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

FORM 10-Q

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

For the quarterly period ended June 30, 2024

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: 001-14649

Trex Company, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**54-1910453**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
2500 Trex Way Winchester, Virginia	**22601**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (540) 542-6300

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock	TREX	New York Stock Exchange

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 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 ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐ Emerging growth company ☐

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

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

The number of shares of the registrant's common stock, par value $0.01 per share, outstanding at July 23, 2024 was 108,706,697 shares.

TREX COMPANY, INC.

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PART I
FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

TREX COMPANY, INC.

Condensed Consolidated Statements of Comprehensive Income
(Unaudited)
(In thousands, except share and per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net sales	$ 376,470	$ 356,538	$ 750,105	$ 595,256
Cost of sales	208,360	200,090	412,384	344,380
Gross profit	168,110	156,448	337,721	250,876
Selling, general and administrative expenses	51,206	51,681	101,806	89,162
Income from operations	116,904	104,767	235,915	161,714
Interest expense (income), net	—	1,305	(6)	3,289
Income before income taxes	116,904	103,462	235,921	158,425
Provision for income taxes	29,906	26,426	59,853	40,258
Net income	**$ 86,998**	**$ 77,036**	**$ 176,068**	**$ 118,167**
Basic earnings per common share	$ 0.80	$ 0.71	$ 1.62	$ 1.09
Basic weighted average common shares outstanding	108,693,887	108,770,204	108,667,028	108,771,077
Diluted earnings per common share	**$ 0.80**	**$ 0.71**	**$ 1.62**	**$ 1.09**
Diluted weighted average common shares outstanding	108,810,296	108,871,440	108,803,081	108,893,848
Comprehensive income	$ 86,998	$ 77,036	$ 176,068	$ 118,167

See Notes to Condensed Consolidated Financial Statements (Unaudited).

TREX COMPANY, INC.

Condensed Consolidated Balance Sheets

(In thousands, except share data)

		June 30, 2024		December 31, 2023
		(Unaudited)		
ASSETS				
Current assets				
Cash and cash equivalents	$	1,172	$	1,959
Accounts receivable, net		270,037		41,136
Inventories		148,858		107,089
Prepaid expenses and other assets		13,747		22,070
Total current assets		433,814		172,254
Property, plant and equipment, net		774,009		709,402
Operating lease assets		38,006		26,233
Goodwill and other intangible assets, net		17,953		18,163
Other assets		6,152		6,833
Total assets	**$**	**1,269,934**	**$**	**932,885**
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities				
Accounts payable	$	59,267	$	23,963
Accrued expenses and other liabilities		116,953		56,734
Accrued warranty		5,181		4,865
Line of credit		63,000		5,500
Total current liabilities		244,401		91,062
Deferred income taxes		67,226		72,439
Operating lease liabilities		28,322		18,840
Non-current accrued warranty		18,526		17,313
Other long-term liabilities		16,559		16,560
Total liabilities		**375,034**		**216,214**
Commitments and contingencies		—		—
Stockholders' equity				
Preferred stock, $0.01 par value, 3,000,000 shares authorized; none issued and outstanding		—		—
Common stock, $0.01 par value, 360,000,000 shares authorized; 141,069,074 and 140,974,843 shares issued and 108,705,768 and 108,611,537 shares outstanding, at June 30, 2024 and December 31, 2023, respectively		1,411		1,410
Additional paid-in capital		142,317		140,157
Retained earnings		1,512,126		1,336,058
Treasury stock, at cost, 32,363,306 and 32,363,306 shares at June 30, 2024 and December 31, 2023		(760,954)		(760,954)
Total stockholders' equity		**894,900**		**716,671**
Total liabilities and stockholders' equity	**$**	**1,269,934**	**$**	**932,885**

See Notes to Condensed Consolidated Financial Statements (Unaudited).

TREX COMPANY, INC.

Condensed Consolidated Statements of Changes in Stockholders' Equity

(Unaudited)
(In thousands, except share data)

	Common Stock		Additional Paid-In	Retained	Treasury Stock		
	Shares	Amount	Capital	Earnings	Shares	Amount	Total
Balance, December 31, 2023	**108,611,537**	**$ 1,410**	**$ 140,157**	**$ 1,336,058**	**32,363,306**	**$ (760,954)**	**$ 716,671**
Net income	—	—	—	89,070	—	—	89,070
Employee stock plans	5,640	—	397	—	—	—	397
Shares withheld for taxes on awards	(55,103)	—	(5,146)	—	—	—	(5,146)
Stock-based compensation	130,683	1	3,153	—	—	—	3,154
Balance, March 31, 2024	**108,692,757**	**$ 1,411**	**$ 138,561**	**$ 1,425,128**	**32,363,306**	**$ (760,954)**	**$ 804,146**
Net income	—	—	—	86,998	—	—	86,998
Employee stock plans	5,408	—	341	—	—	—	341
Shares withheld for taxes on awards	(5,020)	—	(424)	—	—	—	(424)
Stock-based compensation	12,623	—	3,839	—	—	—	3,839
Balance, June 30, 2024	**108,705,768**	**$ 1,411**	**$ 142,317**	**$ 1,512,126**	**32,363,306**	**$ (760,954)**	**$ 894,900**

	Common Stock		Additional Paid-In	Retained	Treasury Stock		
	Shares	Amount	Capital	Earnings	Shares	Amount	Total
Balance, December 31, 2022	**108,743,423**	**$ 1,408**	**$ 131,539**	**$ 1,130,674**	**32,098,410**	**$ (745,272)**	**$ 518,349**
Net income	—	—	—	41,131	—	—	41,131
Employee stock plans	8,504	—	316	—	—	—	316
Shares withheld for taxes on awards	(28,773)	—	(1,592)	—	—	—	(1,592)
Stock-based compensation	80,362	1	1,972	—	—	—	1,973
Balance, March 31, 2023	**108,803,516**	**$ 1,409**	**$ 132,235**	**$ 1,171,805**	**32,098,410**	**$ (745,272)**	**$ 560,177**
Net income	—	—	—	77,036	—	—	77,036
Employee stock plans	7,971	—	323	—	—	—	323
Shares withheld for taxes on awards	(15,663)		(855)				(855)
Stock-based compensation	36,888	—	2,590	—	—	—	2,590
Repurchases of common stock	(264,896)				264,896	(15,746)	(15,746)
Balance, June 30, 2023	**108,567,816**	**$ 1,409**	**$ 134,293**	**$ 1,248,841**	**32,363,306**	**$ (761,018)**	**$ 623,525**

See Notes to Condensed Consolidated Financial Statements (Unaudited).

TREX COMPANY, INC.

Condensed Consolidated Statements of Cash Flows
(Unaudited)
(In thousands)

	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
OPERATING ACTIVITIES		
Net income	$ 176,068	$ 118,167
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	27,606	24,198
Deferred Income Taxes	(5,212)	—
Stock-based compensation	6,992	4,562
Loss on disposal of property, plant and equipment	2,262	1,081
Other non-cash adjustments	243	(388)
Changes in operating assets and liabilities:		
Accounts receivable	(228,901)	(168,751)
Inventories	(41,769)	67,348
Prepaid expenses and other assets	(850)	2,046
Accounts payable	35,768	13,816
Accrued expenses and other liabilities	28,688	20,686
Income taxes receivable/payable	18,746	25,016
Net cash provided by operating activities	**19,641**	**107,781**
INVESTING ACTIVITIES		
Expenditures for property, plant and equipment	(73,202)	(82,357)
Proceeds from sales of property, plant and equipment	106	—
Net cash used in investing activities	**(73,096)**	**(82,357)**
FINANCING ACTIVITIES		
Borrowings under line of credit	438,300	330,000
Principal payments under line of credit	(380,800)	(346,000)
Repurchases of common stock	(5,570)	(18,192)
Proceeds from employee stock purchase and option plans	738	639
Financing costs	—	30
Net cash provided by (used in) financing activities	**52,668**	**(33,523)**
Net decrease in cash and cash equivalents	(787)	(8,099)
Cash and cash equivalents, beginning of period	1,959	12,325
Cash and cash equivalents, end of period	**$ 1,172**	**$ 4,226**
Supplemental Disclosure:		
Cash paid for interest, net of capitalized interest	$ —	$ 2,602
Cash paid for income taxes, net	$ 46,320	$ 15,348
Supplemental non-cash investing and financing disclosure:		
Capital expenditures in accounts payable and accrued expenses	$ 21,169	$ 1,523

See Notes to Condensed Consolidated Financial Statements (Unaudited).

Notes to Condensed Consolidated Financial Statements
For the Six Months Ended June 30, 2024 and June 30, 2023
(Unaudited)

1. BUSINESS AND ORGANIZATION

Trex Company, Inc. (Trex or Company), is the world's largest manufacturer of high-performance, low-maintenance wood-alternative decking and residential railing and outdoor living products and accessories, marketed under the brand name Trex®, with more than 30 years of product experience. A majority of its products are manufactured in a proprietary process that combines reclaimed wood fibers and scrap polyethylene. The Company is incorporated in Delaware. The principal executive offices are located at 2500 Trex Way, Winchester, Virginia 22601, and the telephone number at that address is (540) 542-6300. The Company operates in a single reportable segment.

2. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and U.S. Securities and Exchange Commission instructions to Form 10-Q and Article 10 of Regulation S-X and, accordingly, the accompanying unaudited condensed consolidated financial statements do not include all of the information and notes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments (consisting of normal and recurring adjustments, except as otherwise described herein) considered necessary for a fair presentation have been included in the accompanying unaudited condensed consolidated financial statements. Certain reclassifications have been made to prior period balances to conform to current year presentation. The unaudited condensed consolidated financial statements include the accounts of the Company for all periods presented.

The unaudited consolidated results of operations for the three and six months ended June 30, 2024, are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2024. The Company's results of operations are affected by a number of factors, including, but not limited to, the cost to manufacture and distribute products, cost of raw materials, inflation, consumer spending and preferences, interest rates, the impact of any supply chain disruptions, economic conditions, and/or any adverse effects from global health pandemics and geopolitical conflicts.

These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Annual Report of Trex Company, Inc. on Form 10-K for the year ended December 31, 2023, as filed with the U.S. Securities and Exchange Commission.

3. RECENTLY ADOPTED ACCOUNTING STANDARDS

In December 2022, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2022-06 "Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848." The amendments in this update defer the sunset date of Topic 848 from December 31, 2022 to December 31, 2024, after which entities will no longer be permitted to apply the relief in Topic 848. In March 2020, the FASB issued ASU No. 2020-04 "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting." These amendments provide temporary optional guidance to ease the potential burden in accounting for reference rate reform. ASU No. 2020-04 provides optional expedients and exceptions for applying generally accepted accounting principles to contract modifications and hedging relationships, subject to meeting certain criteria, that reference the London Interbank Offered Rate (LIBOR) or another reference rate expected to be discontinued. The FASB included a sunset provision within Topic 848 based on the expectations of when the LIBOR would cease being published intended to help stakeholders during the global market-wide reference rate transition period. The guidance is effective for all entities as of March 12, 2020 through December 31, 2024 and can be adopted as of any date from the beginning of an interim period that includes or is subsequent to March 12, 2020. The amendments did not have a material effect on the Company's consolidated financial statements.

4. NEW ACCOUNTING STANDARDS NOT YET ADOPTED

In November 2023, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures." The guidance requires disclosure of significant segment expenses which are regularly provided to the chief operating decision maker (CODM), the composition of and amount of other segment items, the CODM's title and position within the organization, and how the CODM uses the reported measure(s) of segment profit or loss to assess the performance of the segment. In addition, on an interim basis, all segment profit or loss and asset disclosures currently required on an annual basis must be reported, as well as those required by Topic 280. The guidance allows for multiple measures of segment profit or loss to be reported. Entities which have a single reportable segment must apply

Topic 280 in its entirety. The guidance is effective for fiscal years beginning after December 15, 2023, and for interim periods beginning after December 15, 2024. Early adoption is permitted. Entities are required to apply the amendments of this update retrospectively for all prior periods presented in the financial statements. The Company does not intend to early adopt the standard and does not expect adoption of this guidance to have a material effect on its consolidated results of operations and financial position.

In December 2023, the FASB issued ASU No. 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures." The guidance requires public entities to disclose additional categories of information related to federal, state, and foreign income taxes and additional details related to reconciling items should they meet a quantitative threshold. The guidance requires disclosure of income taxes paid (net of refunds received) disaggregated by federal, state, and foreign taxes and to disaggregate the information by jurisdiction based on quantitative thresholds. The guidance is effective for fiscal years beginning after December 15, 2024. Early adoption is permitted. The guidance should be applied on a prospective basis, retrospective application is permitted. The Company does not intend to early adopt the standard and does not expect adoption of the guidance to have a material effect on its consolidated results of operations and financial position.

5. INVENTORIES

Inventories valued at LIFO (last-in, first-out), consist of the following (in thousands):

	June 30, 2024	December 31, 2023
Finished goods	$ 111,286	$ 88,840
Raw materials	71,011	51,688
Total FIFO (first-in, first-out) inventories	182,297	140,528
Reserve to adjust inventories to LIFO value	(33,439)	(33,439)
Total LIFO inventories	$ 148,858	$ 107,089

The Company utilizes the LIFO method of accounting, which generally provides for the matching of current costs with current revenues. However, under the LIFO method, reductions in annual inventory balances may cause a portion of the Company's cost of sales to be based on historical costs rather than current year costs (LIFO liquidation). Reductions in interim inventory balances expected to be replenished by year-end do not result in a LIFO liquidation. Accordingly, interim LIFO calculations are based, in part, on management's estimates of expected year-end inventory levels and costs and may differ from actual results. Since inventory levels and costs are subject to factors beyond management's control, interim results are subject to the final year-end LIFO inventory valuation. There were no LIFO inventory liquidations or related impact on the cost of sales in the six months ended June 30, 2024.

6. PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses and other assets consist of the following (in thousands):

	June 30, 2024	December 31, 2023
Prepaid expenses	$ 13,118	$ 11,830
Income tax receivable	—	9,611
Other	629	629
Total prepaid expenses and other assets	$ 13,747	$ 22,070

7. GOODWILL AND OTHER INTANGIBLE ASSETS, NET

The carrying amount of goodwill at June 30, 2024, and December 31, 2023, was $14.2 million. The Company's intangible assets, purchased in 2018, consist of domain names. At June 30, 2024, and December 31, 2023, intangible assets were $6.3 million and accumulated amortization was $2.6 million and $2.4 million, respectively. Intangible asset amounts were determined based on the estimated economics of the asset and are amortized over the estimated useful lives on a straight-line basis over 15 years, which approximates the pattern in which the economic benefits are expected to be received. The Company evaluates the recoverability of intangible assets periodically and considers events or circumstances that may warrant revised estimates of useful lives or that may indicate an impairment. Intangible asset amortization expense for the six months ended June 30, 2024, and June 30, 2023, was $0.2 million and $0.2 million, respectively.

8. ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses and other liabilities consist of the following (in thousands):

	June 30, 2024	December 31, 2023
Sales and marketing	$ 47,965	$ 15,496
Capital Projects	21,632	—
Compensation and benefits	17,907	25,859
Operating lease liabilities	9,847	7,663
Income Taxes	9,134	—
Manufacturing costs	4,730	3,382
Other	5,738	4,334
Total accrued expenses and other liabilities	$ 116,953	$ 56,734

9. DEBT

Revolving Credit Facility

On May 18, 2022, the Company entered into a Credit Agreement (Credit Agreement) with certain lending parties thereto (Lenders) to amend and restate the Fourth Amended and Restated Credit Agreement dated as of November 5, 2019. Under the Credit Agreement, the Lenders agreed to provide the Company with one or more Revolving Loans in a collective maximum principal amount of $400,000,000 (Loan Limit) throughout the term, which ends May 18, 2027 (Term). Included within the Loan Limit are sublimits for a Letter of Credit facility in an amount not to exceed $60,000,000; and Swing Line Loans in an aggregate principal amount at any time outstanding not to exceed $20,000,000. The Revolving Loans, the Letter of Credit facility and the Swing Line Loans are for the purpose of raising working capital and supporting general business operations.

On December 22, 2022, the Company entered into a First Amendment to the Credit Agreement (First Amendment). As a part of the First Amendment, the Credit Agreement was amended and restated to provide for an additional Revolving B Loan (as hereinafter defined). Under the First Amendment, the Lenders agreed to provide the Company with a Revolving B Loan consisting of one or more revolving loans in a collective maximum principal amount of $150,000,000 (Revolving B Loan Limit) throughout the term, which ends December 22, 2024 (Revolving B Loan Term). Previously, under the Credit Agreement, there was no Revolving B Loan. The First Amendment also provided that TD Bank, N.A. would serve as Syndication Agent.

In conjunction with the First Amendment, on December 22, 2022, the Credit Agreement was amended and restated to refer to this loan as the Revolving A Loan. The amended and restated Credit Agreement was made an Exhibit A to the First Amendment. All of the terms of the Credit Agreement apply to the Revolving B Loan.

The Notes provide the Company, in the aggregate, the ability to borrow an amount up to the Revolving A Loan Limit during the Revolving A Loan Term and Revolving B Loan Limit during the Revolving B Loan Term. The Company is not obligated to borrow any amount under the revolving loans. Within the respective loan limit, the Company may borrow, repay and reborrow at any time or from time to time while the Notes are in effect.

Base Rate Loans (as defined in the Credit Agreement) under the Revolving A Loan and the Swing Line Loans accrue interest at the Base Rate plus the Applicable Rate (as defined in the Credit Agreement) and Term SOFR Loans for the Revolving Loans accrue interest at the rate per annum equal to the sum of Term SOFR for such interest period plus the Applicable Rate (as defined in the Credit Agreement). The Base Rate for any day is a fluctuating rate per annum equal to the highest of (a) the Federal Funds Rate plus 0.50%, (b) the rate of interest in effect for such day as publicly announced from time to time by BOA as its prime rate, and (c) the Term SOFR plus 1.0% subject to certain interest rate floors. Repayment of all then outstanding principal, interest, fees and costs is due at the end of the Term.

With respect to Revolving B Loans (as defined in the First Amendment), for any day, the rate per annum is a tiered pricing based upon the Consolidated Debt to Consolidated EBITDA Ratio. The applicable rate for Revolving B Loans that are Base Rate Loans range between 1.20% and 2.15% and the applicable rate for Revolving B Loans that are Term SOFR/Term SOFR Daily Floating Rate range between 0.20% and 1.15%.

Under the terms of the Security and Pledge Agreement, the Company, subject to certain permitted encumbrances, as collateral security for the above-stated loans and all other present and future indebtedness of the Company owing to the Lenders grants a continuing security interest in certain collateral described and defined in the Security and Pledge Agreement but excluding the Excluded Property (as defined in the Security and Pledge Agreement).

The Company had $63 million in borrowings outstanding under its revolving credit facility and available borrowing capacity of $487 million at June 30, 2024. The weighted average interest rate on the revolving credit facility was 6.24% as of June 30, 2024.

Compliance with Debt Covenants and Restrictions

Pursuant to the terms of the Credit Agreement, the Company is subject to certain loan compliance covenants. The Company was in compliance with all covenants as of June 30, 2024. Failure to comply with the financial covenants could be considered a default of repayment obligations and, among other remedies, could accelerate payment of any amounts outstanding.

10. LEASES

The Company leases manufacturing and training facilities, storage warehouses, office space, and certain plant equipment under various operating leases. The Company's operating leases have remaining lease terms of 1 year to 8 years. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option.

For the six months ended June 30, 2024 and June 30, 2023, total operating lease expense was $4.5 million and $4.2 million, respectively. The weighted average remaining lease term at June 30, 2024 and December 31, 2023 was 4.6 years and 4.4 years, respectively. The weighted average discount rate at June 30, 2024 and December 31, 2023 was 3.85% and 2.32%, respectively.

The following table includes supplemental cash flow information for the six months ended June 30, 2024 and June 30, 2023, and supplemental balance sheet information at June 30, 2024 and December 31, 2023 related to operating leases (in thousands):

	Six Months Ended June 30,	
Supplemental cash flow information	**2024**	**2023**
Cash paid for amounts included in the measurement of operating lease liabilities	$ 4,653	$ 4,302
Operating ROU assets obtained in exchange for lease liabilities	$ 15,882	$ 1,882

Supplemental balance sheet information	**June 30, 2024**	**December 31, 2023**
Operating lease ROU assets	$ 38,006	$ 26,233
Operating lease liabilities:		
Accrued expenses and other current liabilities	$ 9,847	$ 7,663
Operating lease liabilities	28,322	18,840
Total operating lease liabilities	$ 38,169	$ 26,503

The following table summarizes maturities of operating lease liabilities at June 30, 2024 (in thousands):

Maturities of operating lease liabilities	
2024	$ 5,272
2025	9,114
2026	8,472
2027	8,031
2028	7,155
Thereafter	4,070
Total lease payments	42,114
Less imputed interest	(3,945)
Total operating lease liabilities	$ 38,169

11. FINANCIAL INSTRUMENTS

The Company considers the recorded value of its financial assets and liabilities, consisting primarily of cash and cash equivalents, accounts receivable, accounts payable, accrued expenses, other current liabilities, and debt to approximate the fair value of the respective assets and liabilities on the Condensed Consolidated Balance Sheets at June 30, 2024 and December 31, 2023.

12. STOCKHOLDERS' EQUITY

Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share (in thousands, except share and per share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Numerator:				
Net income available to common shareholders	$ 86,998	$ 77,036	$ 176,068	$ 118,167
Denominator:				
Basic weighted average shares outstanding	108,693,887	108,770,204	108,667,028	108,771,077
Effect of dilutive securities:				
Stock appreciation rights and options	54,233	67,479	62,718	68,742
Restricted stock	62,176	33,757	73,335	54,029
Diluted weighted average shares outstanding	108,810,296	108,871,440	108,803,081	108,893,848
Basic earnings per share	$ 0.80	$ 0.71	$ 1.62	$ 1.09
Diluted earnings per share	$ 0.80	$ 0.71	$ 1.62	$ 1.09

Diluted earnings per share is computed using the weighted average number of shares determined for the basic earnings per share computation plus the dilutive effect of common stock equivalents using the treasury stock method. The computation of diluted earnings per share excludes the following potentially dilutive securities because the effect would be anti-dilutive:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Stock appreciation rights	73,050	91,402	64,091	100,076
Restricted stock	—	101,722	24,299	104,646

Stock Repurchase Program

On February 16, 2018, the Board of Directors adopted the 2018 Stock Repurchase Program of up to 11.6 million shares of the Company's outstanding common stock (Stock Repurchase Program). On May 4, 2023, the Trex Board of Directors adopted a new stock repurchase program (2023 Stock Repurchase Program) of up to 10.8 million shares of its outstanding common stock, and terminated the existing Stock Repurchase Program. The 2023 Stock Repurchase Program has no set expiration date. During the six months ended June 30, 2024, Trex did not repurchase any shares of its outstanding common stock under the 2023 Stock Repurchase Program.

13. REVENUE FROM CONTRACTS WITH CUSTOMERS

The Company principally generates revenue from the manufacture and sale of its high-performance, low-maintenance, eco-friendly wood-alternative composite decking and railing products and accessories. Substantially all of its revenues are from contracts with customers, which are purchase orders of short-term duration of less than one year. Its customers, in turn, sell primarily to the residential market, which includes replacement, remodeling and new construction related to outdoor living products. The Company satisfies its performance obligations at a point in time. The shipment of each product is a separate performance obligation as the customer is able to derive benefit from each product shipped and no performance obligation remains after shipment. Upon shipment of the product, the customer obtains control over the distinct product and Trex satisfies its performance obligation. Any performance obligation that remains unsatisfied at the end of a reporting period is part of a contract that has an original expected duration of one year or less. Any variable consideration related to the unsatisfied performance obligation is allocated wholly to the unsatisfied performance obligation, is recognized when the product ships and the performance obligation is satisfied and is included in "Accrued expenses and other liabilities, Sales and marketing" in Note 8 to the Condensed Consolidated Financial Statements. For the three months ended June 30, 2024 and June 30, 2023, the Company's net sales were $376,470 and $356,538, respectively. For the six months ended June 30, 2024 and June 30, 2023, the Company's net sales were $750,105 and $595,256, respectively. During these periods, revenues were recognized at a point in time upon transfer of its outdoor living products under variable consideration contracts into the building products market.

14. STOCK-BASED COMPENSATION

At the annual meeting of stockholders of the Company held on May 4, 2023, the Company's stockholders approved the Trex Company, Inc. 2023 Stock Incentive Plan (Plan). The Company's board of directors unanimously approved the Plan on April 10, 2023, subject to stockholder approval. The Plan amends and restates in its entirety the Trex Company, Inc. 2014 Stock Incentive Plan (2014 Plan), which was last approved by the Company's stockholders at the annual meeting held on April 30, 2014. The Plan, which will be administered by the compensation committee of the board of directors, provides for the grant of stock options, restricted stock, restricted stock units, stock appreciation rights and unrestricted stock, which are referred to collectively as "awards." Awards may be granted under the Plan to officers, directors (including non-employee directors) and other employees of the Company or any subsidiary thereof, to any adviser, consultant, or other provider of services to the Company (and any employee thereof), and to any other individuals who are approved by the board of directors as eligible to participate in the Plan. Only employees of the Company or any subsidiary thereof are eligible to receive incentive stock options. Subject to certain adjustments as provided in the Plan, the total number of shares of common stock available for future grants under the Plan is 3,842,577 shares.

The following table summarizes the Company's stock-based compensation grants for the six months ended June 30, 2024:

	Stock Awards Granted	Weighted-Average Grant Price Per Share
Time-based restricted stock units	48,654	$ 90.81
Performance-based restricted stock units (a)	80,371	$ 81.01
Stock appreciation rights	33,277	$ 84.72

(a) Includes 55,384 of target performance-based restricted stock unit awards granted during the six months ended June 30, 2024, and adjustments of 25,315, and (778) to grants due to the actual performance level achieved for restricted stock and restricted stock units awarded in 2023 and 2021, respectively.

The fair value of each SAR is estimated on the date of grant using a Black-Scholes option-pricing formula. For SARs issued in the six months ended June 30, 2024 and June 30, 2023, the data and assumptions shown in the following table were used:

	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
Weighted-average fair value of grants	$ 44.83	$ 27.19
Dividend yield	0%	0%
Average risk-free interest rate	4.3%	4.0%
Expected term (years)	5	5
Expected volatility	51.2%	49.5%

The Company recognizes stock-based compensation expense ratably over the period from the grant date to the earlier of: (1) the vesting date of the award, or (2) the date the grantee is eligible to retire without forfeiting the award. For performance-based restricted stock and performance-based restricted stock units, expense is recognized ratably over the performance and vesting period of each tranche based on management's judgment of the ultimate award that is likely to be paid out based on the achievement of the predetermined performance measures. For the employee stock purchase plan, compensation expense is recognized related to the discount on purchases. Stock-based compensation expense is included in "Selling, general and administrative expenses" in the Condensed Consolidated Statements of Comprehensive Income. The following table summarizes the Company's stock-based compensation expense (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Stock appreciation rights	$ 408	$ 198	$ 680	$ 412
Time-based restricted stock and restricted stock units	1,452	871	2,526	1,806
Performance-based restricted stock and restricted stock units	1,919	1,320	3,561	2,044
Employee stock purchase plan	60	201	225	300
Total stock-based compensation	$ 3,839	$ 2,590	$ 6,992	$ 4,562

Total unrecognized compensation cost related to unvested awards as of June 30, 2024 was $17.3 million. The cost of these unvested awards is being recognized over the requisite vesting period of each award.

15. INCOME TAXES

The Company's effective tax rate for the six months ended June 30, 2024 and June 30, 2023, was 25.4% and 25.4%, which resulted in income tax expense of $59.9 million and $40.3 million, respectively.

During the six months ended June 30, 2024 and June 30, 2023, the Company realized $0.7 million and $0.2 million, respectively, of excess tax benefits from stock-based awards and recorded a corresponding benefit to income tax expense.

The Company analyzes its deferred tax assets each reporting period, considering all available positive and negative evidence in determining the expected realization of those deferred tax assets. As of June 30, 2024, the Company maintains a valuation allowance of $3.3 million against deferred tax assets primarily related to state tax credits it estimates will expire before they are realized.

The Company operates in multiple tax jurisdictions, and, in the normal course of business, its tax returns are subject to examination by various taxing authorities. Such examinations may result in future assessments by these taxing authorities, and the Company accrues a liability when it believes that it is more likely than not that benefits of tax positions will not be realized. The Company believes that adequate provisions have been made for all tax returns subject to examination. As of June 30, 2024, for certain tax jurisdictions tax years 2020 through 2023 remain subject to examination. The Company believes that adequate provisions have been made for all tax returns subject to examination. Sales made to foreign distributors are not taxable in any foreign jurisdiction as the Company does not have a taxable presence in any foreign jurisdiction.

16. SEASONALITY

The operating results for Trex have historically varied from quarter to quarter. Seasonal, erratic or prolonged adverse weather conditions in certain geographic regions reduce the level of home improvement and construction activity and can shift demand for its products to a later period. As part of its normal business practice and consistent with industry practice, Trex has historically offered incentive programs to its distributors and dealers to build inventory levels before the start of the prime deck-building season in order to ensure adequate availability of its product to meet anticipated seasonal consumer demand. The seasonal effects are often offset by the positive effect of the incentive programs.

17. COMMITMENTS AND CONTINGENCIES

Product Warranty

The Company warrants that for the applicable warranty period its products, when properly installed, used and maintained, will be free from material defects in workmanship and materials and its decking, cladding, fascia and railing products will not split, splinter, rot or suffer structural damage from termites or fungal decay.

Products sold on or after January 1, 2023: The warranty period for residential use is 50 years for Transcend® decking, 35 years for Select® decking and Universal Fascia, and 25 years for Enhance® decking and Transcend, Select, Enhance and Signature® railing. The warranty period for commercial use is 10 years, excluding Signature railing and Transcend cladding, which each have a warranty period of 25 years. The Company further warrants that Trex Transcend, Trex Enhance and Trex Select decking and cladding and Universal Fascia products will not fade in color from light and weathering exposure more than a certain amount and will be resistant to permanent staining from food and beverage substances or mold and mildew, provided the stain is cleaned within seven days of appearance, for the warranty period referred to above. If there is a breach of such warranties, the Company has an obligation either to replace the defective product or refund the purchase price.

Products sold prior to January 1, 2023: The warranty period is 25 years for residential use and 10 years for commercial use. With respect to Trex Signature railing, the warranty period is 25 years for both residential and commercial use. The Company further warrants that Trex Transcend, Trex Enhance, Trex Select and Universal Fascia products will not fade in color more than a certain amount and will be resistant to permanent staining from food substances or mold, provided the stain is cleaned within seven days of appearance, for the warranty period referred to above. If there is a breach of such warranties, the Company has an obligation either to replace the defective product or refund the purchase price.

The Company maintains a warranty reserve for the settlement of its product warranty claims. The Company accrues for the estimated cost of product warranty claims at the time revenue is recognized based on such factors as historical claims experience and estimated future claims. Management reviews and adjusts these estimates, if necessary, based on the differences between actual experience and historical estimates. Additionally, the Company accrues for warranty costs associated with occasional or unanticipated product quality issues if a loss is probable and can be reasonably estimated, as necessary.

The Company continues to receive and settle claims for decking products manufactured at its Nevada facility prior to 2007 that exhibit surface flaking and maintains a warranty reserve to provide for the settlement of these claims. Estimating the warranty reserve for surface flaking claims requires management to estimate (1) the number of claims to be settled with payment and (2) the average cost to settle each claim.

To estimate the number of claims to be settled with payment, the Company utilizes actuarial techniques to determine a reasonable possible range of claims to be received and the percentage of those claims that will ultimately require payment (collectively, elements). Estimates for these elements are quantified using a range of assumptions derived from claim count history and the identification of factors influencing the claim counts to determine its best estimate of future claims for which to record a related liability. The cost per claim varies due to a number of factors, including the size of affected decks, the availability and type of replacement material used, the cost of production of replacement material and the method of claim settlement.

The Company monitors surface flaking claims activity each quarter for indications that its estimates require revision. Typically, a majority of surface flaking claims received in a year are received during the summer outdoor season, which spans the second and third quarters. It has been the Company's practice to utilize the actuarial techniques discussed above during the third quarter, after a significant portion of all claims has been received for the fiscal year and variances to annual claims expectations are more meaningful.

The number of incoming claims received in the six months ended June 30, 2024, was higher than the number of claims received in the six months ended June 30, 2023, but lower than the Company's expectations for 2024. Average cost per claim experienced in the six months ended June 30, 2024, was lower than that experienced in the six months ended June 30, 2023 and lower than the Company's expectations for 2024. The Company believes the reserve at June 30, 2024 is sufficient to cover future surface flaking obligations.

The Company's analysis is based on currently known facts and a number of assumptions, as discussed above, and current expectations. Projecting future events such as the number of claims to be received, the number of claims that will require payment and the average cost of claims could cause the actual warranty liabilities to be higher or lower than those projected, which could materially affect the Company's financial condition, results of operations or cash flows. The Company estimates that the annual number of claims received will continue to decline over time and that the average cost per claim will increase slightly, primarily due to inflation. If the level of claims received or average cost per claim differs materially from expectations, it could result in additional increases or decreases to the warranty reserve and a decrease or increase in earnings and cash flows in future periods. The Company estimates that a 10% change in the expected number of remaining claims to be settled with payment or the expected cost to settle claims may result in approximately a $0.8 million change in the surface flaking warranty reserve.

The following is a reconciliation of the Company's product warranty reserve (in thousands):

	Six Months Ended June 30, 2024		
	Product Warranty	Surface Flaking	Total
Beginning balance, January 1	$ 12,066	$ 10,112	$ 22,178
Provisions and changes in estimates	4,668	—	4,668
Settlements made during the period	(2,459)	(680)	(3,139)
Ending balance, June 30	$ 14,275	$ 9,432	$ 23,707

	Six Months Ended June 30, 2023		
	Product Warranty	Surface Flaking	Total
Beginning balance, January 1	$ 9,694	$ 15,905	$ 25,599
Provisions and changes in estimates	4,029	—	4,029
Settlements made during the period	(2,178)	(891)	(3,069)
Ending balance, June 30	$ 11,545	$ 15,014	$ 26,559

Legal Matters

The Company has lawsuits, as well as other claims, pending against it which are ordinary routine litigation and claims incidental to the business. Management has evaluated the merits of these lawsuits and claims and believes that their ultimate resolution will not have a material effect on the Company's consolidated financial condition, results of operations, liquidity or competitive position.

Arkansas Facility

In October 2021, the Company announced plans to add a third U.S.-based manufacturing facility located in Little Rock, Arkansas, on approximately 300 acres of land. The development approach and related expenditures for the new campus will be modular and calibrated to demand trends for the Company’s outdoor living products. Construction began on the new facility in the second quarter of 2022, and in July 2022, the Company entered into a design-build agreement. Construction for the new facility will be funded primarily through the Company’s ongoing cash generation or its line of credit.

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

The following management discussion should be read in conjunction with the Trex Company, Inc. (Trex, Company, we or our) Annual Report on Form 10-K for the year ended December 31, 2023 filed with the U.S. Securities and Exchange Commission (SEC) and the condensed consolidated financial statements and notes thereto included in Part I, Item 1. "Financial Statements" of this quarterly report.

NOTE ON FORWARD-LOOKING STATEMENTS

This management's discussion and analysis contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements regarding our expected financial position and operating results, our business strategy, our financing plans, forecasted demographic and economic trends relating to our industry and similar matters are forward-looking statements. These statements can sometimes be identified by our use of forward-looking words such as "may," "will," "anticipate," "estimate," "expect," "intend" or similar expressions. We cannot promise you that our expectations in such forward-looking statements will turn out to be correct. Our actual results could be materially different from our expectations because of various factors, including the factors discussed under "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2023 filed with the SEC. These statements are also subject to risks and uncertainties that could cause the Company's actual operating results to differ materially. Such risks and uncertainties include, but are not limited to: the extent of market acceptance of the Company's current and newly developed products; the costs associated with the development and launch of new products and the market acceptance of such new products; the sensitivity of the Company's business to general economic conditions; the impact of seasonal and weather-related demand fluctuations on inventory levels in the distribution channel and sales of the Company's products; the availability and cost of third-party transportation services for the Company's products and raw materials; the Company's ability to obtain raw materials, including scrap polyethylene, wood fiber, and other materials used in making our products, at acceptable prices; increasing inflation in the macro-economic environment; the Company's ability to maintain product quality and product performance at an acceptable cost; the Company's ability to increase throughput and capacity to adequately match supply with demand; the level of expenses associated with warranty claims, product replacement and consumer relations expenses related to product quality; the highly competitive markets in which the Company operates; cyber-attacks, security breaches or other security vulnerabilities; the impact of current and upcoming data privacy laws and the EU General Data Protection Regulation and the related actual or potential costs and consequences; material adverse impacts from global public health pandemics, geopolitical conflicts; and material adverse impacts related to labor shortages or increases in labor costs.

OVERVIEW

The following MD&A is intended to help the reader understand the operations and current business environment of the Company. The MD&A is provided as a supplement to, and should be read in conjunction with, our Condensed Consolidated Financial Statements and the accompanying notes thereto contained in "*Item 1. Condensed Consolidated Financial Statements*" of this report. MD&A includes the following sections:

- *Operations and Products* — a general description of our business, a brief overview of our reportable segment's products, and a discussion of our operational highlights.
- *Highlights and Financial Performance Quarter-to-Date and Year-to-Date* – a summary of financial performance and highlights for the three months and six months ended June 30, 2024, a general discussion of factors that may affect our operations, and a description of relevant financial statement line items.
- *Results of Operations* — an analysis of our consolidated results of operations for the three months and six months ended June 30, 2024 compared to the three months and six months ended June 30, 2023, respectively.
- *Liquidity and Capital Resources* — an analysis of cash flows; contractual obligations, and a discussion of our capital and other cash requirements.

OPERATIONS AND PRODUCTS

Trex is the world's largest manufacturer of high-performance composite decking and residential railing products, which are marketed under the brand name Trex® and manufactured in the United States. With more than 30 years of product experience, we offer a comprehensive set of aesthetically appealing and durable, low-maintenance product offerings in the decking, residential railing, fencing and outdoor lighting categories. A majority of the products are eco-friendly and leverage recycled and reclaimed materials to the extent possible. Trex decking is made in a proprietary process that combines reclaimed wood fibers and recycled polyethylene film, making Trex one of the largest recyclers of plastic film in North America. In addition to resisting fading and surface staining, Trex products require no sanding and sealing, resist moisture damage, provide a splinter-free surface and do not require chemical treatment against rot or insect infestation. Combined, these aspects yield significant aesthetic advantages and lower maintenance than wood decking and railing and ultimately render Trex products less costly than wood over the life of the deck. Special characteristics (including resistance to splitting, the ability to bend, and ease and consistency of machining and finishing) facilitate installation, reduce contractor call-backs and afford consumers a wide range of design options. Trex products are sold to distributors and home centers for final resale primarily to the residential market.

Trex offers the following products:

Decking and Accessories	Our principal decking products are Trex Signature®, Trex Transcend® Lineage™, Trex Transcend®, Trex Select®, and Trex Enhance®. In addition, our Trex Transcend decking product can also be used as cladding. Our high-performance, low-maintenance, eco-friendly composite decking products are comprised of a blend of 95 percent reclaimed wood fibers and recycled polyethylene film and feature a protective polymer shell for enhanced protection against fading, staining, mold and scratching. Trex Signature decking offers realistic woodgrain aesthetics that raises the bar for beauty, performance and sustainability and is available in two luxurious hues inspired by stunning natural settings. Trex Transcend Lineage is the next generation of design and performance in composite decking and is available in four luxurious, on-trend hues inspired by some of the most picturesque locales in the United States. Our Trex Transcend decking provides elevated aesthetics paired with the highest level of performance and is available in eight multi-tonal monochromatic classical earth tones and premium tropical colors. Trex Select decking offers the perfect pairing of price and minimal maintenance and is available in five nature-inspired earth tone colors. Our Trex Enhance boards pair the beauty of authentic wood-grain appearance with the durability of composite with minimal maintenance and the affordability of wood and is available in natural and basic colors. We also offer accessories to our decking products. The Trex Hideaway® Fastener Collection includes solutions for every composite deck fastening and finishing need, and includes color-matched screws and plugs and specially engineered bits, depth setters, and clips. The collection is designed to make installation easier and more efficient while delivering a clean, cohesive aesthetic, and is fully compatible with all Trex® decking products. Trex DeckLighting™, an outdoor lighting system, is a line of energy-efficient LED dimmable deck lighting designed to use 75% less energy compared to incandescent lighting. It can be installed into the railing, stair risers or the deck itself. The line includes a post cap light, deck rail light, riser light, a soffit light and a recessed deck light. Pre-assembled stair panels that allow for easier installation are designed to save time on the jobsite.
Railing	Our railing products are Trex Transcend Railing, Trex Select Railing, and Trex Signature® aluminum railing. Our high-performance composite and aluminum deck railing kits and systems are sustainably manufactured, easy to install and durable. Trex railing systems are built with the same durability as Trex decking and won't rot, warp, peel or splinter and resist fading and corrosion. Trex Transcend Railing, made from approximately 40 percent recycled content, is available in the colors of Trex Transcend decking and finishes that make it appropriate for use with Trex decking products as well as other decking materials, which we believe enhances the sales prospects of our railing products. Trex Select Railing, made from approximately 40 percent recycled content, is offered in a white finish and is ideal for consumers who desire a simple clean finished look for their deck. Trex Signature aluminum railing, made from a minimum of 40 percent recycled content, is available in three colors and designed for consumers who want a sleek, contemporary look.
Fencing	Our Trex Seclusions® composite fencing product is offered through two specialty distributors. This product consists of structural posts, bottom rail, pickets, top rail and decorative post caps. The top and bottom rails of Trex fencing are designed to provide a "picture" frame element and the deep rich colors have a matte surface to prevent harsh sunlight reflections.

We are a licensor in a number of licensing agreements with third parties to manufacture and sell products under the Trex trademark. Our licensed products are:

Trex® Outdoor Furniture™	A line of outdoor furniture products manufactured and sold by PolyWood, Inc.
Trex® RainEscape®, Trex® Protect®, Trex® RainEscape® Soffit Light, and Trex® Seal™ Ledger Flashing Tape	An above joist deck drainage system manufactured and sold by IBP, LLC. Trex Protect Joist, Beam and Rim tape is a self-adhesive butyl tape that protects wooden deck framing/substructure elements. Trex RainEscape Soffit Light is a plug-and-play LED Soffit light that is installed in the under-deck ceiling of a two-story deck. Trex Seal Ledger Flashing tape is butyl flashing tape with an aluminum liner.
Trex® Pergola™	Pergolas made from low maintenance cellular PVC and all-aluminum product, manufactured by Home & Leisure, Inc. dba Structureworks Fabrication.
Trex® Lattice™	Outdoor lattice boards manufactured and sold by Structureworks Fabrication.
Trex® Cornhole™	Cornhole boards manufactured and sold by IPC Global Marketing LLC.
Trex® Blade™	A specialty saw blade for wood-alternative composite decking manufactured and sold by Freud America, Inc.
Trex® SpiralStairs	A staircase alternative for use with all deck substructures manufactured and sold by SS Industries dba Paragon Stairs.
Trex® Outdoor Kitchens™	Outdoor kitchen cabinetry manufactured and sold by Danver Outdoor Kitchens.

HIGHLIGHTS AND FINANCIAL PERFORMANCE

Highlights:

- *Trex's 2023 Sustainability Report Showcases Ongoing Progress* across the broad spectrum of company activities.
- *Trex Taps Paragon Stairs as Exclusive Provider of Trex® Spiral Stairs.* For the Trex Spiral Stairs collection, Paragon offers two modular systems specifically designed to pair perfectly with Trex decking and railing. These systems are ideal for use where space is limited.

Financial performance. The following table presents highlights of our financial performance for the quarter and year-to-date:

	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	$ Change	% Change
($ 000s omitted, except per share data)				
Net sales	$ 376,470	$ 356,538	$ 19,932	5.6%
Gross profit	$ 168,110	$ 156,448	$ 11,662	7.5%
Net income	$ 86,998	$ 77,036	$ 9,962	12.9%
EBITDA*	$ 130,355	$ 117,050	$ 13,305	11.4%
Diluted earnings per share	$ 0.80	$ 0.71	$ 0.09	12.7%

	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023	$ Change	% Change
($ 000s omitted, except per share data)				
Net sales	$ 750,105	$ 595,256	$ 154,849	26.0%
Gross profit	$ 337,721	$ 250,876	$ 86,845	34.6%
Net income	$ 176,068	$ 118,167	$ 57,901	49.0%
EBITDA*	$ 263,521	$ 185,912	$ 77,609	41.7%
Diluted earnings per share	$ 1.62	$ 1.09	$ 0.53	48.6%

**A reconciliation of Net Income (GAAP) to EBITDA (non-GAAP) is presented on pages 19 and 21 of this document under "Net Income and Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)."*

Capital expenditures. During the six months ended June 30, 2024, our capital expenditures were $73.2 million primarily related to $51.1 million for the Arkansas manufacturing facility, $7.4 million in cost reduction initiatives, and $11.6 million in capacity expansion in our existing facilities and safety, environmental and general support.

RESULTS OF OPERATIONS

General. Our results of operations are affected by a number of factors, including, but not limited to, the cost to manufacture and distribute products, cost of raw materials, inflation, interest rates, consumer spending and preferences, the impact of any supply chain disruptions, economic conditions, and any adverse effects from global health pandemics and geopolitical conflicts.

Net Sales. Net sales consist of sales, net of discounts. The level of net sales is principally affected by sales volume and the prices paid for Trex products. Trex operating results have historically varied from quarter to quarter. Seasonal, erratic or prolonged adverse weather conditions in certain geographic regions reduce the level of home and commercial improvement and residential and commercial construction and can shift demand for our products to a later period. As part of our normal business practice and consistent with industry practice, we have historically provided our distributors and dealers of our Trex products incentives to build inventory levels before the start of the prime deck-building season to ensure adequate availability of our product to meet anticipated seasonal consumer demand and to enable production planning. These incentives include payment discounts, favorable payment terms, price discounts, or volume rebates on specified products and other incentives based on increases in purchases as part of specific promotional programs. The timing of our incentive programs can significantly impact sales, receivables and inventory levels during the offering period.

Gross Profit. Gross profit represents the difference between net sales and cost of sales. Cost of sales consists of raw material costs, direct labor costs, manufacturing costs, subcontract costs and freight. Raw material costs generally include the costs to purchase and transport reclaimed wood fiber, reclaimed polyethylene, pigmentation for coloring our products, and commodities used in the production of railing and staging. Direct labor costs include wages and benefits of personnel engaged in the manufacturing process. Manufacturing costs consist of costs of depreciation, utilities, maintenance supplies and repairs, indirect labor, including wages and benefits, and warehouse and equipment rental activities.

Selling, General and Administrative Expenses. The largest component of selling, general and administrative expenses is personnel related costs, which includes salaries, commissions, incentive compensation, and benefits of personnel engaged in sales and marketing, accounting, information technology, corporate operations, research and development, and other business functions. Another component of selling, general and administrative expenses is branding and other sales and marketing costs, which are used to build brand awareness. These costs consist primarily of advertising, merchandising, and other promotional costs. Other general and administrative expenses include professional fees, office occupancy costs attributable to the business functions previously referenced, and consumer relations expenses. As a percentage of net sales, selling, general and administrative expenses may vary from quarter to quarter due, in part, to the seasonality of our business.

Below is the discussion and analysis of our operating results and material changes in our operating results for the three months ended June 30, 2024 (2024 quarter) compared to the three months ended June 30, 2023 (2023 quarter), and for the six months ended June 30, 2024 (2024 six-month period) compared to the six months ended June 30, 2023 (2023 six-month period).

Three Months Ended June 30, 2024 Compared To The Three Months Ended June 30, 2023

Net Sales

	Three Months Ended June 30,			
	2024	2023	$ Change	% Change
	(dollars in thousands)			
Net sales	$ 376,470	$ 356,538	$ 19,932	5.6%

Net sales increased by $19.9 million, or 5.6%, in the 2024 quarter compared to the 2023 quarter. The increase was driven by volume, predominantly in the premium product category, as consumers remain in their homes longer and prioritize investments that offer enjoyment of their outdoor spaces, while increasing the value of their homes. In addition, Trex remains a primary beneficiary of the ongoing conversion from wood to composites.

Gross Profit

	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	$ Change	% Change
	(dollars in thousands)			
Cost of sales	$ 208,360	$ 200,090	$ 8,270	4.1 %
% of total net sales	55.3 %	56.1 %		
Gross profit	$ 168,110	$ 156,448	$ 11,662	7.5 %
Gross margin	44.7 %	43.9 %		

Gross profit as a percentage of net sales, gross margin, was 44.7% in the 2024 quarter compared to 43.9% in the 2023 quarter. The increase was primarily the result of higher absorption due to increased production levels and the Company's ongoing continuous improvement activities.

Selling, General and Administrative Expenses

	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	$ Change	% Change
	(dollars in thousands)			
Selling, general and administrative expenses	$ 51,206	$ 51,681	$ (475)	(0.9)%
% of total net sales	13.6 %	14.5 %		

Selling, general and administrative expenses decreased $0.5 million in the 2024 quarter. The decrease primarily related to lower personnel costs, partially offset by increases in branding and other expenses.

Provision for Income Taxes

	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	$ Change	% Change
	(dollars in thousands)			
Provision for income taxes	$ 29,906	$ 26,426	$ 3,480	13.2 %
Effective tax rate	25.6 %	25.5 %		

The effective tax rate for the 2024 quarter was comparable to the 2023 quarter and was 25.6% and 25.5%, respectively.

Net Income and Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)[1] (dollars in thousands)

Reconciliation of net income (GAAP) to EBITDA (non-GAAP):

	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023
Net Income	$ 86,998	$ 77,036
Interest expense, net	—	1,305
Income tax expense	29,906	26,426
Depreciation and amortization	13,451	12,283
EBITDA	$ 130,355	$ 117,050

[1]EBITDA represents net income before interest, income taxes, depreciation and amortization. EBITDA is not a measurement of financial performance under accounting principles generally accepted in the United States (GAAP). We have included data with respect to EBITDA because management believes it facilitates performance comparison between the Company and its competitors, and management evaluates the performance of its reportable segments using several measures, including EBITDA. Management considers EBITDA to be an important supplemental indicator of our core operating performance because it eliminates interest, income taxes, and depreciation and amortization charges to net income or loss. In relation to competitors, EBITDA eliminates differences among companies in capitalization and tax structures, capital investment cycles and ages of related assets. For these reasons, management believes that EBITDA provides important information regarding the operating performance of the Company and its reportable segments. Non-GAAP financial measures should be viewed in addition to, and not as an alternative for, the Company’s reported results prepared in accordance with GAAP and are not meant to be considered superior to or a substitute for our GAAP results.

	Three Months Ended June 30, 2024	2023	$ Change	% Change
	(dollars in thousands)			
EBITDA	$ 130,355	$ 117,050	$ 13,305	11.4%

EBITDA increased 11.4% to $130.4 million for the 2024 quarter compared to $117.1 million for the 2023 quarter. The increase in EBITDA was driven primarily by higher net sales and gross profit.

Six Months Ended June 30, 2024 Compared To The Six Months Ended June 30, 2023

Net Sales

	Six Months Ended June 30, 2024	2023	$ Change	% Change
	(dollars in thousands)			
Net sales	$ 750,105	$ 595,256	$ 154,849	26.0%

Total net sales increased by $154.9 million, or 26.0%, in the 2024 six-month period compared to the 2023 six-month period. The increase was substantially all due to an increase in volume, driven in part, by changes to our early-buy program running January to March, rather than our historical December to March time frame. This change accounted for $75 million or approximately 13% of the growth in the 2024 six month period. The remainder of the growth is due to the expectations of continued favorable economic conditions for Trex's outdoor living products.

Gross Profit

	Six Months Ended June 30, 2024	2023	$ Change	% Change
	(dollars in thousands)			
Cost of sales	$ 412,384	$ 344,380	$ 68,004	19.7%
% of total net sales	55.0%	57.9%		
Gross profit	$ 337,721	$ 250,876	$ 86,845	34.6%
Gross margin	45.0%	42.1%		

Gross profit as a percentage of net sales, gross margin, was 45.0% in the 2024 six-month period compared to 42.1% in the 2023 six-month period. The increase in gross margin was primarily the result of higher absorption due to increased production levels, and benefits from the Company's continuous improvement activities, partially offset by higher labor costs and depreciation.

Selling, General and Administrative Expenses

	Six Months Ended June 30, 2024	2023	$ Change	% Change
	(dollars in thousands)			
Selling, general and administrative expenses	$ 101,806	$ 89,162	$ 12,644	14.2%
% of total net sales	13.6%	15.0%		

Selling, general and administrative expenses increased $12.6 million in the 2024 six-month period. The increase primarily related to increases of $7.0 million in personnel related expenses, $4.7 million in branding, $1.2 million in disposal of manufacturing equipment, offset partially by decreases of $1.0 million in facilities and support.

Provision for Income Taxes

	Six Months Ended June 30, 2024	2023	$ Change	% Change
	(dollars in thousands)			
Provision for income taxes	$ 59,853	$ 40,258	$ 19,595	48.7%
Effective tax rate	25.4%	25.4%		

The effective tax rate for the 2024 six-month period and the 2023 six month period was 25.4%.

Net Income and Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)[2] (dollars in thousands)

Reconciliation of net income (GAAP) to EBITDA and EBITDA margin (non-GAAP):

	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
Net Income	$ 176,068	$ 118,167
Interest income (expense), net	(6)	3,289
Income tax expense	59,853	40,258
Depreciation and amortization	27,606	24,198
EBITDA	$ 263,521	$ 185,912

	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023	$ Change	% Change
	(dollars in thousands)			
EBITDA	$ 263,521	$ 185,912	$ 77,609	41.7%

Total EBITDA increased 41.7% to $263.5 million for the 2024 six-month period compared to $185.9 million for the 2023 six-month period. The increase in EBITDA was driven primarily by higher net sales and gross profit.

LIQUIDITY AND CAPITAL RESOURCES

We finance operations and growth primarily with cash flows from operations, borrowings under our revolving credit facilities, operating leases and normal trade credit terms from operating activities. At June 30, 2024, we had $1.2 million of cash and cash equivalents.

S*ources and Uses of Cash.* The following table summarizes our cash flows from operating, investing and financing activities (in thousands):

	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
Net cash provided by operating activities	$ 19,641	$ 107,781
Net cash used in investing activities	(73,096)	(82,357)
Net cash provided by (used in) financing activities	52,668	(33,523)
Net decrease in cash and cash equivalents	$ (787)	$ (8,099)

Operating Activities

Cash provided by operations was $19.6 million during the 2024 six-month period compared to cash provided by operations of $107.8 million during the 2023 six-month period. The $88.1 million decrease in cash provided by operating activities was primarily related to an increase in accounts receivable and inventories. The increase in accounts receivable is primarily driven by the increase in net sales in the 2024 six-month period compared to the 2023 six-month period. Substantially all of the accounts receivables balances as of June 30, 2024 will be collected during the third quarter of 2024. The increase in inventories is the result of increased production in the 2024 six-month period compared to the 2023 six-month period.

[2]EBITDA represents net income before interest, income taxes, depreciation and amortization. EBITDA is not a measurement of financial performance under accounting principles generally accepted in the United States (GAAP). We have included data with respect to EBITDA because management believes it facilitates performance comparison between the Company and its competitors, and management evaluates the performance of its reportable segments using several measures, including EBITDA. Management considers EBITDA to be an important supplemental indicator of our core operating performance because it eliminates interest, income taxes, and depreciation and amortization charges to net income or loss. In relation to competitors, EBITDA eliminates differences among companies in capitalization and tax structures, capital investment cycles and ages of related assets. For these reasons, management believes that EBITDA provides important information regarding the operating performance of the Company and its reportable segments. Non-GAAP financial measures should be viewed in addition to, and not as an alternative for, the Company's reported results prepared in accordance with GAAP and are not meant to be considered superior to or a substitute for our GAAP results.

Investing Activities

Capital expenditures in the 2024 six-month period were $73.2 million primarily related to $51.1 million for the Arkansas manufacturing facility, $7.4 million in cost reduction initiatives, and $11.6 million in capacity expansion in our existing facilities and safety, environmental and general support.

Financing Activities

Net cash provided by financing activities in the 2024 six-month period consisted primarily of net borrowings under our line of credit.

Stock Repurchase Program. On February 16, 2018, the Trex Board of Directors adopted a stock repurchase program of up to 11.6 million shares of its outstanding common stock (Stock Repurchase Program). As of March 31, 2023, the Company had repurchased 10.1 million shares under the Stock Repurchase Program. On May 4, 2023, the Trex Board of Directors adopted a new stock repurchase program of up to 10.8 million shares of its outstanding common stock, and terminated the existing Stock Repurchase Program. This repurchase program has no set expiration date. During the six months ended June 30, 2024, the Company did not repurchase any shares of its common stock under the 2023 Stock Repurchase Program.

Revolving Credit Facility

On May 18, 2022, the Company entered into a Credit Agreement (Credit Agreement) with certain lending parties thereto (Lenders) to amend and restate the Fourth Amended and Restated Credit Agreement dated as of November 5, 2019. Under the Credit Agreement, the Lenders agreed to provide the Company with one or more Revolving Loans in a collective maximum principal amount of $400,000,000 (Loan Limit) throughout the term, which ends May 18, 2027 (Term). Included within the Loan Limit are sublimits for a Letter of Credit facility in an amount not to exceed $60,000,000; and Swing Line Loans in an aggregate principal amount at any time outstanding not to exceed $20,000,000. The Revolving Loans, the Letter of Credit facility and the Swing Line Loans are for the purpose of raising working capital and supporting general business operations.

On December 22, 2022, the Company entered into a First Amendment to the Credit Agreement (First Amendment). As a part of the First Amendment, the Credit Agreement was amended and restated to provide for an additional Revolving B Loan (as hereinafter defined). Under the First Amendment, the Lenders agreed to provide the Company with a Revolving B Loan consisting of one or more revolving loans in a collective maximum principal amount of $150,000,000 (Revolving B Loan Limit) throughout the term, which ends December 22, 2024 (Revolving B Loan Term). Previously, under the Credit Agreement, there was no Revolving B Loan. The First Amendment also provided that TD Bank, N.A. would serve as Syndication Agent.

In conjunction with the First Amendment, on December 22, 2022, the Credit Agreement was amended and restated to refer to this loan as the Revolving A Loan. The amended and restated Credit Agreement was made an Exhibit A to the First Amendment. All of the terms of the Credit Agreement apply to the Revolving B Loan.

The Notes provide the Company, in the aggregate, the ability to borrow an amount up to the Revolving A Loan Limit during the Revolving A Loan Term and Revolving B Loan Limit during the Revolving B Loan Term. The Company is not obligated to borrow any amount under the revolving loans. Within the respective loan limit, the Company may borrow, repay and reborrow at any time or from time to time while the Notes are in effect.

Base Rate Loans (as defined in the Credit Agreement) under the Revolving A Loan and the Swing Line Loans accrue interest at the Base Rate plus the Applicable Rate (as defined in the Credit Agreement) and Term SOFR Loans for the Revolving Loans accrue interest at the rate per annum equal to the sum of Term SOFR for such interest period plus the Applicable Rate (as defined in the Credit Agreement). The Base Rate for any day is a fluctuating rate per annum equal to the highest of (a) the Federal Funds Rate plus 0.50%, (b) the rate of interest in effect for such day as publicly announced from time to time by BOA as its prime rate, and (c) the Term SOFR plus 1.0% subject to certain interest rate floors. Repayment of all then outstanding principal, interest, fees and costs is due at the end of the Term.

With respect to Revolving B Loans (as defined in the First Amendment), for any day, the rate per annum is a tiered pricing based upon the Consolidated Debt to Consolidated EBITDA Ratio. The applicable rate for Revolving B Loans that are Base Rate Loans range between 1.20% and 2.15% and the applicable rate for Revolving B Loans that are Term SOFR/Term SOFR Daily Floating Rate range between 0.20% and 1.15%.

Under the terms of the Security and Pledge Agreement, the Company, subject to certain permitted encumbrances, as collateral security for the above-stated loans and all other present and future indebtedness of the Company owing to the Lenders grants a continuing security interest in certain collateral described and defined in the Security and Pledge Agreement but excluding the Excluded Property (as defined in the Security and Pledge Agreement).

At June 30, 2024, we had $63 million in outstanding borrowings under the revolving credit facility and borrowing capacity under the facility of $487 million.

Compliance with Debt Covenants. Pursuant to the terms of the Credit Agreement, the Company is subject to certain loan compliance covenants. The Company was in compliance with all covenants as of June 30, 2024. Failure to comply with the financial covenants could be considered a default of repayment obligations and, among other remedies, could accelerate payment of any amounts outstanding.

We believe that cash on hand, cash from operations and borrowings expected to be available under our revolving credit facilities will provide sufficient funds to fund planned capital expenditures, make scheduled principal and interest payments, fund warranty payments, and meet other cash requirements. We currently expect to fund future capital expenditures from operations and financing activities. The actual amount and timing of future capital requirements may differ materially from our estimate depending on the demand for Trex products and new market developments and opportunities.

Capital Requirements. In October 2021, we announced plans to add a third U.S.-based manufacturing facility located in Little Rock, Arkansas, on approximately 300 acres of land that will address increased demand for Trex outdoor living products. The development approach and related expenditures for the new campus will be modular and calibrated to demand trends for Trex outdoor living products. Our capital expenditure guidance for 2024 is $210 million to $230 million and includes estimated expenditures for the development of the Arkansas facility in 2024. Construction for the new facility will be funded primarily through the Company's ongoing cash generation or its line of credit.

In addition to the construction of the Arkansas facility, our capital allocation priorities for 2024 include expenditures for internal growth opportunities, manufacturing cost reductions, upgrading equipment and support systems, and acquisitions which fit our long-term growth strategy as we continue to evaluate opportunities that would be a good strategic fit for Trex, and return of capital to shareholders.

Inventory in Distribution Channels. We sell our decking and railing products through a tiered distribution system. We have over 50 distributors worldwide and two national retail merchandisers to which we sell our products. The distributors in turn sell the products to dealers and retail locations who in turn sell the products to end users. Significant increases in inventory levels in the distribution channel without a corresponding change in end-use demand could have an adverse effect on future sales.

Product Warranty. We warrant that for the applicable warranty period our products, when properly installed, used and maintained, will be free from material defects in workmanship and materials and our decking, cladding, fascia and railing products will not split, splinter, rot or suffer structural damage from termites or fungal decay.

Products sold on or after January 1, 2023: The warranty period for residential use is 50 years for Transcend® decking, 35 years for Select® decking and Universal Fascia, and 25 years for Enhance® decking and Transcend, Select, Enhance and Signature® railing. The warranty period for commercial use is 10 years, excluding Signature railing and Transcend cladding, which each have a warranty period of 25 years. We further warrant that Trex Transcend, Trex Enhance and Trex Select decking and cladding and Universal Fascia products will not fade in color from light and weathering exposure more than a certain amount and will be resistant to permanent staining from food and beverage substances or mold and mildew, provided the stain is cleaned within seven days of appearance, for the warranty period referred to above. If there is a breach of such warranties, we have an obligation either to replace the defective product or refund the purchase price.

Products sold prior to January 1, 2023: The warranty period is 25 years for residential use and 10 years for commercial use. With respect to Trex Signature railing, the warranty period is 25 years for both residential and commercial use. We further warrant that Trex Transcend, Trex Enhance, Trex Select and Universal Fascia products will not fade in color more than a certain amount and will be resistant to permanent staining from food substances or mold, provided the stain is cleaned within seven days of appearance, for the warranty period referred to above. If there is a breach of such warranties, we have an obligation either to replace the defective product or refund the purchase price.

We maintain a warranty reserve for the settlement of our product warranty claims. We accrue for the estimated cost of product warranty claims at the time revenue is recognized based on such factors as historical claims experience and estimated future claims. We review and adjust these estimates, if necessary, based on the differences between actual experience and historical estimates. Additionally, we accrue for warranty costs associated with occasional or unanticipated product quality issues if a loss is probable and can be reasonably estimated.

We continue to receive and settle claims for products manufactured at our Nevada facility prior to 2007 that exhibit surface flaking and maintain a warranty reserve to provide for the settlement of these claims. Estimating the warranty reserve for surface flaking claims requires management to estimate (1) the number of claims to be settled with payment and (2) the average cost to settle each claim.

To estimate the number of surface flaking claims to be settled with payment, we utilize actuarial techniques to quantify both the expected number of claims to be received and the percentage of those claims that will ultimately require payment (collectively, elements). Estimates for these elements are quantified using a range of assumptions derived from claim count history and the identification of factors influencing the claim counts. The cost per claim varies due to a number of factors, including the size of affected decks, the availability and type of replacement material used, the cost of production of replacement material and the method of claim settlement.

We monitor surface flaking claims activity each quarter for indications that our estimates require revision. Typically, a majority of surface flaking claims received in a year are received during the summer outdoor season, which spans the second and third quarters. It has been our practice to utilize the actuarial techniques discussed above during the third quarter, after a significant portion of all claims has been received for the fiscal year and variances to annual claims expectations are more meaningful.

The number of incoming claims received in the six months ended June 30, 2024, was higher than the number of claims received in the six months ended June 30, 2023, but lower than our expectations for 2024. Average cost per claim experienced in the six months ended June 30, 2024, was lower than that experienced in the six months ended June 30, 2023 and lower than our expectations for 2024. We believe the reserve at June 30, 2024 is sufficient to cover future surface flaking obligations.

Our analysis is based on currently known facts and a number of assumptions, as discussed above, and current expectations. Projecting future events such as the number of claims to be received, the number of claims that will require payment and the average cost of claims could cause the actual warranty liabilities to be higher or lower than those projected, which could materially affect our financial condition, results of operations or cash flows. We estimate that the annual number of claims received will continue to decline over time and that the average cost per claim will increase slightly, primarily due to inflation. If the level of claims received or average cost per claim differs materially from expectations, it could result in additional increases or decreases to the warranty reserve and a decrease or increase in earnings and cash flows in future periods. We estimate that a 10% change in the expected number of remaining claims to be settled with payment or the expected cost to settle claims may result in approximately a $0.8 million change in the surface flaking warranty reserve.

The following table details surface flaking claims activity related to our warranty:

	Six Months Ended June 30,	
	2024	2023
Claims open, beginning of period	1,695	1,729
Claims received (1)	247	236
Claims resolved (2)	(223)	(212)
Claims open, end of period	1,719	1,753
Average cost per claim (3)	$ 3,415	$ 4,160

(1) Claims received include new claims received or identified during the period.
(2) Claims resolved include all claims settled with or without payment and closed during the period.
(3) Average cost per claim represents the average settlement cost of claims closed with payment during the period.

Seasonality. The operating results for Trex have historically varied from quarter to quarter. Seasonal, erratic or prolonged adverse weather conditions in certain geographic regions may reduce the level of home improvement and construction activity and can shift demand for its products to a later period. As part of its normal business practice and consistent with industry practice, Trex has historically offered incentive programs to its distributors and dealers to build inventory levels before the start of the prime deck-building season in order to ensure adequate availability of its product to meet anticipated seasonal consumer demand. The seasonal effects are often offset by the positive effect of the incentive programs.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

For information regarding our exposure to certain market risks, see “Quantitative and Qualitative Disclosures about Market Risk,” in Part II, Item 7A of the Company’s Annual Report on Form 10-K for the year ended December 31, 2023. There were no material changes to the Company’s market risk exposure during the six months ended June 30, 2024.

Item 4. Controls and Procedures

The Company’s management, with the participation of its President and Chief Executive Officer, who is the Company’s principal executive officer, and its Senior Vice President and Chief Financial Officer, who is the Company’s principal financial officer, has evaluated the effectiveness of the Company’s disclosure controls and procedures as of June 30, 2024. Based on this evaluation, the President and Chief Executive Officer and the Senior Vice President and Chief Financial Officer have concluded that the Company’s disclosure controls and procedures are effective. There have been no changes in the Company’s internal control over financial reporting during the six-month period ended June 30, 2024, that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II
OTHER INFORMATION

Item 1. Legal Proceedings

The Company has lawsuits, as well as other claims, pending against it which are ordinary routine litigation and claims incidental to the business. Management has evaluated the merits of these lawsuits and claims and believes that their ultimate resolution will not have a material effect on the Company's consolidated financial condition, results of operations, liquidity or competitive position.

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

(c) The following table provides information relating to the purchases of our common stock during the three months ended June 30, 2024 in accordance with Item 703 of Regulation S-K:

Period	(a) Total Number of Shares (or Units) Purchased (1)	(b) Average Price Paid per Share (or Unit) ($)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs (2)	(d) Maximum Number of Shares (or Units) that May Yet Be Purchased Under the Plan or Program
April 1, 2024 – April 30, 2024	—	—	—	10,535,104
May 1, 2024 – May 31, 2024	—	—	—	10,535,104
June 1, 2024 – June 30, 2024	5,020	84.39	—	10,535,104
Quarterly period ended June 30, 2024	5,020		—	

(1) During the three months ended June 30, 2024, 5,020 shares were withheld by, or delivered to, the Company pursuant to provisions in agreements with recipients of restricted stock granted under the Company's 2014 and 2023 Stock Incentive Plan allowing the Company to withhold, or the recipient to deliver to the Company, the number of shares having the fair value equal to tax withholding due.

(2) On May 4, 2023, the Trex Board of Directors adopted a new stock repurchase program of up to 10.8 million shares of its outstanding common stock, and terminated the existing Stock Repurchase Program. This repurchase program has no set expiration date and no shares were repurchased under the program during the three months ended June 30, 2024.

Item 5. Other Information

Insider Trading Arrangements

During the quarter ended June 30, 2024, none of our directors or officers (as defined in Rule 16a-1(f) of the Exchange Act) adopted, modified or terminated any contract, instruction or written plan for the purchase or sale of our securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) of the Exchange Act or any non-Rule 10b5-1 trading arrangement (as defined in Item 408(c) of Regulation S-K).

Item 6. Exhibits

See Exhibit Index at the end of the Quarterly Report on Form 10-Q for the information required by this Item which is incorporated by reference.

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.

TREX COMPANY, INC.

Date: August 6, 2024	By: /s/ Brenda K. Lovcik
	Brenda K. Lovcik
	Senior Vice President and Chief Financial Officer
	(*Duly Authorized Officer and Principal Financial Officer*)

EXHIBIT INDEX

Exhibit Number	Description	Incorporated by reference			
		Form	Exhibit	Filing Date	File No.
3.1	Restated Certificate of Incorporation of Trex Company, Inc. dated July 28, 2021.	10-Q	3.6	August 2, 2021	001-14649
3.2	First Certificate of Amendment to the Restated Certificate of Incorporation of Trex Company, Inc. dated May 5, 2022	10-Q	3.2	May 9, 2022	001-14649
3.3	Amended and Restated By-Laws of the Company dated February 21, 2024	10-K	3.3	February 26, 2024	001-14649
31.1*	Certification of Chief Executive Officer of the Company pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.				
31.2*	Certification of Chief Financial Officer of the Company pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.				
32***	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1350).				
101.INS*	Inline XBRL Instance Document—the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.				
101.SCH*	Inline XBRL Taxonomy Extension Schema With Embedded Linkbase Documents.				
104.1	Cover Page Interactive Data File—The cover page interactive data file does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.				

* Filed herewith.
*** Furnished herewith.

Exhibit 31.1

CERTIFICATION

I, Bryan H. Fairbanks, certify that:

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

Date: August 6, 2024

/s/ Bryan H. Fairbanks

Bryan H. Fairbanks
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, Brenda K. Lovcik, certify that:

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

Date: August 6, 2024

/s/ Brenda K. Lovcik

Brenda K. Lovcik
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

Exhibit 32

Certifications of Chief Executive Officer and Chief Financial Officer
Pursuant to Section 906
of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350)

The undersigned, the President and Chief Executive Officer and the Senior Vice President and Chief Financial Officer of Trex Company, Inc. (the "Company"), each hereby certifies that, on the date hereof:

(a) the Quarterly Report on Form 10-Q of the Company for the quarterly period ended June 30, 2024 filed on the date hereof with the U.S. Securities and Exchange Commission (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(b) information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 6, 2024	/s/ Bryan H. Fairbanks
	Bryan H. Fairbanks
	President and Chief Executive Officer
Date: August 6, 2024	/s/ Brenda K. Lovcik
	Brenda K. Lovcik
	Senior Vice President and Chief Financial Officer