Quanex Building Products CORP
Form 10-K
December 16, 2016

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

FORM 10-K
(Mark One)
x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Fiscal Year Ended October 31, 2016
or
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Commission file number 1-33913

QUANEX BUILDING PRODUCTS CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	26-1561397
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1800 West Loop South, Suite 1500, Houston, Texas	77027
(Address of principal executive offices)	(Zip code)

Registrant's telephone number, including area code: (713) 961-4600
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $0.01 par value	New York Stock Exchange, Inc.

Securities registered pursuant to Section 12(g) of the Act: NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x

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

Indicate by check mark whether the registrant has submitted electronically 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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

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

Large accelerated filer	x	Accelerated filer	o
Non-accelerated filer	o	Smaller reporting company	o

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates as of April 30, 2016, computed by reference to the closing price for the Common Stock on the New York Stock Exchange, Inc. on that date, was $637,494,544. Such calculation assumes only the registrant's officers and directors at such date were affiliates of the registrant.

At December 12, 2016 there were outstanding 34,202,837 shares of the registrant's Common Stock, $0.01 par value.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive Proxy Statement for its 2017 Annual Meeting of Stockholders to be filed with the Commission within 120 days of October 31, 2016 are incorporated herein by reference in Part III of this Annual Report on Form 10-K.

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

Cautionary Note Regarding Forward-Looking Statements

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

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

- changes in market conditions, particularly in the new home construction, and residential remodeling and replacement (R&R) activity markets in the United States, United Kingdom and Germany;
- changes in non-pass-through raw material costs;
- changes in domestic and international economic conditions;
- changes in purchases by our principal customers;
- fluctuations in foreign currency exchange rates;
- our ability to maintain an effective system of internal controls;
- our ability to successfully implement our internal operating plans and acquisition strategies;
- our ability to successfully implement our plans with respect to information technology (IT) systems and processes;
- our ability to control costs and increase profitability;
- changes in environmental laws and regulations;
- changes in warranty obligations;
- changes in energy costs;
- changes in tax laws, and interpretations thereof;
- changes in interest rates;
- our ability to service our debt facilities and remain in good standing with our lenders;
- our ability to maintain good relationships with our suppliers, subcontractors, and key customers; and
- the resolution of litigation and other legal proceedings.

Additional factors that could cause actual results to differ materially are discussed under "Item 1A. Risk Factors” included elsewhere in this Annual Report on Form 10-K.

About Third-Party Information

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

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PART I

Item 1. Business (Continuing Operations).

Our Company

Quanex was incorporated in Delaware on December 12, 2007 as Quanex Building Products Corporation. We manufacture components for original equipment manufacturers (OEM) in the building products industry. These components can be categorized as window and door (fenestration) components and kitchen and bath cabinet components. Examples of fenestration components include (1) energy-efficient flexible insulating glass spacers, (2) extruded vinyl profiles, (3) window and door screens, and (4) precision-formed metal and wood products. In addition, we provide certain other non-fenestration components and products, which include solar panel sealants, wood flooring, trim moldings, vinyl decking, fencing, water retention barriers, and conservatory roof components. We use low-cost production processes and engineering expertise to provide our customers with specialized products for their specific window, door, and cabinet applications. We believe these capabilities provide us with unique competitive advantages. We serve a primary customer base in North America and the United Kingdom, and also serve customers in international markets through our operating plants in the United Kingdom and Germany, as well as through sales and marketing efforts in other countries.

Our History

Our predecessor company, Quanex Corporation, was organized in Michigan in 1927 as Michigan Seamless Tube Company, and was later reincorporated in Delaware in 1968. In 1977, Michigan Seamless Tube Company changed its name to Quanex Corporation. On December 12, 2007, Quanex Building Products Corporation was incorporated as a wholly-owned subsidiary in the state of Delaware, in order to facilitate the separation of Quanex Corporation's vehicular products and building products businesses. This separation became effective on April 23, 2008, through a spin-off of the building products business to Quanex Corporation's then-existing shareholders. Immediately following the spin-off, our former parent company, consisting principally of the vehicular products business and all non-building products related corporate accounts, merged with a wholly-owned subsidiary of Gerdau S.A.

Since the spin-off in 2008, we have evolved our business by making investments in organic growth initiatives and taking a disciplined approach to new business and strategic acquisition opportunities, while disposing of non-core businesses.

Notable developments and transactions which occurred since the spin-off include the following:

- in March 2011, we acquired Edgetech, I.G. Inc. and its German subsidiary, which provided us with three manufacturing facilities, one each in the United States, United Kingdom and Germany, that produce and market a full line of flexible insulating glass spacer systems for window and door customers in North America and abroad. This acquisition complemented our then existing insulating glass products business in the United States and, as a result, we committed to a plan to consolidate these facilities in November 2011. This consolidation plan, in part, resulted in the closure of a plant in Barbourville, Kentucky, and the relocation of equipment that was used to manufacture the single seal, warm-edge spacer system to our facility in Cambridge, Ohio. This consolidation was substantially completed by August 2012, with minor residual cash payments and program costs incurred during fiscal 2013. We sold the facility in Barbourville in May 2014;
- in December 2012, we acquired substantially all of the assets of Alumco Inc. and its subsidiaries (Alumco), an aluminum screen manufacturer, which allowed us to expand the scope of our fenestration business to include screens for vinyl window and door manufacturers and to expand our geographic reach throughout the United States;
- in April 2014, we sold our interest in a limited liability company which held the net assets of our Nichols Aluminum business (Nichols), to Aleris International, Inc. (Aleris), a privately held company which provides aluminum rolled products and extrusions, aluminum recycling and specification aluminum alloy production;
- in June 2015, we acquired the outstanding ownership shares of Flamstead Holdings Limited, an extruder of vinyl lineal products and manufacturer of other plastic products incorporated and registered in England and Wales. Following a pre-sale reorganization and purchase, Flamstead Holdings Limited owned 100% of the ownership shares of the following subsidiaries: HL Plastics Limited, Vintage Windows Limited, Wegoma Machinery Sales Limited (renamed in 2016 as Avantek Machinery Company), and Liniar Limited (collectively referred to as “HLP”), each registered in England and Wales. This acquisition expanded our vinyl extrusion product offerings and expanded our

international presence in the global fenestration business;

- in November 2015, we completed the merger of QWMS, Inc., a Delaware corporation which was a newly-formed and wholly-owned Quanex subsidiary, and WII Holding, Inc. (WII), a Delaware corporation. Upon satisfaction or waiver of

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conditions set forth in the merger agreement, QWMS, Inc. merged with and into WII, and WII became our wholly-owned subsidiary, and, as a result, we acquired all the subsidiaries of WII (referred to collectively as Woodcraft). Woodcraft is a manufacturer of cabinet doors and other components for OEMs in the kitchen and bathroom cabinet industry, operating various plants in the United States and Mexico; and

- In October 2016, we committed to a restructuring plan that includes the closure of two vinyl-extrusion plants in the United States and our kitchen and bathroom cabinet door plant in Guadalajara, Mexico.

As of October 31, 2016, we operated 41 manufacturing facilities located in 18 states in the United States, five facilities in the United Kingdom, one in Germany, and another in Mexico. These facilities feature efficient plant design and flexible manufacturing processes, enabling us to produce a wide variety of custom engineered products and components primarily focused on the window and door segment of the residential building products markets. We are able to maintain minimal levels of finished goods inventories at most locations because we typically manufacture products upon order to customer specifications. We believe the primary drivers of our operating results are new home construction and residential remodeling and replacement activity in the markets we serve.

Our Industry

Our business is largely North American based and dependent upon the spending and growth activity levels of our customers which include national and regional residential window, door and cabinet manufacturers. With the HLP acquisition in June 2015, we expanded our international presence to include a platform from which to sell vinyl extruded lineals for house systems to smaller customers primarily in the United Kingdom.

We use data related to housing starts and window shipments in the United States and United Kingdom, as published by or derived from third-party sources, to evaluate the fenestration market in these countries. We also use data related to cabinet demand in the United States to evaluate the residential cabinet market.

The following table presents calendar-year annual and quarterly housing starts information, as published by the United States Census Bureau based on data collected from the National Association of Home Builders (NAHB), (units in thousands):

	Single-family Units		Multi-family Units		Manufactured Units		
Period	Units	% Change	Units	% Change	Units	% Change	Total Units
Annual Data							
2010	471	N/A	116	N/A	50	N/A	637
2011	434	(8)%	178	53%	51	2%	663
2012	537	24%	247	39%	55	8%	839
2013	620	15%	308	25%	60	9%	988
2014	647	4%	355	15%	64	7%	1,066
2015	713	10%	395	11%	71	11%	1,179
Annual Data - Forecast							
2016	773	8%	369	(7)%	75	6%	1,217
2017	873	13%	385	4%	73	(3)%	1,331
2018	992	14%	373	(3)%	83	14%	1,448

The following table presents calendar-year annual and quarterly window shipments information, derived from reports published by Ducker Worldwide LLC, a consulting and research firm, (units in thousands):

	New Construction						Remodeling & Replacement					
Period	Wood	Aluminum	Vinyl	Fiberglass	Other	Total	Wood	Aluminum	Vinyl	Fiberglass	Other	Total
Annual Data												
2010	2,778	1,746	6,729	526	167	11,946	6,139	1,012	21,079	840	573	29,643
2011	2,601	1,820	6,623	514	182	11,740	5,071	717	19,086	730	516	26,120
2012	2,736	2,516	8,625	592	237	14,706	4,566	696	18,902	657	594	25,415
2013	2,989	3,077	10,585	668	264	17,583	4,739	658	19,588	685	658	26,328

2014	3,108	3,471	11,651	728	291	19,249	4,697	718	19,972	698	677	26,762
2015	2,909	3,467	12,915	793	358	20,442	4,324	562	20,742	766	740	27,134

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The following table presents calendar-year annual housing starts information in the United Kingdom, derived from reports published by D&G Consulting, a consulting and research firm, (units in thousands):

Housing Construction

	Private Housing		Public Housing	
Period	Annual	% Change	Actual	% Change
Actual Data				
2010	100	N/A	30	N/A
2011	100	—%	34	13%
2012	104	4%	32	(6)%
2013	102	(2)%	32	—%
2014	110	8%	29	(9)%
2015	139	26%	36	24%
Forecast Data				
2016	143	3%	33	(8)%
2017	153	7%	27	(18)%
2018	156	2%	28	4%

According to Freedonia Group, a consulting and research firm, total United States residential cabinet demand is expected to increase 6.9% annually from 2014 to 2019.

We have noted the following trends which we believe affect our industry:

- the number of housing starts and window shipments in the United States has increased in recent years following a dramatic decline from 2007 through 2011. The NAHB expects this trend to continue for the next several years, which should result in higher demand for our fenestration and kitchen and bathroom cabinet door products;
- the recent growth in the housing market has been predominately in new construction which has outpaced the growth in the residential remodeling and replacement sector; growth in the residential remodeling and replacement sector has been stagnated by uncertainty in the economy and the job market;
- the recovery of the housing market has been slowed due to predominant growth of multi-family homes compared to mid- and higher priced single family homes; the current growth in single-family homes has seen the share of the large tract builders increase and the smaller custom builders decrease; and multi-family and tract homes typically employ fewer, lower cost, and less energy efficient windows and lower cost kitchen and bathroom cabinets;
- programs in the United States such as Energy Star have improved customer awareness of the technological advances in window and door energy-efficiency, but the government has been reluctant to enforce stricter energy standards;
- foreign currency rates in the United Kingdom and other European nations have changed significantly relative to the United States Dollar due in part to the referendum relating to a potential exit of the United Kingdom from the European Union during June 2016;
- commodity prices have fluctuated in recent years, and to the extent we cannot pass this cost to our customers, this impacts cost of critical materials used in our manufacturing processes such as resin, which affects margins related to our vinyl extrusion products; oil products such as butyl, which affects our insulating glass products; and aluminum and wood products used by our other businesses; and
- higher energy efficiency standards in Europe should favorably impact sales of our insulating glass spacer products in the short- to mid-term.

Strategy

Our vision is to be the preferred supplier to our customers in each market we serve. Our strategy to achieve this vision includes the following:

- focus on organic growth with our current customer base and expand our market share with national and regional customers by providing: (1) a quality product; (2) a high level of customer service; (3) product choices at different price points; and (4) new products or enhancements to existing product offerings. These enhancements may include higher thermal efficiency, enhanced functionality, improved weatherability, better appearance and best-in-class quality for our fenestration and cabinet door products;

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- realize improved profitability in our manufacturing processes through: (1) ongoing preventive maintenance programs; (2) better utilization of our capacity by focusing on operational efficiencies and reducing scrap; (3) marketing our value added products; and (4) focusing on employee safety;
- offer logistic solutions that provide our customers with just-in-time service which can reduce their processing costs;
- pursue targeted business acquisitions that allow us to expand our existing footprint, enhance our existing product offerings, acquire complementary technology, enhance our leadership position within the markets we serve, and expand into adjacent markets or service lines; and
- exit unprofitable service lines.

Business Segments

We currently have three reportable business segments: (1) North American Engineered Components segment (“NA Engineered Components”), comprised of four operating segments primarily focused on the fenestration market in North America manufacturing vinyl profiles, insulating glass ("IG") spacers, screens & other fenestration components; (2) European Engineered Components segment (“EU Engineered Components”), comprised of our United Kingdom-based vinyl extrusion business, manufacturing vinyl profiles and conservatories, and the European insulating glass business manufacturing IG spacers; and (3) North American Cabinet Components segment (“NA Cabinet Components”), comprised solely of the North American cabinet door and components business acquired in November 2015. We continue to maintain the grouping previously called Corporate & Other, now called Unallocated Corporate & Other, but a portion of the general and administrative costs associated with the corporate office have been allocated to the reportable operating segments, based upon a relative measure of profitability in order to more accurately reflect each reportable operating segment's administrative costs. Certain costs were not allocated to the business segments, but remain in Unallocated Corporate & Other, including transaction expenses, stock-based compensation, long-term incentive awards based on the performance of our common stock and other factors, certain severance and legal costs not deemed to be allocable to all segments, depreciation of corporate assets, interest expense, other, net, income taxes and inter-segment eliminations. This treatment was applied to avoid an asymmetrical allocation amongst the reportable operating segments for the comparative period due to the timing of acquisitions. Prior to November 2, 2015, we had two reportable business segments: (1) Engineered Products, comprised of our four operating segments focused primarily on North American fenestration, and (2) International Extrusion, comprised solely of HLP acquired on June 15, 2015. In addition, we recorded LIFO inventory adjustments, corporate office charges and inter-segment eliminations as Corporate & Other. Prior to April 1, 2014, we presented two reportable segments: (1) Engineered Products, and (2) Aluminum Sheet Products as well as corporate and other. On April 1, 2014, we sold Nichols, the sole operating segment included in our Aluminum Sheet Products reportable segment, leaving one reportable segment. To account for Nichols as a discontinued operation, we reclassified certain costs from Corporate & Other to Nichols, including a portion of the LIFO reserve, as well as insurance accruals related to workers compensation claims, to properly reflect these direct expenses as a component of the disposal group. The accounting policies of our operating segments are the same as those used to prepare our accompanying consolidated financial statements. Financial information specific to each segment is located in Note 18, "Segment Information" of the accompanying financial statements in this Annual Report on Form 10-K.

Our Strengths

We believe our strengths include design expertise, new technology development capability, customer service, just-in-time delivery systems, high quality manufacturing, the ability to generate unique patented products and participation in industry and governmental advocacy.

Raw Materials and Supplies

We purchase a diverse range of raw materials, which include PVC, epoxy resin, butyl, titanium dioxide (TiO_2) desiccant powder, silicone and EPDM rubber compounds, coated and uncoated aluminum sheet and wood (both hardwood and softwood). These raw materials are generally available from several suppliers at market prices. We may enter into sole sourcing arrangements with our suppliers from time to time if we believe we can realize beneficial savings, but only after we have determined that the vendor can reliably supply our raw material requirements. These sole sourcing arrangements generally have termination clauses to protect us if a sole sourced vendor could not provide raw materials timely and on economically feasible terms. We believe there are other qualified suppliers from which we could purchase raw materials and supplies.

Competition

Our products are sold under highly competitive conditions. We compete with a number of companies, some of which have greater financial resources than us. We believe the primary competitive factors in the markets we serve include price, product quality, delivery and the ability to manufacture to customer specifications. The volume of engineered building products that we manufacture represents a small percentage of annual domestic consumption. Similarly, our subsidiaries in the United Kingdom compete against some larger vinyl producers and smaller window manufacturers. For our kitchen and bathroom cabinet door business, we believe we are the largest supplier to OEMs in the United States, but we compete with other national and regional businesses, including OEMs who are vertically integrated. We compete against a range of small and mid-size metal, vinyl and wood products suppliers, wood molding companies, and the in-house operations of customers who have vertically integrated fenestration operations. We also compete against IG spacer manufacturing firms. IG systems are used in numerous end markets including residential housing, commercial construction, appliances and transportation vehicles, but we primarily serve the residential housing market. Competition is largely based on regional presence, custom engineering, product development, quality, service and price. Primary competitors include, but are not limited to, Veka, Deceuninck, Energi, Vision Extrusions, GED Integrated Solutions, Technoform, Swiss Spacer, Thermix, Rite Screen, Allmetal, and Endura. Competitors in the vinyl extrusion business in the United Kingdom include Epwin, Veka, Synseal, Eurocell and others. Primary competitors in the cabinet door business in the United States include Conestoga, Decore-ative Specialties, Northern Contours and others.

Sales, Marketing, and Distribution

We sell our products to customers in various countries. Therefore, we have sales representatives whose territories essentially cover the United States, Canada, Europe, and to a lesser extent, the Middle East, Latin and South America, Australia and Asia. Our sales force is tasked with selling and marketing our complete range of components, products and systems to national and regional OEMs through a direct sales force in North America and Europe, supplemented with the limited use of distributors and independent sales agents.

Customers

Certain of our businesses or product lines are largely dependent on a relatively few large customers. See Note 1, "Nature of Operations, Basis of Presentation and Significant Accounting Policies - Concentration of Credit Risk and Allowance for Doubtful Accounts," of the accompanying financial statements in this Annual Report on Form 10-K for related disclosure.

Sales Backlog

Given the short lead times involved in our business, we have a relatively low backlog, approximately $25 million as of October 31, 2016. The criteria for revenue recognition has not been met with regard to sales backlog, and therefore, we have not recorded revenue or deferred revenue pursuant to these sales orders. If these sales orders result in a sale, we will record revenue during fiscal 2017 in accordance with our revenue recognition accounting policy.

Seasonal Nature of Business

Our business is impacted by seasonality. We have historically experienced lower sales for our products during the first half of our fiscal year as winter weather reduces homebuilding and home improvement activity. Our operating income tends to decline during this period of lower sales because a higher percentage of our operating expenses are fixed overhead. We typically experience more favorable results in the third and fourth quarters of the fiscal year. Our exposure to seasonality was somewhat tempered with the entry into the kitchen and bathroom cabinet door industry, which is focused "inside the house" and less susceptible to inclement weather. Expenses for labor and other costs are generally semi-variable throughout the year.

Working Capital

We fund operations through a combination of available cash and cash equivalents, cash flow generated from our operations, and borrowings from our revolving credit facility. We extend credit to our domestic customers in the ordinary course of business generally for a term of 30 days, while the terms for our international customers vary from cash advances to 90 days. Inventories of raw materials are carried in quantities deemed necessary to ensure a smooth production process, some of which are governed by consignment agreements with suppliers. We strive to maintain minimal finished goods inventories, while ensuring an adequate supply on hand to service customer needs.

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Service Marks, Trademarks, Trade Names, and Patents

Our federally registered trademarks or service marks include QUANEX, QUANEX and design, "Q" design, TRUSEAL TECHNOLOGIES, DURASEAL, DURALITE, SOLARGAIN EDGE TAPE, ENVIROSEALED WINDOWS, EDGETHERM, COLONIAL CRAFT, EDGETECH, ECOBLEND, SUPER SPACER, TSS, TRUE WARM, E & Design, QUIET EDGE, HEALTH SMART WINDOWS, ENERGY WISE WINDOWS, DESI-ROPE, 360 and design, INTELLICLIP, SUSTAINAVIEW, MIKRON, MIKRONWOOD, MIKRONBLEND, MIKRON BLEND and design, ENERGYCORE, FUSION INSULATED SYSTEM, AIRCELL, SUPERCOAT, SUPERCAP, STYLELOCK, STYLELOCK and design, K2 MIKRON and design, HOMESHIELD, HOMESHIELD and design, STORM SEAL, and TENON. We consider the following marks, design marks and associated trade names to be valuable in the conduct of our business: HOMESHIELD, COLONIAL CRAFT, TRUSEAL TECHNOLOGIES, EDGETECH, MIKRON, WOODCRAFT and QUANEX. With the acquisition of HLP in June 2015, we acquired a number of registered designs, patents and trademarks registered in the United Kingdom, which include: MODLOK, LINIAR, SUPERCUT, and various other trademarks and patents which are pending approval. Generally, our business does not depend on patent protection, but patents obtained with regard to our vinyl extrusion products and processes, fabricated metal components and IG spacer products business remain a valuable competitive advantage over other building products manufacturers. We obtain patent protection for various dies and other tooling created in connection with the production of customer-specific vinyl profile designs and vinyl extrusions. Our fabricated metal components business obtains patent protection for its thresholds. Our window sealant business unit relies on patents to protect the design of several of its window spacer products. Although we hold numerous patents, the proprietary process technology that has been developed is also considered a source of competitive advantage.

Research and Development

In general, we expense research and development costs as incurred. We devote time, effort and expense to: (1) custom- engineer products for specific customer applications; (2) develop superior, proprietary process technology; and (3) partner with customers to develop new products. In addition, we may acquire businesses with patented technology in order to expand our product offerings. We partner with several universities to help fund new product applications which may benefit our business.

Environmental and Employee Safety Matters

We are subject to extensive laws and regulations concerning worker safety, the discharge of materials into the environment and the remediation of chemical contamination. To satisfy such requirements, we must make capital and other expenditures on an on-going basis. The cost of worker safety and environmental matters has not had a material adverse effect on our operations or financial condition in the past, and we are not currently aware of any existing conditions that we believe are likely to have a material adverse effect on our operations, financial condition, or cash flows.

Safety and Environmental Policies

For many years, we have maintained compliance policies that are designed to help protect our workforce, to identify and reduce the potential for job-related accidents, and to minimize liabilities and other financial impacts related to worker safety and environmental issues. These policies include extensive employee training and education, as well as internal policies embodied in our Code of Business Conduct and Ethics. We have a Director of Environmental, Health and Safety and maintain a company-wide Safety Council, comprised of leaders from across the organization, which meets regularly to discuss safety issues and drive safety improvements. We plan to continue to focus on safety in particular as a core strategy to improve our operational efficiency and financial performance.

Remediation

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

Environmental Compliance Costs

From time to time, we incur routine expenses and capital expenditures associated with compliance with existing environmental regulations, including control of air emissions and water discharges, and plant decommissioning costs. We have not incurred any material expenses or capital expenditures related to environmental matters during the past three fiscal years, and do not expect to incur a material amount of such costs in fiscal 2017. While we will continue to have future expenditures related to environmental matters, any such amounts are impossible to reasonably estimate at this time. Based upon our experience to date, we do not believe

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that our compliance with environmental requirements will have a material adverse effect on our operations, financial condition or cash flows.

Employees

As of October 31, 2016, we had 4,138 employees. Of these employees, 3,540 were domiciled in the United States, 519 in the United Kingdom, 65 in Germany, and 14 in Mexico.

Geographic Information

Our manufacturing facilities and all long-lived assets are located in the United States, United Kingdom, Germany and Mexico. Financial information specific to each geographic area is located in Note 18, "Segment Information," located elsewhere in this Annual Report on Form 10-K.

For Investors

We periodically file or furnish documents to the Securities and Exchange Commission (SEC), including our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and other reports as required. These reports are also available free of charge from the Investor Relations Section of our website at http://www.quanex.com, as soon as reasonably practicable after we file such material, or furnish it to the SEC. As permitted by the SEC rules, we post relevant information on our website. However, the information contained on our website is not incorporated by reference into this Annual Report on Form 10-K and should not be considered part of this report.

Item 1A. Risk Factors.

The following risk factors, along with other information contained elsewhere in this Annual Report on Form 10-K and our other public filings with the SEC, should be carefully considered before deciding to invest in our securities. Additional risks and uncertainties that are not currently known to us or that we may view as immaterial could impair our business if such risks were to develop into actual events. Therefore, any of these risks could have a material adverse effect on our financial condition, results of operations and cash flows. This listing of risk factors is not all-inclusive and is not necessarily presented in order of importance.

Industry Risks

Any sustained decline in residential remodeling, replacement activities, or housing starts could have a material adverse effect on our business, financial condition and results of operations.

The primary drivers of our business are residential remodeling, replacement activities and housing starts. The home building and residential construction industry is cyclical and seasonal, and product demand is based on numerous factors such as interest rates, general economic conditions, consumer confidence and other factors beyond our control. Declines in the number of housing starts and remodeling expenditures resulting from such factors could have a material adverse effect on our business, results of operations and financial condition.

If the availability of critical raw materials were to become scarce or if the price of these items were to increase significantly, we might not be able to timely produce products for our customers or maintain our profit levels.

We purchase from outside sources significant amounts of raw materials, such as butyl, titanium dioxide, vinyl resin, aluminum, steel and wood products for use in our manufacturing facilities. Because we do not have long-term contracts for the supply of many of our raw materials, their availability and price are subject to market fluctuation and may be subject to curtailment or change. Any of these factors could affect our ability to timely and cost-effectively manufacture products for our customers.

Compliance with, or liabilities under, existing or future environmental laws and regulations could significantly increase our costs of doing business.

We are subject to extensive federal, state and local laws and regulations concerning the discharge of materials into the environment and the remediation of chemical contamination. To satisfy such requirements, we must make capital and other expenditures on an on-going basis. Future expenditures relating to environmental matters will necessarily depend upon whether such regulations and future governmental decisions or interpretations of these regulations apply to us and our facilities. It is likely that we will be subject to increasingly stringent environmental standards, and we will incur additional expenditures to comply with such standards. Furthermore, if we fail to comply with applicable environmental regulations, we could be subject to substantial fines or penalties and to civil and criminal liability.

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Our goodwill and indefinite-lived intangible assets may become impaired and could result in a charge to income.
We evaluate our goodwill and indefinite-lived intangible assets at least annually to determine whether we must test for impairment. In making this assessment, we must use judgment to make estimates of future operating results and appropriate residual values. Actual future operating results and residual values associated with our operations could differ significantly from these estimates, which may result in an impairment charge in a future period, resulting in a decrease in net income from operations in the year of the impairment, as well as a decline in our recorded net worth. We recorded a goodwill impairment charge in 2016 and could record future impairment charges.
We may not be able to protect our intellectual property.
We rely on a combination of copyright, patent, trade secrets, confidentiality procedures and contractual commitments to protect our proprietary information. However, these measures can only provide limited protection and unauthorized third parties may try to copy or reverse engineer portions of our products or may otherwise obtain and use our intellectual property. If we cannot protect our proprietary information against unauthorized use, we may not be able to retain a perceived competitive advantage and we may lose sales to the infringing sellers, which may have a material adverse effect on our financial condition, results of operations and cash flows.
We are subject to various existing and contemplated laws, regulations and government initiatives that may materially impact the demand for our products, our profitability or our costs of doing business.
Our business may be materially impacted by various governmental laws, regulations and initiatives that may artificially create, deflate, accelerate, or decelerate consumer demand for our products. For example, when the government issues tax credits designed to encourage increased homebuilding or energy-efficient window purchases, the credits may create a spike in demand that would not otherwise have occurred and our production capabilities may not be able to keep pace, which could materially impact our profitability. Likewise, when such laws, regulations or initiatives expire, our business may experience a material loss in sales volume or an increase in production costs as a result of the decline in consumer demand.
Our operations outside the United States require us to comply with a number of United States and international anti-corruption regulations, violations of which could have a material adverse effect on our consolidated results of operations and consolidated financial condition.
Our international operations require us to comply with a number of United States and international regulations, including the Foreign Corrupt Practices Act (FCPA) and the United Kingdom Bribery Act 2010. While we have implemented appropriate training and compliance programs to prevent violations of these anti-bribery regulations, we cannot ensure that our policies, procedures and programs will always protect us from reckless or criminal acts committed by our employees or agents. Allegations of violations of applicable anti-corruption laws, may result in internal, independent, or government investigations, and violations of anti-corruption laws may result in severe criminal or civil sanctions or other liabilities which could have a material adverse effect on our business, consolidated results of operations and financial condition.
Because we have operations located within the United Kingdom (UK), our business and financial results may suffer as the UK works to implement its exit from the European Union (EU), resulting primarily from (a) continued depression in the value of the British Pound Sterling as compared to the United States Dollar; and (b) potential price increases for supplies purchased by our UK businesses from companies located in the EU or elsewhere.
Following the UK’s vote to leave the EU, the value of the British Pound Sterling immediately declined and has since remained at historically low levels. If the value of the British Pound Sterling remains at current levels, the resulting unfavorable exchange rate may negatively affect the value of our operations and businesses located in the UK, as translated to our reporting currency, the United States Dollar, in accordance with US GAAP, which may reduce the revenue and earnings we report . For more information with respect to Exchange Rate risk applicable to us, please see Part 2 Item 7A. "Market Risk Disclosures" elsewhere in this Annual Report on Form 10-K. Continued weakness in the British Pound Sterling may also result in the imposition of a price increase by EU-based suppliers to our UK businesses, as those suppliers seek to compensate for the diminished value of the British Pound Sterling as compared to the European Euro.

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Failure to achieve and maintain effective internal controls could have a material adverse effect on our business and on our stock price.

Effective internal controls are necessary for us to effectively monitor our business, prevent fraud or theft, remain in compliance with our credit facility covenants, and provide reliable financial reports, both to the public and to our lenders. If we fail to maintain the adequacy of our internal controls, both in accordance with current standards and as standards are modified over time, we could trigger an event of default under our credit facilities or lose the confidence of the investing community, both of which could result in a material adverse effect on our stock price, limit our ability to borrow funds, or result in the application of unfavorable commercial terms to borrowings then outstanding.

Company Risks

Our business will suffer if we are unable to adequately address potential supplier or customer pricing pressures, particularly with respect to OEMs that have significant pricing leverage over suppliers.

Our primary customers are OEMs, who have substantial leverage in setting purchasing and payment terms. We attempt to manage this pricing pressure and to preserve our business relationships with the OEMs by negotiating reasonable price concessions when needed, and by reducing our production costs through various measures, which may include managing our purchase process to control the cost of our raw materials and components, and implementing cost-effective process improvements. However, our efforts may not be successful and our operating margins could be negatively impacted.

Our revenues could decline or we may lose business if our customers vertically integrate their operations, diversify their supplier base, or transfer manufacturing capacity to other regions.

Certain of our businesses or product lines are largely dependent on a relatively few large customers. Although we believe we have an extensive customer base, if we were to lose one of these large customers or if such customer were to materially reduce its purchases as a result of vertical integration, supplier diversification, or a shift in regional focus, our revenue, general financial condition and results of operations could be adversely affected.

Our credit facility contains certain operational restrictions, reporting requirements, and financial covenants that limit the aggregate availability of funds.

Our credit facility is comprised of a revolving credit facility and a term loan, each of which contains certain financial covenants and other operating and reporting requirements that could present risk to our operating results or limit our ability to access capital for use in the business. For a full discussion of the various covenants and operating requirements imposed by our credit facility and information related to the potential limitations on our ability to access capital, see Item 7, Management’s Discussion and Analysis of Financial Conditions and Results of Operations-Liquidity and Capital Resources, in this Annual Report on Form 10-K.

We may not be able to successfully manage or integrate acquisitions, and if we are unable to do so, then our profitability could be adversely affected.

We cannot provide assurance that we will successfully manage or integrate acquisition targets once we have purchased them. If we acquire a business for which we do not fully understand or appreciate the specific business risks, if we overvalue or fail to conduct effective due diligence on an acquisition, or if we fail to effectively and efficiently integrate a business that we acquire, then there could be a material adverse effect on our ability to achieve the projected growth and cash flow goals associated with the new business, which could result in an overall material adverse effect on our long-term profitability or revenue generation.

If our information technology systems fail, or if we experience an interruption in our operations due to an aging information system infrastructure, then our results of operations and financial condition could be materially adversely affected.

The failure of our information technology systems, our inability to successfully maintain, enhance and/or replace our information technology systems when necessary, or a significant compromise of the integrity or security of the data that is generated from our information technology systems, could adversely affect our results of operations and could disrupt business and prevent or severely limit our ability to respond to data requests from our customers, suppliers, auditors, shareholders, employees or government authorities.

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We may not have the right personnel in place to achieve our operating goals and the rural location of some of our operations may make it difficult to locate or hire highly skilled employees.

We operate in some rural areas and small towns where the competition for labor can be fierce, and where the pool of qualified employees may be very small. If we are unable to obtain skilled workers and adequately trained professionals to conduct our business, we may not be able to manage our business to the necessary high standards. In addition, we may be forced to pay higher wages or offer other benefits that might impact our cost of labor and thereby negatively impact our profitability.

Equipment failures or catastrophic loss at any of our manufacturing facilities could prevent us from manufacturing our products.

An interruption in production capabilities at any of our facilities due to equipment failure, catastrophic loss, or other reasons could result in our inability to manufacture products, which could severely affect delivery times, return or cancellation rates, and future sales, any of which could result in lower sales and earnings or the loss of customers. Although we have a disaster recovery plan in place, we currently have one plant which is the sole source for our insulating spacer business in the United States. If that plant were to experience a catastrophic loss and our disaster recovery plan were to fail, it could have a material adverse effect on our results of operations or financial condition.

Product liability claims and product replacements could harm our reputation, revenue generation and financial condition, or could result in costs related to litigation, warranty claims, or customer accommodations.

We have, on occasion, found flaws and deficiencies in the manufacturing, design, testing or installation of our products, which may result from a product defect, a defect in a component part provided by our suppliers, or as a result of the product being installed incorrectly by our customer or an end user. The failure of products before or after installation could result in litigation or claims by our customers or other users of the products, which may result in the need for us to expend legal fees or other related warranty coverage, settlement, or customer accommodation costs related to the replacement of products or the retrofitting of affected structures.

Risks Associated with Investment in Quanex Securities

Our corporate governance documents or the provisions of Delaware law may delay or preclude a business acquisition or divestiture that stockholders may consider to be favorable, which might result in a decrease in the value of our common shares.

Our certificate of incorporation and bylaws and Delaware law contain provisions that could make it more difficult for a third party to acquire us without the consent of our Board of Directors. These provisions include restrictions on the ability of our stockholders to remove directors and supermajority voting requirements for stockholders to amend our organizational documents, a classified Board of Directors, and limitations on action by our stockholders by written consent. Our Board has recently approved amendments to our Certificate of Incorporation that are designed to declassify director elections and lower our supermajority voting thresholds. These amendments were ratified by our shareholders at our 2016 annual meeting. In addition, our Board of Directors has the right to issue preferred stock without stockholder approval, which could be used to dilute the stock ownership of a potential hostile acquirer. Although we believe these provisions protect our stockholders from coercive or otherwise unfair takeover tactics, and thereby provide for an opportunity for us to receive a higher bid by requiring potential acquirers to negotiate with our Board of Directors, these provisions apply even if the offer may be considered beneficial by some stockholders.

We have the ability to issue additional equity securities, which would lead to dilution of our issued and outstanding common stock.

We are authorized to issue, without stockholder approval, 1,000,000 shares of preferred stock, no par value, in one or more series, which may give other stockholders dividend, conversion, voting, and liquidation rights, among other rights, which may be superior to the rights of holders of our common stock. The issuance of additional equity securities or securities convertible into equity securities would result in dilution of existing stockholders' equity interests. Our Board of Directors has no present intention to issue any such preferred shares, but has the right to do so in the future. In addition, we were authorized, by prior stockholder approval, to issue up to 125,000,000 shares of our common stock, $0.01 par value per share. These authorized shares can be issued, without stockholder approval, as securities convertible into either common stock or preferred stock.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

The following table lists our principal properties by location, general character and use as of October 31, 2016. These properties are owned by us, unless indicated otherwise.

Location	Character & Use of Property
Executive Offices	
Houston, Texas (Lease expires 2023)	Executive corporate office
NA Engineered Components Segment	
Rice Lake, Wisconsin	Fenestration products
Chatsworth, Illinois	Fenestration products
Richmond, Indiana	Fenestration products
Akron, Ohio (Lease expires 2026)	Adhesive research and administrative offices
Solon, Ohio (Lease expires 2017)	Adhesive research and administrative offices
Luck, Wisconsin	Wood products
Richmond, Kentucky	Vinyl and composite extrusions
Winnebago, Illinois	Vinyl extrusions
Mounds View, Minnesota (Lease expires 2021)	Fenestration products
Kent, Washington (Lease expires 2020)	Vinyl and composite extrusions
Yakima, Washington (Lease expires 2021) (1)	Vinyl extrusions
Dubuque, Iowa (Lease expires 2017)	Fenestration products
Shawano, Wisconsin (Lease expires 2020)	Wood flooring
Cambridge, Ohio (Lease expires 2021)	Flexible spacer and solar adhesives
Sacramento, California (Lease expires 2021)	Screens for windows and doors
Des Moines, Iowa (Lease expires 2019)	Screens for windows and doors
Phoenix, Arizona (Lease expires 2018)	Screens for windows and doors
Denver, Colorado (Lease expires 2020)	Screens for windows and doors
Paris, Illinois (Lease expires 2017)	Screens for windows and doors
Parkersburg, West Virginia (Lease expires 2017)	Screens for windows and doors
Fontana, California (Lease expires 2019)	Screens for windows and doors
Perrysburg, Ohio (Lease expires 2019)	Screens for windows and doors
Olympia, Washington (Lease expires 2024)	Division executive offices
Chehalis, Washington (Leases expire 2017 and 2019)	Screens for windows and doors and division executive offices
Greenville, Texas (Lease expires 2020) (1)	Vinyl extrusions
Durham, North Carolina (Lease expires 2021)	Division executive offices
EU Engineered Components Segment	
Denby, United Kingdom (Leases expire 2027 & 2037)	Vinyl and composite extrusions
Riddings, United Kingdom (Lease expires 2017)	Machinery Sales and fabrication of windows and doors
Alfreton, United Kingdom (Lease expires 2017)	Vinyl and composite extrusions
Coventry, United Kingdom	Flexible and rigid spacer
Heinsberg, Germany (Lease expires 2025)	Flexible spacer
Burnley, United Kingdom (Lease expires 2020)	Flexible and rigid spacer
NA Cabinet Components Segment	
Bowling Green, Kentucky	Hardwood components for kitchen and bath
Conover, North Carolina (Lease expires 2018)	Hardwood doors for kitchen and bath
Foreston, Minnesota	Hardwood components for kitchen and bath
Greenville, Pennsylvania	Hardwood components for kitchen and bath

Middlefield, Ohio (Leases expire 2017 & 2019)	Hardwood components for kitchen and bath
Orwell, Ohio	Hardwood doors for kitchen and bath
St. Cloud, Minnesota	Hardwood doors & components for kitchen and bath
Lansing, Kansas (Lease expires 2020)	Engineered wood products for kitchen and bath
Bashor, Kansas (Lease expires 2018)	Engineered wood products for kitchen and bath
Moorefield, West Virginia (Lease expires 2026)	Engineered wood products for kitchen and bath
Wahpeton, North Dakota	Engineered wood products for kitchen and bath
Molalla, Oregon	Hardwood & engineered products for kitchen & bath
Guadalajara, Mexico (Lease expires 2017) [1]	Hardwood doors for kitchen and bath

[1] We have announced closure of these facilities. See Note 1, "Nature of Operations, Basis of Presentation and Significant Accounting Policies - Restructuring" to the accompanying consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

We believe our operating properties are in good condition and well maintained, and are generally suitable and adequate to carry on our business. In fiscal 2016, our facilities operated at approximately 64% of capacity.

Item 3. Legal Proceedings.

From time to time, we, along with our subsidiaries, are party to various legal proceedings arising in the ordinary course of business. We are currently involved in litigation related to alleged defects in a sealant product manufactured and sold by one of our subsidiaries during the 2000s. While we strongly believe that our product was not defective and that we will prevail in these claims, the ultimate resolution and impact of the claims is not presently determinable. Nevertheless, we believe that the eventual outcome of such litigation will not have a material adverse effect on our overall financial condition, results of operations or cash flows.

We reserve for litigation loss contingencies that are both probable and reasonably estimable. We do not expect that losses resulting from any current legal proceedings will have a material adverse effect on our consolidated financial statements if or when such losses are incurred.

For discussion of environmental issues, see Item 1, "Business - Environmental and Employee Safety Matters" discussed elsewhere in this Annual Report on Form 10-K.

Item 4. Mine Safety Disclosures.

Not Applicable.

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PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Our common stock, $0.01 par value, has been listed on the New York Stock Exchange under the ticker symbol NX since April 24, 2008. The following table sets forth, for the periods indicated, the high and low sales price per share of our common stock as reported, and the quarterly cash dividend declared per share on our common stock.

Period	NX Stock Price High	Low	Cash Dividends Declared
Quarter ended October 31, 2016	$20.99	$15.63	$ 0.04
Quarter ended July 31, 2016	20.99	17.44	0.04
Quarter ended April 30, 2016	19.43	15.33	0.04
Quarter ended January 31, 2016	21.66	17.09	0.04
Quarter ended October 31, 2015	20.91	17.03	0.04
Quarter ended July 31, 2015	21.93	17.34	0.04
Quarter ended April 30, 2015	21.79	18.64	0.04
Quarter ended January 31, 2015	$20.72	$17.65	$ 0.04

The terms of our credit facilities as of October 31, 2016 include a limitation on annual dividend payments of $10.0 million.

There were approximately 2,296 holders of our common stock (excluding individual participants in securities positions listings) on record as of December 12, 2016.

Equity Compensation Plan Information

The following table summarizes certain information regarding equity compensation to our employees, officers and directors under equity compensation plans as of October 31, 2016:

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights[1]	(b) Weighted-average exercise price of outstanding options, warrants and rights[2]	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	3,095,236	$ 16.84	2,200,544

[1] Column (a) includes securities that may be issued upon future vesting of performance share awards that have been previously granted to key employees and officers. The number of securities reflected in this column includes the maximum number of shares that would be issued pursuant to these performance share awards assuming the performance measures are achieved. The performance measures may not be achieved.

[2] The weighted-average exercise price in column (b) does not include the impacts of the performance share awards or any securities that may be issued thereunder. For additional details, see Note 15, "Stock-Based Compensation" included elsewhere within this Annual Report on Form 10-K.

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Stock Performance Graph

The following chart represents a comparison of the five year total return of our common stock to the Standard & Poor’s 500 Index (S&P 500), the Russell 2000 Index, and a peer group index selected by us, which includes companies offering similar products and services as ours. The companies included in the peer group are American Woodmark Corp, Apogee Enterprises Inc, Builders FirstSource Inc., Continental Building Products Inc., Drew Industries Inc., Eagle Materials Inc., Gibraltar Industries Inc., Griffon Corp., Louisiana-Pacific Corp., Masonite International Corp, NCI Building Systems Inc., Nortek Inc., Ply Gem Holding Inc., Simpson Manufacturing Company Inc., Trex Company Inc., and Universal Forest Products Inc.

INDEXED RETURNS	For the Years Ended					
Company Name / Index	10/31/2011	10/31/2012	10/31/2013	10/31/2014	10/31/2015	10/31/2016
Quanex Building Products Corporation	$100	$ 135.28	$ 122.76	$ 139.39	$ 132.46	$ 115.42
S&P 500 Index	$100	$ 115.21	$ 146.52	$ 171.82	$ 180.75	$ 188.90
Russell 2000 Index	$100	$ 111.31	$ 151.70	$ 161.45	$ 162.00	$ 168.66
Peer Group	$100	$ 165.85	$ 209.97	$ 222.74	$ 238.07	$ 274.54

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Item 6. Selected Financial Data.

The following table presents selected historical consolidated financial and operating data for the periods shown. The selected consolidated financial data as of October 31, 2016, 2015, 2014, 2013 and 2012 and for each of the fiscal years then ended was derived from our audited consolidated financial statements for those dates and periods, adjusted for discontinued operations, as indicated. The following information should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our financial statements and related notes included elsewhere in this Annual Report on Form 10-K.

	Fiscal Years Ended October 31,				
	2016(1)(2)(3)(4)	2015(5)	2014(6)(7)	2013(8)	2012(9)(10)
	(Dollars in thousands, except per share data)				
Consolidated Statements of Income					
Net sales	$928,184	$645,528	$595,384	$554,867	$478,578
Cost and expenses:					
Cost of sales (excluding depreciation and amortization)	710,644	499,097	464,584	419,733	355,669
Selling, general and administrative	114,910	86,536	82,150	98,969	100,884
Restructuring charges	529	—	—	—	—
Depreciation and amortization	53,146	35,220	33,869	53,521	29,975
Asset impairment charges	12,602	—	505	1,465	912
Operating income (loss)	36,353	24,675	14,276	(18,821)	(8,862)
Non-operating income (expense):					
Interest expense	(36,498)	(991)	(562)	(621)	(431)
Other, net	(5,479)	(531)	92	170	225
(Loss) income from continuing operations before income taxes	(5,624)	23,153	13,806	(19,272)	(9,068)
Income tax benefit (expense)	3,765	(7,539)	(5,468)	6,888	2,507
(Loss) income from continuing operations	(1,859)	15,614	8,338	(12,384)	(6,561)
Income (loss) from discontinued operations, net of taxes	—	479	20,896	681	(9,973)
Net (loss) income	$(1,859)	$16,093	$29,234	$(11,703)	$(16,534)
Basic (loss) earnings per common share:					
Basic (loss) earnings from continuing operations	$(0.05)	$0.46	$0.22	$(0.34)	$(0.18)
Basic earnings (loss) from discontinued operations	—	0.01	0.57	0.02	(0.27)
Basic (loss) earnings per share	$(0.05)	$0.47	$0.79	$(0.32)	$(0.45)
Diluted (loss) earnings per common share:					
Diluted (loss) earnings from continuing operations	$(0.05)	$0.46	$0.22	$(0.34)	$(0.18)
Diluted earnings (loss) from discontinued operations	—	0.01	0.56	0.02	(0.27)
Diluted (loss) earnings per share	$(0.05)	$0.47	$0.78	$(0.32)	$(0.45)
Cash dividends declared per share	$0.16	$0.16	$0.16	$0.16	$0.16
Other Financial & Operating Data					
Cash provided by operating activities	$86,418	$67,087	$20,778	$43,519	$26,478
Cash (used for) provided by investing activities	(282,103)	(160,144)	74,124	(59,687)	(41,704)
Cash provided by (used for) financing activities	196,371	(4,581)	(24,459)	(4,869)	(3,928)
Acquisitions, net of cash acquired	245,904	131,689	5,161	22,096	—
Capital expenditures	$37,243	$29,982	$33,779	$37,931	$42,871
Selected Consolidated Balance Sheet Data at Year End					
Cash and cash equivalents	$25,526	$23,125	$120,384	$49,734	$71,252
Total assets(11)	780,353	565,516	517,113	571,815	589,538
Long-term debt, excluding current portion(12)	259,011	53,767	586	701	789
Total liabilities(12)	$412,522	$170,221	$96,193	$155,621	$167,711

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(1) In November 2015, we acquired all the subsidiaries of WII (referred to collectively as Woodcraft). Woodcraft is a manufacturer of cabinet doors and other components to OEMs in the kitchen and bathroom cabinet industry. The results of operations of this acquired business have been included in our consolidated operating results since the date of acquisition, November 2, 2015, contributing a net loss of $5.5 million.

(2) In July 2016, we refinanced our credit facility resulting in a $3.1 million prepayment call premium fee, a charge of $8.1 million of unamortized deferred financing fees and a charge of $5.5 million of unamortized original issuer's discount. See Note 8, "Debt and Capital Lease Obligations" included elsewhere in this Annual Report on Form 10-K.

(3) In October 2016, we recorded a goodwill impairment charge of $12.6 million associated with our United States vinyl extrusion business.

(4) In October 2016, we incurred $0.5 million of restructuring costs associated with the closure of several plant facilities. See Note 1, "Nature of Operations, Basis of Presentation and Significant Accounting Policies - Restructuring," included elsewhere in this Annual Report on Form 10-K.