting of selected items which management does not consider representative of our ongoing operations. We define adjusted EBITDA as net income (loss) before interest expense, income tax expense (benefit) and depreciation and amortization, adjusted for items broadly consisting of selected items which management does not consider representative of our ongoing operations and certain non-cash items of the Company. Such measurements are not prepared in accordance with U.S. GAAP and should not be construed as an alternative to reported results determined in accordance with U.S. GAAP. Management believes the use of such non-GAAP measures on a consolidated and operating segment basis assists investors in understanding the ongoing operating performance by presenting the financial results between periods on a more comparable basis. You are encouraged to evaluate these adjustments and the reasons we consider them appropriate for supplemental analysis. In evaluating these measures, you should be aware that in the future we may incur expenses that are the same as, or similar to, some of the adjustments in these non-GAAP measures. In addition, certain financial covenants related to our term loan and asset-based lending credit agreements are based on similar non-GAAP measures. The non-GAAP information provided is unique to the Company and may not be consistent with the methodologies used by other companies.

The following tables reconcile adjusted net income per diluted common share to net income (loss) per diluted common share and adjusted net income applicable to common shares to net income (loss) applicable to common shares for the periods indicated (in thousands):

|  | Fiscal Three<br>Months Ended |                   | Fiscal Six<br>Months Ended |                   |
|--|------------------------------|-------------------|----------------------------|-------------------|
|  | April 29,<br>2018            | April 30,<br>2017 | April 29,<br>2018          | April 30,<br>2017 |
| Net income (loss) per diluted common share, GAAP basis       | \$(0.09)                     | \$ 0.24           | \$(0.01)                   | \$ 0.27           |
| Loss on extinguishment of debt                               | 0.33                         | —                 | 0.33                       | —                 |
| Loss on disposition of business                              | 0.10                         | —                 | 0.10                       | —                 |
| Restructuring and impairment charges                         | 0.01                         | 0.00              | 0.02                       | 0.04              |
| Strategic development and acquisition related costs          | 0.02                         | 0.00              | 0.03                       | 0.01              |
| Acceleration of CEO retirement benefits                      | —                            | —                 | 0.07                       | —                 |
| Gain on insurance recovery                                   | —                            | (0.13 )           | —                          | (0.14 )           |
| Tax effect of applicable non-GAAP adjustments <sup>(1)</sup> | (0.12 )                      | 0.05              | (0.15 )                    | 0.03              |
| Adjusted net income per diluted common share                 | \$0.25                       | \$ 0.16           | \$0.39                     | \$ 0.21           |
|  | Fiscal Three<br>Months Ended |                   | Fiscal Six Months<br>Ended |                   |
|  | April 29,<br>2018            | April 30,<br>2017 | April 29,<br>2018          | April 30,<br>2017 |
| Net income (loss) applicable to common shares, GAAP basis    | \$(5,684 )                   | \$ 16,859         | \$(435 )                   | \$ 18,882         |
| Loss on extinguishment of debt                               | 21,875                       | —                 | 21,875                     | —                 |
| Loss on disposition of business                              | 6,686                        | —                 | 6,686                      | —                 |
| Restructuring and impairment charges                         | 488                          | 315               | 1,582                      | 2,578             |
| Strategic development and acquisition related costs          | 1,134                        | 124               | 1,861                      | 481               |
| Acceleration of CEO retirement benefits                      | —                            | —                 | 4,600                      | —                 |
| Gain on insurance recovery                                   | —                            | (9,601 )          | —                          | (9,601 )          |
| Other, net   | —                            | 328               | (323 )                     | 328               |
| Tax effect of applicable non-GAAP adjustments <sup>(1)</sup> | (8,059 )                     | 3,445             | (9,883 )                   | 2,423             |
| Adjusted net income applicable to common shares              | \$ 16,440                    | \$ 11,470         | \$ 25,963                  | \$ 15,091         |

(1) The Company calculated the tax effect of non-GAAP adjustments by applying the applicable combined federal and state statutory tax rate for the period to each applicable non-GAAP item.



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The following tables reconcile adjusted operating income (loss) and adjusted EBITDA to operating income (loss) for the periods indicated below:

Consolidated

| (In thousands)                                      | Fiscal Three Months Ended |                     |                     |                   | Fiscal Six                           | Trailing                              |   |
|---|---------------------------|---------------------|---------------------|-------------------|--------------------------------------|---------------------------------------|---|
|   | July 30,<br>2017          | October 29,<br>2017 | January 28,<br>2018 | April 29,<br>2018 | Months<br>Ended<br>April 29,<br>2018 | Twelve<br>Months<br>April 29,<br>2018 |   |
| Total Net Sales                                     | \$469,385                 | \$488,726           | \$421,349           | \$457,069         | \$878,418                            | \$1,836,529                           |   |
| Operating Income, GAAP                              | 34,097                    | 33,325              | 12,898              | 18,956            | 31,854                               | 99,276                                |   |
| Restructuring and impairment                        | 1,009                     | 1,709               | 1,094               | 488               | 1,582                                | 4,300                                 |   |
| Strategic development and acquisition related costs | 1,297                     | 193                 | 727                 | 1,134             | 1,861                                | 3,351                                 |   |
| Loss on disposition of business                     | —                         | —                   | —                   | 6,686             | 6,686                                | 6,686                                 |   |
| Acceleration of CEO retirement benefits             | —                         | —                   | 4,600               | —                 | 4,600                                | 4,600                                 |   |
| Gain on insurance recovery                          | (148 )                    | —                   | —                   | —                 | —                                    | (148 )                                |   |
| Unreimbursed business interruption costs            | 235                       | 28                  | —                   | —                 | —                                    | 263                                   |   |
| Goodwill impairment                                 | —                         | 6,000               | —                   | —                 | —                                    | 6,000                                 |   |
| Adjusted Operating Income                           | 36,490                    | 41,255              | 19,319              | 27,264            | 46,583                               | 124,328                               |   |
| Other income and expense                            | 1,322                     | (62 )               | 928                 | (34 )             | 894                                  | 2,154                                 |   |
| Depreciation and amortization                       | 10,278                    | 10,664              | 10,358              | 10,442            | 20,800                               | 41,742                                |   |
| Share-based compensation expense                    | 2,284                     | 2,084               | 2,270               | 1,998             | 4,268                                | 8,636                                 |   |
| Adjusted EBITDA                                     | \$50,374                  | \$53,941            | \$32,875            | \$39,670          | \$72,545                             | \$176,860                             |   |
| Year over year growth, Total Net Sales              | 1.5                       | % 1.8               | % 7.6               | % 8.7             | % 8.2                                | % 4.7                                 | % |
| Operating Income Margin                             | 7.3                       | % 6.8               | % 3.1               | % 4.1             | % 3.6                                | % 5.4                                 | % |
| Adjusted Operating Income Margin                    | 7.8                       | % 8.4               | % 4.6               | % 6.0             | % 5.3                                | % 6.8                                 | % |
| Adjusted EBITDA Margin                              | 10.7                      | % 11.0              | % 7.8               | % 8.7             | % 8.3                                | % 9.6                                 | % |

|   | Fiscal Three Months Ended |                     |                     |                   | Fiscal Six                           | Trailing                              |
|---|---------------------------|---------------------|---------------------|-------------------|--------------------------------------|---------------------------------------|
|   | July 31,<br>2016          | October 30,<br>2016 | January 29,<br>2017 | April 30,<br>2017 | Months<br>Ended<br>April 30,<br>2017 | Twelve<br>Months<br>April 30,<br>2017 |
| Total Net Sales                                     | \$462,353                 | \$480,314           | \$391,703           | \$420,464         | \$812,167                            | \$1,754,834                           |
| Operating Income, GAAP                              | 43,535                    | 39,391              | 9,886               | 32,472            | 42,358                               | 125,284                               |
| Restructuring and impairment                        | 778                       | 815                 | 2,264               | 315               | 2,579                                | 4,172                                 |
| Strategic development and acquisition related costs | 819                       | 590                 | 357                 | 124               | 481                                  | 1,890                                 |
| (Gain) loss on sale of assets and asset recovery    | (52 )                     | 62                  | —                   | 137               | 137                                  | 147                                   |
| Gain on insurance recovery                          | —                         | —                   | —                   | (9,601 )          | (9,601 )                             | (9,601 )                              |
| Unreimbursed business interruption costs            | —                         | —                   | —                   | 191               | 191                                  | 191                                   |
| Adjusted Operating Income                           | 45,080                    | 40,858              | 12,507              | 23,638            | 36,145                               | 122,083                               |

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|                                  |          |          |          |          |          |           |   |
|----------------------------------|----------|----------|----------|----------|----------|-----------|---|
| Other income and expense         | (508     | ) (192   | ) 309    | 449      | 758      | 58        |   |
| Depreciation and amortization    | 10,595   | 9,815    | 10,315   | 10,062   | 20,377   | 40,787    |   |
| Share-based compensation expense | 2,661    | 3,181    | 3,042    | 2,820    | 5,862    | 11,704    |   |
| Adjusted EBITDA                  | \$57,828 | \$53,662 | \$26,173 | \$36,969 | \$63,142 | \$174,632 |   |
| Operating Income Margin          | 9.4      | %8.2     | %2.5     | %7.7     | % 5.2    | % 7.1     | % |
| Adjusted Operating Income Margin | 9.8      | %8.5     | %3.2     | %5.6     | % 4.5    | % 7.0     | % |
| Adjusted EBITDA Margin           | 12.5     | %11.2    | %6.7     | %8.8     | % 7.8    | % 10.0    | % |

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## Engineered Building Systems

| (In thousands)                                      | Fiscal Three Months Ended |                     |                     |                   | Fiscal Six                           | Trailing                              |   |
|---|---------------------------|---------------------|---------------------|-------------------|--------------------------------------|---------------------------------------|---|
|   | July 30,<br>2017          | October 29,<br>2017 | January 28,<br>2018 | April 29,<br>2018 | Months<br>Ended<br>April 29,<br>2018 | Twelve<br>Months<br>April 29,<br>2018 |   |
| Total Sales   | \$191,910                 | \$188,183           | \$156,964           | \$167,240         | \$324,204                            | \$704,297                             |   |
| External Sales                                      | 182,164                   | 178,222             | 148,288             | 157,136           | 305,424                              | 665,810                               |   |
| Operating Income, GAAP                              | 14,948                    | 13,043              | 8,263               | 9,271             | 17,534                               | 45,525                                |   |
| Restructuring and impairment                        | 941                       | 695                 | 1,136               | 280               | 1,416                                | 3,052                                 |   |
| Strategic development and acquisition related costs | —                         | —                   | 173                 | —                 | 173                                  | 173                                   |   |
| Adjusted Operating Income                           | 15,889                    | 13,738              | 9,572               | 9,551             | 19,123                               | 48,750                                |   |
| Other income and expense                            | 1,291                     | (694 )              | 733                 | (88 )             | 645                                  | 1,242                                 |   |
| Depreciation and amortization                       | 2,255                     | 2,198               | 2,077               | 2,323             | 4,400                                | 8,853                                 |   |
| Adjusted EBITDA                                     | \$19,435                  | \$15,242            | \$12,382            | \$11,786          | \$24,168                             | \$58,845                              |   |
| Year over year growth, Total sales                  | 6.0                       | % (7.8 )            | % 3.8               | % 2.8             | % 3.3                                | % 0.7                                 | % |
| Year over year growth, External Sales               | 3.8                       | % (9.3 )            | % 2.3               | % 1.7             | % 2.0                                | % (0.9 )                              | % |
| Operating Income Margin                             | 7.8                       | % 6.9               | % 5.3               | % 5.5             | % 5.4                                | % 6.5                                 | % |
| Adjusted Operating Income Margin                    | 8.3                       | % 7.3               | % 6.1               | % 5.7             | % 5.9                                | % 6.9                                 | % |
| Adjusted EBITDA Margin                              | 10.1                      | % 8.1               | % 7.9               | % 7.0             | % 7.5                                | % 8.4                                 | % |

  

|  | Fiscal Three Months Ended |                     |                     |                   | Fiscal Six                           | Trailing                              |   |
|--|---------------------------|---------------------|---------------------|-------------------|--------------------------------------|---------------------------------------|---|
|  | July 31,<br>2016          | October 30,<br>2016 | January 29,<br>2017 | April 30,<br>2017 | Months<br>Ended<br>April 30,<br>2017 | Twelve<br>Months<br>April 30,<br>2017 |   |
| Total Sales                                      | \$181,029                 | \$204,208           | \$151,263           | \$162,624         | \$313,887                            | \$699,124                             |   |
| External Sales                                   | 175,471                   | 196,596             | 145,021             | 154,456           | 299,477                              | 671,544                               |   |
| Operating Income, GAAP                           | 19,561                    | 22,830              | 6,503               | 6,894             | 13,397                               | 55,788                                |   |
| Restructuring and impairment                     | 106                       | 211                 | 1,910               | 186               | 2,096                                | 2,413                                 |   |
| (Gain) loss on sale of assets and asset recovery | (52 )                     | 62                  | —                   | 137               | 137                                  | 147                                   |   |
| Adjusted Operating Income                        | 19,615                    | 23,103              | 8,413               | 7,217             | 15,630                               | 58,348                                |   |
| Other income and expense                         | (931 )                    | (362 )              | (41 )               | (125 )            | (166 )                               | (1,459 )                              |   |
| Depreciation and amortization                    | 2,438                     | 2,399               | 2,276               | 2,285             | 4,561                                | 9,398                                 |   |
| Adjusted EBITDA                                  | \$21,122                  | \$25,140            | \$10,648            | \$9,377           | \$20,025                             | \$66,287                              |   |
| Operating Income Margin                          | 10.8                      | % 11.2              | % 4.3               | % 4.2             | % 4.3                                | % 8.0                                 | % |
| Adjusted Operating Income Margin                 | 10.8                      | % 11.3              | % 5.6               | % 4.4             | % 5.0                                | % 8.3                                 | % |
| Adjusted EBITDA Margin                           | 11.7                      | % 12.3              | % 7.0               | % 5.8             | % 6.4                                | % 9.5                                 | % |





## Metal Components

| (In thousands)                        | Fiscal Three Months Ended |                     |                     |                   | Fiscal Six                           | Trailing                              |   |  |
|---------------------------------------|---------------------------|---------------------|---------------------|-------------------|--------------------------------------|---------------------------------------|---|--|
|                                       | July 30,<br>2017          | October 29,<br>2017 | January 28,<br>2018 | April 29,<br>2018 | Months<br>Ended<br>April 29,<br>2018 | Twelve<br>Months<br>April 29,<br>2018 |   |  |
| Total Sales                           | \$166,305                 | \$181,288           | \$146,832           | \$168,456         | \$315,288                            | \$662,881                             |   |  |
| External Sales                        | 140,639                   | 155,183             | 127,528             | 147,661           | 275,189                              | 571,011                               |   |  |
| Operating Income, GAAP                | 23,276                    | 23,119              | 17,089              | 22,082            | 39,171                               | 85,566                                |   |  |
| Restructuring and impairment          | 60                        | 69                  | (1,403 )            | 120               | (1,283 )                             | (1,154 )                              |   |  |
| Gain on insurance recovery            | (148 )                    | —                   | —                   | —                 | —                                    | (148 )                                |   |  |
| Adjusted Operating Income             | 23,188                    | 23,188              | 15,686              | 22,202            | 37,888                               | 84,264                                |   |  |
| Other income and expense              | 55                        | 84                  | 53                  | 67                | 120                                  | 259                                   |   |  |
| Depreciation and amortization         | 1,266                     | 1,422               | 1,576               | 1,444             | 3,020                                | 5,708                                 |   |  |
| Adjusted EBITDA                       | \$24,509                  | \$24,694            | \$17,315            | \$23,713          | \$41,028                             | \$90,231                              |   |  |
| Year over year growth, Total sales    | (0.1 )                    | % 8.9               | % 9.4               | % 8.8             | % 9.1                                | % 6.6                                 | % |  |
| Year over year growth, External Sales | 0.1                       | % 10.9              | % 10.4              | % 10.8            | % 10.6                               | % 7.9                                 | % |  |
| Operating Income Margin               | 14.0                      | % 12.8              | % 11.6              | % 13.1            | % 12.4                               | % 12.9                                | % |  |
| Adjusted Operating Income Margin      | 13.9                      | % 12.8              | % 10.7              | % 13.2            | % 12.0                               | % 12.7                                | % |  |
| Adjusted EBITDA Margin                | 14.7                      | % 13.6              | % 11.8              | % 14.1            | % 13.0                               | % 13.6                                | % |  |

  

|                                  | Fiscal Three Months Ended |                     |                     |                   | Fiscal Six                           | Trailing                              |   |  |
|----------------------------------|---------------------------|---------------------|---------------------|-------------------|--------------------------------------|---------------------------------------|---|--|
|                                  | July 31,<br>2016          | October 30,<br>2016 | January 29,<br>2017 | April 30,<br>2017 | Months<br>Ended<br>April 30,<br>2017 | Twelve<br>Months<br>April 30,<br>2017 |   |  |
| Total Sales                      | \$166,512                 | \$166,532           | \$134,173           | \$154,895         | \$289,068                            | \$622,112                             |   |  |
| External Sales                   | 140,560                   | 139,968             | 115,557             | 133,290           | 248,847                              | 529,375                               |   |  |
| Operating Income, GAAP           | 26,803                    | 21,254              | 12,376              | 19,997            | 32,373                               | 80,430                                |   |  |
| Restructuring and impairment     | 202                       | 103                 | 305                 | 129               | 434                                  | 739                                   |   |  |
| Gain on insurance recovery       | —                         | —                   | —                   | (420 )            | (420 )                               | (420 )                                |   |  |
| Adjusted Operating Income        | 27,005                    | 21,357              | 12,681              | 19,706            | 32,387                               | 80,749                                |   |  |
| Other income and expense         | 92                        | (27 )               | 28                  | 52                | 80                                   | 145                                   |   |  |
| Depreciation and amortization    | 1,365                     | 1,406               | 1,334               | 1,302             | 2,636                                | 5,407                                 |   |  |
| Adjusted EBITDA                  | \$28,462                  | \$22,736            | \$14,043            | \$21,060          | \$35,103                             | \$86,301                              |   |  |
| Operating Income Margin          | 16.1                      | % 12.8              | % 9.2               | % 12.9            | % 11.2                               | % 12.9                                | % |  |
| Adjusted Operating Income Margin | 16.2                      | % 12.8              | % 9.5               | % 12.7            | % 11.2                               | % 13.0                                | % |  |
| Adjusted EBITDA Margin           | 17.1                      | % 13.7              | % 10.5              | % 13.6            | % 12.1                               | % 13.9                                | % |  |

## Insulated Metal Panels

| (In thousands)                                      | Fiscal Three Months Ended |                     |                     |                   | Fiscal Six                           | Trailing                              |   |
|---|---------------------------|---------------------|---------------------|-------------------|--------------------------------------|---------------------------------------|---|
|   | July 30,<br>2017          | October 29,<br>2017 | January 28,<br>2018 | April 29,<br>2018 | Months<br>Ended<br>April 29,<br>2018 | Twelve<br>Months<br>April 29,<br>2018 |   |
| Total Sales   | \$119,730                 | \$123,542           | \$110,794           | \$113,413         | \$224,207                            | \$467,479                             |   |
| External Sales                                      | 98,026                    | 105,064             | 97,513              | 99,792            | 197,305                              | 400,395                               |   |
| Operating Income, GAAP                              | 11,468                    | 14,895              | 7,071               | 1,540             | 8,611                                | 34,974                                |   |
| Restructuring and impairment                        | 8                         | 683                 | 1,284               | 88                | 1,372                                | 2,063                                 |   |
| Strategic development and acquisition related costs | —                         | 90                  | 300                 | 61                | 361                                  | 451                                   |   |
| Loss on disposition of business                     | —                         | —                   | —                   | 6,686             | 6,686                                | 6,686                                 |   |
| Unreimbursed business interruption costs            | 235                       | 28                  | —                   | —                 | —                                    | 263                                   |   |
| Adjusted Operating Income                           | 11,711                    | 15,696              | 8,655               | 8,375             | 17,030                               | 44,437                                |   |
| Other income and expense                            | (211 )                    | 356                 | (273 )              | 223               | (50 )                                | 95                                    |   |
| Depreciation and amortization                       | 4,516                     | 4,742               | 4,388               | 4,335             | 8,723                                | 17,981                                |   |
| Adjusted EBITDA                                     | \$16,016                  | \$20,794            | \$12,770            | \$12,933          | \$25,703                             | \$62,513                              |   |
| Year over year growth, Total sales                  | 13.3                      | % 12.3              | % 16.4              | % 10.2            | % 13.2                               | % 13.0                                | % |
| Year over year growth, External Sales               | 4.2                       | % 13.4              | % 18.3              | % 15.0            | % 16.6                               | % 12.5                                | % |
| Operating Income Margin                             | 9.6                       | % 12.1              | % 6.4               | % 1.4             | % 3.8                                | % 7.5                                 | % |
| Adjusted Operating Income Margin                    | 9.8                       | % 12.7              | % 7.8               | % 7.4             | % 7.6                                | % 9.5                                 | % |
| Adjusted EBITDA Margin                              | 13.4                      | % 16.8              | % 11.5              | % 11.4            | % 11.5                               | % 13.4                                | % |

|   | Fiscal Three Months Ended |                     |                     |                   | Fiscal Six                           | Trailing                              |   |
|---|---------------------------|---------------------|---------------------|-------------------|--------------------------------------|---------------------------------------|---|
|   | July 31,<br>2016          | October 30,<br>2016 | January 29,<br>2017 | April 30,<br>2017 | Months<br>Ended<br>April 30,<br>2017 | Twelve<br>Months<br>April 30,<br>2017 |   |
| Total Sales   | \$105,694                 | \$110,001           | \$95,195            | \$102,937         | \$198,132                            | \$413,827                             |   |
| External Sales                                      | 94,059                    | 92,648              | 82,441              | 86,773            | 169,214                              | 355,921                               |   |
| Operating Income, GAAP                              | 8,911                     | 7,513               | 2,192               | 19,377            | 21,569                               | 37,993                                |   |
| Restructuring and impairment                        | 59                        | 404                 | —                   | —                 | —                                    | 463                                   |   |
| Strategic development and acquisition related costs | 9                         | —                   | —                   | —                 | —                                    | 9                                     |   |
| Gain on insurance recovery                          | —                         | —                   | —                   | (9,181 )          | (9,181 )                             | (9,181 )                              |   |
| Unreimbursed business interruption costs            | —                         | —                   | —                   | 191               | 191                                  | 191                                   |   |
| Adjusted Operating Income                           | 8,979                     | 7,917               | 2,192               | 10,387            | 12,579                               | 29,475                                |   |
| Other income and expense                            | 32                        | 270                 | 35                  | 340               | 375                                  | 677                                   |   |
| Depreciation and amortization                       | 4,357                     | 3,926               | 4,392               | 4,258             | 8,650                                | 16,933                                |   |
| Adjusted EBITDA                                     | \$13,368                  | \$12,113            | \$6,619             | \$14,985          | \$21,604                             | \$47,085                              |   |
| Operating Income Margin                             | 8.4                       | % 6.8               | % 2.3               | % 18.8            | % 10.9                               | % 9.2                                 | % |

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|                                  |      |        |       |        |        |        |   |
|----------------------------------|------|--------|-------|--------|--------|--------|---|
| Adjusted Operating Income Margin | 8.5  | % 7.2  | % 2.3 | % 10.1 | % 6.3  | % 7.1  | % |
| Adjusted EBITDA Margin           | 12.6 | % 11.0 | % 7.0 | % 14.6 | % 10.9 | % 11.4 | % |

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## Metal Coil Coating

| (In thousands)                        | Fiscal Three Months Ended |                        |                     |                   | Fiscal Six      | Trailing         |   |
|---------------------------------------|---------------------------|------------------------|---------------------|-------------------|-----------------|------------------|---|
|                                       | July 30,<br>2017          | October<br>29,<br>2017 | January 28,<br>2018 | April 29,<br>2018 | Months<br>Ended | Twelve<br>Months |   |
| Total Sales                           | \$95,261                  | \$98,550               | \$88,343            | \$95,190          | \$183,533       | \$377,344        |   |
| External Sales                        | 48,556                    | 50,257                 | 48,020              | 52,480            | 100,500         | 199,313          |   |
| Operating Income, GAAP                | 7,107                     | 1,419                  | 5,376               | 7,129             | 12,505          | 21,031           |   |
| Goodwill impairment                   | —                         | 6,000                  | —                   | —                 | —               | 6,000            |   |
| Adjusted Operating Income             | 7,107                     | 7,419                  | 5,376               | 7,129             | 12,505          | 27,031           |   |
| Depreciation and amortization         | 2,063                     | 2,065                  | 2,058               | 2,085             | 4,143           | 8,271            |   |
| Adjusted EBITDA                       | \$9,170                   | \$9,484                | \$7,434             | \$9,214           | \$16,648        | \$35,302         |   |
| Year over year growth, Total sales    | (1.5                      | )%2.7                  | %0.0                | %9.8              | %4.8            | %2.6             | % |
| Year over year growth, External Sales | (7.1                      | )%(1.7                 | )%(1.4              | )%14.2            | %6.2            | %0.7             | % |
| Operating Income Margin               | 7.5                       | %1.4                   | %6.1                | %7.5              | %6.8            | %5.6             | % |
| Adjusted Operating Income Margin      | 7.5                       | %7.5                   | %6.1                | %7.5              | %6.8            | %7.2             | % |
| Adjusted EBITDA Margin                | 9.6                       | %9.6                   | %8.4                | %9.7              | %9.1            | %9.4             | % |

|                                  | Fiscal Three Months Ended |                        |                     |                   | Fiscal Six      | Trailing         |   |
|----------------------------------|---------------------------|------------------------|---------------------|-------------------|-----------------|------------------|---|
|                                  | July 31,<br>2016          | October<br>30,<br>2016 | January 29,<br>2017 | April 30,<br>2017 | Months<br>Ended | Twelve<br>Months |   |
| Total Sales                      | \$96,684                  | \$95,987               | \$88,340            | \$86,729          | \$175,069       | \$367,740        |   |
| External Sales                   | 52,263                    | 51,102                 | 48,684              | 45,945            | 94,629          | 197,994          |   |
| Operating Income, GAAP           | 10,531                    | 9,310                  | 6,706               | 6,227             | 12,933          | 32,774           |   |
| Adjusted Operating Income        | 10,531                    | 9,310                  | 6,706               | 6,227             | 12,933          | 32,774           |   |
| Other income and expense         | 2                         | —                      | 31                  | —                 | 31              | 33               |   |
| Depreciation and amortization    | 2,214                     | 1,849                  | 2,106               | 2,009             | 4,115           | 8,178            |   |
| Adjusted EBITDA                  | \$12,747                  | \$11,159               | \$8,843             | \$8,236           | \$17,079        | \$40,985         |   |
| Operating Income Margin          | 10.9                      | %9.7                   | %7.6                | %7.2              | %7.4            | %8.9             | % |
| Adjusted Operating Income Margin | 10.9                      | %9.7                   | %7.6                | %7.2              | %7.4            | %8.9             | % |
| Adjusted EBITDA Margin           | 13.2                      | %11.6                  | %10.0               | %9.5              | %9.8            | %11.1            | % |

## Corporate

| (In thousands)                                      | Fiscal Three Months Ended |                        |                        |                   | Fiscal Six                           | Trailing                              |
|---|---------------------------|------------------------|------------------------|-------------------|--------------------------------------|---------------------------------------|
|   | July 30,<br>2017          | October<br>29,<br>2017 | January<br>28,<br>2018 | April 29,<br>2018 | Months<br>Ended<br>April 29,<br>2018 | Twelve<br>Months<br>April 29,<br>2018 |
| Operating Loss, GAAP                                | \$(22,702)                | \$(19,151)             | \$(24,901)             | \$(21,066)        | \$(45,967)                           | \$(87,820)                            |
| Restructuring and impairment                        | —                         | 262                    | 77                     | —                 | 77                                   | 339                                   |
| Strategic development and acquisition related costs | 1,297                     | 103                    | 254                    | 1,073             | 1,327                                | 2,727                                 |
| Acceleration of CEO retirement benefits             | —                         | —                      | 4,600                  | —                 | 4,600                                | 4,600                                 |
| Adjusted Operating Loss                             | (21,405 )                 | (18,786 )              | (19,970 )              | (19,993 )         | (39,963 )                            | (80,154 )                             |
| Other income and expense                            | 187                       | 192                    | 415                    | (236 )            | 179                                  | 558                                   |
| Depreciation and amortization                       | 178                       | 237                    | 259                    | 255               | 514                                  | 929                                   |
| Share-based compensation expense                    | 2,284                     | 2,084                  | 2,270                  | 1,998             | 4,268                                | 8,636                                 |
| Adjusted EBITDA                                     | \$(18,756)                | \$(16,273)             | \$(17,026)             | \$(17,976)        | \$(35,002)                           | \$(70,031)                            |
|   |                           |                        |                        |                   | Fiscal Six                           | Trailing                              |
|   |                           |                        |                        |                   | Months                               | Twelve                                |
|   |                           |                        |                        |                   | Ended                                | Months                                |
|   | July 31,<br>2016          | October<br>30,<br>2016 | January<br>29,<br>2017 | April 30,<br>2017 | April 30,<br>2017                    | April 30,<br>2017                     |
| Operating Loss, GAAP                                | \$(22,271)                | \$(21,516)             | \$(17,891)             | \$(20,023)        | \$(37,914)                           | \$(81,701)                            |
| Restructuring and impairment                        | 411                       | 97                     | 49                     | —                 | 49                                   | 557                                   |
| Strategic development and acquisition related costs | 810                       | 590                    | 357                    | 124               | 481                                  | 1,881                                 |
| Adjusted Operating Loss                             | (21,050 )                 | (20,829 )              | (17,485 )              | (19,899 )         | (37,384 )                            | (79,263 )                             |
| Other income and expense                            | 297                       | (73 )                  | 256                    | 182               | 438                                  | 662                                   |
| Depreciation and amortization                       | 221                       | 235                    | 207                    | 208               | 415                                  | 871                                   |
| Share-based compensation expense                    | 2,661                     | 3,181                  | 3,042                  | 2,820             | 5,862                                | 11,704                                |
| Adjusted EBITDA                                     | \$(17,871)                | \$(17,486)             | \$(13,980)             | \$(16,689)        | \$(30,669)                           | \$(66,026)                            |

**OFF-BALANCE SHEET ARRANGEMENTS**

As part of our ongoing business, we do not participate in transactions that generate relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities (“SPEs”), which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As of April 29, 2018, we were not involved in any material unconsolidated SPE transactions.

**CONTRACTUAL OBLIGATIONS**

In general, purchase orders issued in the normal course of business can be terminated in whole or in part for any reason without liability until the product is received.

On February 8, 2018, the Company entered into a Term Loan Credit Agreement and ABL Credit Agreement.

Proceeds from the borrowing under the Term Loan Credit Facility, together with cash on hand, was used to refinance the Company’s existing term loan credit facility, redeem and repay the Notes and pay any fees, premiums and expenses incurred in connection with the refinancing.

The following table shows our debt contractual obligations as of April 29, 2018 (in thousands):

| Contractual Obligation                   | Total     | Payments due by period |             |             |                   |
|--|-----------|------------------------|-------------|-------------|-------------------|
|  |           | Less than 1 year       | 1 – 3 years | 4 – 5 years | More than 5 years |
| Total debt <sup>(1)</sup>                | \$415,000 | \$—                    | \$—         | \$—         | \$415,000         |
| Interest payments on debt <sup>(2)</sup> | 112,714   | 11,558                 | 48,306      | 32,204      | 20,646            |
| Total                                    | \$527,714 | \$11,558               | \$48,306    | \$32,204    | \$435,646         |

(1) Reflects amounts outstanding under the Term Loan Credit Facility.

(2) Interest payments were calculated based on the variable rate in effect at April 29, 2018 for the Term Loan Credit Facility.

There have been no other material changes in our future contractual obligations since the end of fiscal 2017. See Part II, Item 7 of our Annual Report on Form 10-K for the fiscal year ended October 29, 2017 for more information on our contractual obligations. See Note 10 — Long-Term Debt and Note Payable in the notes to the unaudited consolidated financial statements for more information on the material terms of our Term Loan Credit Agreement and ABL Facility.

**CRITICAL ACCOUNTING POLICIES**

Critical accounting policies are those that are most important to the portrayal of our financial position and results of operations. These policies require our most subjective judgments, often employing the use of estimates about the effect of matters that are inherently uncertain. Our most critical accounting policies include those that pertain to revenue recognition, insurance accruals, share-based compensation, income taxes, accounting for acquisitions, intangible assets and goodwill, allowance for doubtful accounts, inventory valuation, property, plant and equipment valuation and contingencies, which are described in Item 7 of our Annual Report on Form 10-K for the year ended October 29, 2017.

**RECENT ACCOUNTING PRONOUNCEMENTS**

See Note 2 — Accounting Pronouncements in the notes to the unaudited consolidated financial statements for information on recent accounting pronouncements.

### Item 3. Quantitative and Qualitative Disclosures About Market Risk.

#### Steel Prices

We are subject to market risk exposure related to volatility in the price of steel. For the fiscal six months ended April 29, 2018, material costs (predominantly steel costs) constituted approximately 64% of our cost of sales. Our business is heavily dependent on the price and supply of steel. Our various products are fabricated from steel produced by mills to forms including bars, plates, structural shapes, sheets, hot-rolled coils and galvanized or Galvalume® — coated coils (Galvalume® is a registered trademark of BIEC International, Inc.). The steel industry is highly cyclical in nature, and steel prices have been volatile in recent years and may remain volatile in the future. Steel prices are influenced by numerous factors beyond our control, including general economic conditions, domestically and internationally, the availability of raw materials, competition, labor costs, freight and transportation costs, production costs, import duties and other trade restrictions. Based on the cyclical nature of the steel industry, we expect steel prices will continue to be volatile.

Although we have the ability to purchase steel from a number of suppliers, a production cutback by one or more of our current suppliers could create challenges in meeting delivery schedules to our customers. Because we have periodically adjusted our contract prices, particularly in the Engineered Building Systems segment, we have generally been able to pass increases in our raw material costs through to our customers.

We normally do not maintain an inventory of steel in excess of our current production requirements. However, from time to time, we may purchase steel in advance of announced steel price increases. In addition, it is our current practice to purchase all steel inventory that has been ordered but is not in our possession. Therefore, our inventory may increase if demand for our products declines. We can give no assurance that steel will remain available or that prices will not continue to be volatile.

With material costs (predominantly steel costs) accounting for approximately 64% of our cost of sales for the six months ended April 29, 2018, a one percent change in the cost of steel would have resulted in a pre-tax impact on cost of sales of approximately \$4.4 million for the six months ended April 29, 2018. The impact to our financial results of operations of such an increase would be significantly dependent on the competitive environment and the costs of other alternative building products, which could impact our ability to pass on these higher costs.

#### Other Commodity Risks

In addition to market risk exposure related to the volatility in the price of steel, we are subject to market risk exposure related to volatility in the price of natural gas. As a result, we occasionally enter into both index-priced and fixed-price contracts for the purchase of natural gas. We have evaluated these contracts to determine whether the contracts are derivative instruments. Certain contracts that meet the criteria for characterization as a derivative instrument may be exempted from hedge accounting treatment as normal purchases and normal sales and, therefore, these forward contracts are not marked to market. At April 29, 2018, all of our contracts for the purchase of natural gas met the scope exemption for normal purchases and normal sales.

#### Interest Rates

We are subject to market risk exposure related to changes in interest rates on our Term Loan Credit Facility and the ABL Credit Facility. These instruments bear interest at an agreed upon percentage point spread from either the prime interest rate or LIBOR. Under our Term Loan Credit Facility, we may, at our option, fix the interest rate for certain borrowings based on a spread over LIBOR for 30 days to 6 months. At April 29, 2018, we had \$415.0 million outstanding under our Term Loan Credit Facility. Based on this balance, an immediate change of one percent in the interest rate would cause a change in interest expense of approximately \$4.2 million on an annual basis. The fair value of our term loan credit facility at April 29, 2018 and October 29, 2017 was approximately \$415.5 million and \$144.1 million, respectively, compared to a face value of approximately \$415.0 million and \$144.1 million, respectively. See Note 10 — Long-Term Debt and Note Payable in the notes to the unaudited consolidated financial statements for information on the material terms of our long-term debt.

#### Foreign Currency Exchange Rates

We are exposed to the effect of exchange rate fluctuations on the U.S. dollar value of foreign currency denominated operating revenue and expenses. The functional currency for our Mexico operations is the U.S. dollar. Adjustments

resulting from the re-measurement of the local currency financial statements into the U.S. dollar functional currency, which uses a combination of current and historical exchange rates, are included in net income in the current period. Net foreign currency re-measurement (loss) gain was \$(0.1) million and \$0.4 million, for the three-month periods ended April 29, 2018 and April 30, 2017, respectively. Net foreign currency re-measurement gain (loss) was \$0.1 million and \$(0.1) million, for the six-month periods ended April 29, 2018 and April 30, 2017, respectively. The functional currency for our Canada operations is the Canadian dollar. Translation adjustments resulting from translating the functional currency financial statements into U.S. dollar equivalents are reported separately in accumulated other comprehensive



(loss) income in stockholders' equity. The net foreign currency exchange loss included in net income for the three month periods ended April 29, 2018 and April 30, 2017 was \$0.2 million and \$0.3 million, respectively. The net foreign currency exchange gain included in net income for the six month periods ended April 29, 2018 and April 30, 2017 was \$0.1 million and \$0.1 million, respectively. Net foreign currency translation adjustment, net of tax, and included in other comprehensive income (loss) for the three-month periods ended April 29, 2018 and April 30, 2017 was \$(0.3) million and \$(0.1) million, respectively. Net foreign currency translation adjustment, net of tax, and included in other comprehensive income (loss) for the six-month period ended April 30, 2017 was \$(0.1) million. Net foreign currency translation adjustment, net of tax, and included in other comprehensive income (loss) for the six-month period ended April 29, 2018 was insignificant.

On January 29, 2018, we closed on the sale of CENTRIA International LLC, which owned our China manufacturing facility and are therefore no longer exposed to fluctuations in the foreign currency exchange rate between the U.S. dollar and Chinese yuan. The functional currency for our China operations was the Chinese yuan. The net foreign currency translation adjustment was insignificant for the three and six-month periods ended April 29, 2018 and April 30, 2017.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures as of April 29, 2018. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding the required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Management believes that our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives and based on the evaluation of our disclosure controls and procedures as of April 29, 2018, our chief executive officer and chief financial officer concluded that, as of such date, our disclosure controls and procedures were effective at such reasonable assurance level.

Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during quarter ended April 29, 2018 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

NCI BUILDING SYSTEMS, INC.

## PART II — OTHER INFORMATION

## Item 1. Legal Proceedings.

See Part I, Item 1, “Unaudited Consolidated Financial Statements”, Note 16, which is incorporated herein by reference.

## Item 1A. Risk Factors.

In addition to the other information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the factors discussed in Part I, Item 1A, “Risk Factors” in our Annual Report on Form 10-K for the year ended October 29, 2017. The risks disclosed in our previous Annual Report on Form 10-K and information provided elsewhere in this report, could materially affect our business, financial condition or results of operations. Additional risks and uncertainties not currently known, or we currently deem to be immaterial may materially adversely affect our business, financial condition or results of operations. We are providing the following information regarding changes that have occurred to previously disclosed risk factors from our Annual Report on Form 10-K for the year ended October 29, 2017. Except for such additional information, we believe there have been no material changes in our risk factors from those disclosed in our Annual Report on Form 10-K for the fiscal year ended October 29, 2017.

New tariffs on steel imports could result in increased steel prices and adversely affect our results of operations

On March 1, 2018, President Trump announced his administration’s intention to place a 25% tariff on imports of steel into the United States. Although the parameters and timing of any such tariff are not known as of the date of this filing, such a tariff, if enacted, could result in both increased steel prices and a decreased available supply of steel. We may not be able to pass such price increases on to our customers and may not be able to secure adequate alternative sources of steel on a timely basis. Either of these occurrences could adversely affect our results of operations and financial condition.

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

The following table shows our purchases of our Common Stock during the second quarter of fiscal 2018:

| Period                                | (a)<br>Total Number<br>of<br>Shares<br>Purchased <sup>(1)</sup> | (b)<br>Average<br>Price<br>Paid per<br>Share | (c)<br>Total<br>Number of<br>Shares<br>Purchased as<br>Part of Publicly<br>Announced<br>Programs | (d)<br>Maximum<br>Dollar<br>Value of<br>Shares that<br>May Yet be<br>Purchased<br>Under<br>Publicly<br>Programs <sup>(2)</sup><br>(in<br>thousands) |
|---------------------------------------|---|--|--|---|
|                                       |   |  |  |   |
| January 29, 2018 to February 25, 2018 | 104   | \$ 17.10                                     | —  | \$ 5,573  |
| February 26, 2018 to March 25, 2018   | —   | \$ —   | —  | 55,573  |
| March 26, 2018 to April 29, 2018      | —   | \$ —   | —  | 55,573  |
| Total                                 | 104   | \$ 17.10                                     | —  |   |

The total number of shares purchased includes our Common Stock repurchased under the programs described below as well as shares of restricted stock that were withheld to satisfy minimum tax withholding obligations arising in connection with the vesting of awards of restricted stock. The required withholding is calculated using the closing sales price on the previous business day prior to the vesting date as reported by the NYSE.

(1) On October 10, 2017, the Company announced that its Board of Directors authorized a stock repurchase program for the repurchase of up to an aggregate of \$50.0 million of the Company’s outstanding Common Stock. On March 7, 2018, the Company announced that its Board of Directors authorized a new stock repurchase program for the repurchase of up to an aggregate of \$50.0 million of the Company’s outstanding Common Stock. Under these

repurchase programs, the Company is authorized to repurchase shares, if at all, at times and in amounts that we deem appropriate in accordance with all applicable securities laws and regulations. Shares repurchased are usually retired. There is no time limit on the duration of these programs. As of April 29, 2018, approximately \$55.6 million remained available for stock repurchases under the programs announced on October 10, 2017 and March 7, 2018.

Item 6. Exhibits.

Index to Exhibits

| Exhibit Number | Description  |
|----------------|--|
| *31.1          | <u>Rule 13a-14(a)/15d-14(a) Certifications (Section 302 of the Sarbanes-Oxley Act of 2002)</u>   |
| *31.2          | <u>Rule 13a-14(a)/15d-14(a) Certifications (Section 302 of the Sarbanes-Oxley Act of 2002)</u>   |
| **32.1         | <u>Certifications pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code (Section 906 of the Sarbanes-Oxley Act of 2002)</u> |
| **32.2         | <u>Certifications pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code (Section 906 of the Sarbanes-Oxley Act of 2002)</u> |
| *101.INS       | XBRL Instance Document   |
| *101.SCH       | XBRL Taxonomy Extension Schema Document  |
| *101.CAL       | XBRL Taxonomy Extension Calculation Linkbase Document  |
| *101.DEF       | XBRL Taxonomy Definition Linkbase Document   |
| *101.LAB       | XBRL Taxonomy Extension Label Linkbase Document  |
| *101.PRE       | XBRL Taxonomy Extension Presentation Linkbase Document   |

\* Filed herewith

\*\* Furnished herewith

Management contracts or compensatory plans or arrangements

SIGNATURE

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.

NCI BUILDING SYSTEMS, INC.

Date: June 6, 2018 By: /s/ Mark E. Johnson

Mark E. Johnson

Executive Vice President, Chief Financial Officer  
and Treasurer