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

Form 10-K

(Mark One)

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

For the fiscal year ended December 31, 2023

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

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

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

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

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

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

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

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 (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ 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 "or an 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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 762(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

The aggregate market value of the registrant's common equity held by non-affiliates of the registrant at June 30, 2023, which was the last business day of the registrant's most recently completed second fiscal quarter, was approximately $7.1 billion based on the closing price of the common stock as reported on the New York Stock Exchange on such date and assuming, for purposes of this computation only, that the registrant's directors, executive officers and beneficial owners of 10% or more of the registrant's common stock are affiliates.

The number of shares of the registrant's common stock outstanding on February 12, 2024 was 108,623,606.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the following documents are incorporated by reference in this Form 10-K as indicated herein:

Document	Part of 10-K into which incorporated
Proxy Statement relating to Registrant's 2024 Annual Meeting of Stockholders	Corporate governance (under Part I, Item 1) and Part III

TABLE OF CONTENTS

NOTE ON FORWARD-LOOKING STATEMENTS

This report, including the information it incorporates by reference, 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. We intend our forward-looking statements to be covered by the safe harbor provisions for forward-looking statements in these sections. 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 “believe,” “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 this report.

PART I

Some of the information contained in this report concerning the markets and industry in which we operate is derived from publicly available information and from industry sources. Although we believe that this publicly available information and the information provided by these industry sources are reliable, we have not independently verified the accuracy of any of this information.

Item 1. Business

General

Trex Company, Inc. (Trex), was incorporated as a Delaware corporation in 1998. Through December 30, 2022, Trex had one wholly-owned subsidiary, Trex Commercial Products, Inc. Together, Trex and Trex Commercial Products, Inc. are referred to as the Company, we or our. The Company is the world's largest manufacturer of composite decking and railing products, which are marketed under the brand name Trex® and manufactured in the United States. Our principal executive offices are located at 2500 Trex Way, Winchester, Virginia 22601, and our telephone number at that address is (540) 542-6300.

Business and Growth Strategies

More than 30 years ago, Trex invented the composite decking category. Today, Trex continues to reinvent and redefine outdoor living with a commitment to innovation and growth that has made Trex the world's #1 brand of sustainably made wood-alternative decking and deck railing, along with a comprehensive portfolio of sustainable, high performance, low-maintenance outdoor living products including fencing, cladding, fasteners, and outdoor lighting. Helping homeowner's design outdoor spaces that reflect their individual styles and budgets, coupled with products at various price points makes Trex the leading brand for homeowners seeking to invest in their outdoor living spaces. Trex's ability to leverage strong brand awareness and a product offering with the advantages of sustainability, low-maintenance, and durability to help fuel conversion from wood decking and railing to Trex positions our Company well within the large and expanding Outdoor Living market.

Key to Trex's leadership and growth is the strength of the Trex brand. Marketing investments focused on homeowners' needs and wants drove brand awareness to its highest level in a decade, with 90% of people surveyed being aware of the Trex brand, while products for every price point help drive profitable growth and wood conversion. Brand strength coupled with an unparalleled distribution and pro-channel dealer network and a leading brand presence at major home improvement retailers ensures that homeowners can find Trex products wherever and whenever they choose.

As the inventor of composite decking, Trex is known for delivering innovative products leveraging the proprietary and skill-based advantages in our eco-friendly manufacturing process. We continue to extract value from the materials by broadening our material streams, implementing new material processes, and developing the next generation of low-cost materials. Our growth and margin expansion strategy positions us well to expand our leadership position in the category with beautiful, high performance, low-maintenance products and includes the following initiatives:

- Accelerate material conversion from wood.
- Expand our market by introducing new products that are innovative, eco-friendly and durable.
- Leverage brand leadership to drive customer demand.
- Increase the number of stocking dealers and retailers by leveraging our market-leading channel relationships.
- Drive margin expansion by continually improving our polyethylene recycling capabilities and manufacturing productivity.
- Execute strategic acquisitions that expand our product offerings and/or enrich our manufacturing process.

Products

Operations and Products: The Company operated in one reportable segment during the year ended December 31, 2023: Trex Residential. The Company operated in two reportable segments during the years ended December 31, 2022, and December 31, 2021: Trex Residential Products (Trex Residential), the Company's principal business based on net sales, and Trex Commercial Products (Trex Commercial). On December 30, 2022, the Company sold substantially all of the assets of its wholly-owned subsidiary and reportable segment, Trex Commercial Products, Inc. See related information in Note 3 to the Consolidated Financial Statements to this Form 10-K.

Trex Residential is the world's largest manufacturer of high-performance, low-maintenance, eco-friendly wood-alternative composite decking and railing, with more than 30 years of product experience. Trex outdoor living products are marketed under the brand name Trex® and manufactured in the United States. Stocked in more than 6,700 retail locations worldwide, Trex Residential offers a comprehensive set of aesthetically appealing and durable, low-maintenance product offerings in the decking, railing, fencing, cladding and outdoor lighting categories. A majority of the products are eco-friendly and leverage recycled and reclaimed materials to the extent possible. Trex Residential decking is made in a proprietary process that combines reclaimed wood fibers and recycled polyethylene film, making Trex Residential one of the largest recyclers of waste polyethylene plastic film in North America. Our composite deck boards do not rot, warp, or splinter and the versatile colors feature a refined wood grain that adds depth and luxury to any backyard. Trex Residential products are sold to distributors and home centers for final resale primarily to the residential market.

Trex offers the following products through Trex Residential:

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. Trex Hideaway®, a self-gapping universal hidden fastener designed to give a seamless finish to every project. 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 and are designed to save time on the jobsite.
Railing	Our railing products are Trex Transcend Railing, Trex Select Railing, Trex Select T-Rail, 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 will not 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 Select T-Rail, made from a minimum of 40 percent recycled materials, is available in square composite balusters in Classic White for a cohesive, coordinated look, or round aluminum balusters in Charcoal Black for a more modern contrast. 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 rails, pickets, top rails 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.

Trex Residential products offer a number of significant aesthetic advantages over wood while eliminating many of wood’s major functional disadvantages, which include warping, splitting and other damage from moisture. In addition to resisting fading and surface staining, Trex Residential products require no sanding, staining or sealing, resist moisture damage, provide a splinter-free surface and do not require chemical treatment against rot or insect infestation. 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. Combined, these aspects yield significant aesthetic advantages and lower maintenance than wood decking and railing and ultimately render Trex Residential products less costly than wood over the life of the deck.

We have received product building code listings from the major U.S. building code listing agencies for decking and railing and from the major Canadian building code listing agency for decking. The listings facilitate the acquisition of building permits by deck builders and promote consumer and industry acceptance of our products as an alternative to wood decking.

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
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.

Trex Commercial designed and engineered custom railing solutions prevalent in professional and collegiate sports facilities, standardized architectural and aluminum railing systems targeted at commercial and high-rise applications, and custom staging systems for the performing arts, sports, and event production and rental market. Trex Commercial marketed to architects, specifiers, contractors, and building owners.

Through the date of sale of Trex Commercial on December 30, 2022, Trex offered the following products through Trex Commercial:

- Architectural railing systems;
- Aluminum railing systems; and
- Staging equipment and accessories.

Customers and Distribution

We are committed to conducting business activities with the highest standards of business ethics and in accordance with all applicable laws and regulations. Our Vendor and Customer Code of Conduct and Ethics (Code), available at www.trex.com/our-company, applies to all parties providing goods and services to the Company, and all channel partners who distribute, sell and/or install our products (collectively, Business Partners). We expect all Business Partners, and all of their employees, agents and subcontractors to follow our high ethical standards set forth in the Code while they are conducting business with us or on our behalf. In addition, we expect our Business Partners to understand and comply with the Trex Company Code of Conduct and Ethics, available at www.trex.com/our-company, to do business with Business Partners who share the same commitment to human rights that we have and as set forth in our Human Rights Policy, available at www.trex.com/our-company.

Trex Residential: Wholesale Distributors/Retail Lumber Dealers. We generate most of our sales for our composite decking and railing products through our wholesale distribution network by selling Trex Residential products to wholesale distributors, who in turn, sell our products to retail lumber outlets. These retail dealers market to both homeowners and contractors, but they emphasize sales to professional contractors, remodelers and homebuilders. Contractor-installed decks generally are larger installations with professional craftsmanship. Our retail dealers generally provide sales personnel trained in Trex Residential products, contractor training, inventory commitment and point-of-sale display support. We believe that attracting wholesale distributors, who are committed to our products and marketing approach and can effectively sell higher value products to contractor-oriented lumber yards and other retail outlets, is important to our future growth. Our distributors provide value-added service in marketing our products because they sell premium wood decking products and other innovative building materials that typically require product training and personal selling efforts. We typically appoint two to three distributors within a specified area to sell only Trex Residential decking products on an exclusive basis. The distributor purchases our products at prices in effect at the time we ship the product to the distributor.

Home Depot and Lowe's. We sell our products through Home Depot and Lowe's stores. Home Depot and Lowe's purchase products directly from us for stocking on their shelves. They also purchase product through our wholesale distributors for special orders placed by consumers. Home Depot and Lowe's serve both the contractor market and the "do-it-yourself" market. We believe that brand exposure through Home Depot and Lowe's promotes consumer acceptance of our products.

In the years ended December 31, 2023, 2022, and 2021, sales to certain customers of Trex Residential accounted for 10% or more of the Company's total net sales. For the years ended December 31, 2023, 2022, and 2021, three customers of Trex Residential represented approximately 72%, 64%, and 61%, respectively, of the Company's total net sales. No other customer represented 10% or more of the Company's total net sales.

Trex Commercial: Prior to the sale of Trex Commercial on December 30, 2022, we sold modular and architectural railing and staging systems to the commercial and multifamily market, including sports stadiums and performing arts venues, primarily to facility owners and general contractors throughout the country. We marketed these products through direct sales staff, independent sales representatives, and bidding on projects.

Manufacturing Process

Products manufactured at our Trex Residential manufacturing facilities in Virginia and Nevada are primarily manufactured from reclaimed wood fiber and scrap polyethylene. Our primary manufacturing process for the products involves mixing wood particles with plastic, heating and then extruding, or forcing, the highly viscous and abrasive material through a profile die. We use many proprietary and skill-based advantages in our eco-friendly manufacturing process. We use Six Sigma and Lean Manufacturing methodologies throughout our Company within our plant operations and in the planning and execution of certain projects.

Our manufacturing processes require significant capital investment, expertise and time to develop. We have continuously invested the capital necessary to expand our manufacturing throughput and improve our manufacturing processes.

In October 2021, we announced plans to add a third U.S.-based Trex Residential manufacturing facility located in Little Rock, Arkansas, that will sit on approximately 300 acres of land. The development approach for the new campus will be modular and calibrated to demand trends for Trex Residential outdoor living products. Construction began on the new facility in the second quarter of 2022, and in July 2022, we entered into a design-build agreement. We anticipate spending approximately $450 million on the facility and the budget for the design-build agreement is contained within this amount. Construction for the new facility will be funded primarily through our ongoing cash generation or our line of credit.

In addition, we prioritize cost reduction projects and continuous improvement opportunities, primarily related to automation, modernization, energy efficiency and raw material processing, and remain focused on innovation and new product development. We have also broadened the range of raw materials that we can use to produce a consistent and high-quality finished product. In connection with national building code listings, we maintain a quality control testing program.

Suppliers

We conduct supply chain assessments when considered necessary in relation to the significance of the purchase and business opportunity for the Company. Assessments include in-person reviews and tours of operating facilities. The Company is committed to conducting business activities with the highest standards of business ethics and in accordance with all applicable laws and regulations. As stated above, our Vendor and Customer Code of Conduct and Ethics, our Company Code of Conduct and Ethics, and our Human Rights Policy apply to all suppliers of the Company.

The production of most of our decking products requires a supply of reclaimed wood fiber and scrap polyethylene. We fulfill requirements for raw materials under both purchase orders and supply contracts. In the year ended December 31, 2023, we purchased our reclaimed wood fiber requirements under purchase orders and long-term supply commitments not exceeding four years. All of our polyethylene purchases are under short-term supply contracts that generally have a term of approximately one year for which pricing is negotiated as needed, or under purchase orders that do not involve long-term supply commitments.

- *Reclaimed Wood Fiber*: Most of our reclaimed wood supply originates in North America through relationships with cabinet makers, wood flooring manufacturers, sawmills, lumberyards and other entities that generate and collect wood byproducts in their operations. In addition, we purchase scrap select wood chips generated from various farming operations. If the reclaimed wood fiber meets our specifications, our reclaimed wood fiber supply agreements generally require us to purchase at least a specified minimum and at most a specified maximum amount of reclaimed wood fiber. Depending on our needs, the amount of reclaimed wood fiber that we actually purchase within the specified range under any supply agreement may vary significantly from year to year.
- *Scrap Polyethylene*: The polyethylene we consume is primarily composed of scrap plastic film and plastic bags. We will continue to seek to meet our future needs for scrap polyethylene from the expansion of our existing supply sources and the development of new sources. We believe our use of multiple sources provides us with a cost advantage and facilitates an environmentally responsible approach to our procurement of polyethylene. Our ability to source and use a wide variety of polyethylene from third party distribution and manufacturing operations is important to our cost strategy. We maintain this ability through the continued expansion of our plastic reprocessing operations in combination with the advancement of our proprietary material preparation and extrusion processes.

In addition, we outsource the production of certain products to third-party manufacturers.

Training

Trex University is our state-of-the-art training facility located near our Virginia manufacturing plant designed to educate and train retailers, contractors and other partners on the benefits of Trex Residential aesthetically pleasing, high-performance, low-maintenance, eco-friendly outdoor living products. In addition, Trex Academy is an online multimedia content hub dedicated to helping the Trex Residential Do-It-Yourself customer bring their deck dreams to life by providing how-to content.

Competition

Our primary competition for our composite decking and residential railing products consists of wood products, which constitute a substantial majority of decking and railing sales, as measured by linear feet of lumber. Many of the conventional lumber suppliers with which we compete have established ties to the building and construction industry and have well-accepted products. A majority of the lumber used in wood decks is pressure-treated lumber. Southern yellow pine and fir have a porosity that readily allows the chemicals used in the pressure treating process to be absorbed. The same porosity makes southern yellow pine susceptible to absorbing moisture, which causes the lumber to warp, crack, splinter and expel fasteners. In addition to pine and fir, other segments of wood material for decking include redwood, cedar and tropical hardwoods, such as ipe, teak and mahogany. These products are often significantly more expensive than pressure-treated lumber, but do not eliminate some of the disadvantages of other wood products.

In addition to wood, we also compete with other manufacturers of wood-alternative products. Industry studies indicate that we have the leading market share of the wood-alternative segment of the decking and railing market. Our principal competitors include The Azek Company Inc., and Fiberon (a division of Fortune Brands, Inc.).

Our ability to compete depends, in part, on a number of factors outside our control, including the ability of our competitors to develop new wood-alternative decking and railing products that are competitive with our products. We believe that the principal competitive factors in the decking and railing market include product quality, price, aesthetics, maintenance cost, and distribution and brand strength. We believe we compete favorably with respect to these factors. We believe that our products offer aesthetic and cost advantages over the life of a deck when compared to other types of decking and railing materials. Although a contractor-installed deck built with Trex products using a pressure-treated wood substructure generally costs more than a deck made entirely from pressure-treated wood, Trex products are low maintenance compared to the on-going maintenance required for a pressure-treated deck and are, therefore, less costly over the life of the deck. We believe that our manufacturing process and utilization of relatively low-cost raw material sources provide us with a competitive cost advantage relative to other manufacturers of wood-alternative decking and railing products. The scale of our operations also confers cost efficiencies in manufacturing, sales and marketing.

Seasonality

Our operating results for Trex Residential have historically varied from quarter to quarter. Seasonal, erratic or prolonged adverse weather conditions may reduce the level of home improvement and construction activity and can shift demand for our products to a later period. As part of its normal business practice and consistent with industry practice, Trex Residential Products 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.

Government Regulation

Our business activities are subject to various federal, state and local laws and regulations. Costs and accruals incurred to comply with these governmental regulations are presently not material to our capital expenditures, results of operations and competitive position. Although there is no assurance that existing or future government laws applicable to our operations or products will not have a material adverse effect on our capital expenditures, results of operations and competitive position, we do not currently anticipate material expenditures for government regulations.

We are also subject to federal, state and local environmental regulation. The emissions of particulates and other substances from our manufacturing facilities must meet federal and state air quality standards implemented through air permits issued to us by the Department of Environmental Quality of the Commonwealth of Virginia, the Division of Environmental Protection of Nevada's Department of Conservation and Natural Resources, and the Division of Environmental Quality of Arkansas' Department of Energy and Environment. Our facilities are regulated by federal and state laws governing the disposal of solid waste and by state and local permits and requirements with respect to wastewater and storm water discharge. Compliance with environmental laws and regulations has not had a material adverse effect on our business, operating results or financial condition.

Our operations also are subject to workplace safety regulation by the U.S. Occupational Safety and Health Administration, the Commonwealth of Virginia, and the States of Nevada and Arkansas. Our compliance efforts include safety awareness and training programs for our production and maintenance employees.

Intellectual Property

Our success depends, in part, upon our intellectual property rights relating to our products, production processes and other operations. We rely upon a combination of trade secret, nondisclosure and other contractual arrangements, and patent, copyright and trademark laws, to protect our proprietary rights. We have made substantial investments in manufacturing process improvements that have enabled us to increase manufacturing line production rates, facilitate our development of new products, and produce improvements in our existing products' dimensional consistency, surface texture and color uniformity.

Intellectual property rights may be challenged by third parties and may not exclude competitors from using the same or similar technologies, brands or works. We seek to secure effective rights for our intellectual property but cannot provide assurance that third parties will not successfully challenge, or avoid infringing, our intellectual property rights.

We consider our trademarks to be of material importance to our business plans. The U.S. Patent and Trademark Office has granted us federal registrations for many of our trademarks. Federal registration of trademarks is effective for as long as we continue to use the trademarks and renew their registrations. We do not generally register any of our copyrights with the U.S. Copyright Office but rely on the protection afforded to such copyrights by the U.S. Copyright Act. This law provides protection to authors of original works, whether published or unpublished, and whether registered or unregistered.

We have two current U.S. Patents for decking technology. We intend to maintain our existing patents in effect until they expire on January 15, 2038 and May 23, 2038, respectively, as well as to seek additional patents as we consider appropriate.

We enter into confidentiality agreements with our employees and limit access to and distribution of our proprietary information. If it is necessary to disclose proprietary information to third parties for business reasons, we require that such third parties sign a confidentiality agreement prior to any disclosure.

Human Capital

As of December 31, 2023, Trex employed 1,765 full-time employees. Our people are what have fueled our growth as the world's #1 brand of sustainably made, wood-alternative decking and deck railing for nearly three decades. As we look to the future, we continue to put our people first as we execute on a comprehensive plan for strategic talent management.

Over the past year, we have made significant investments in the infrastructure across all aspects of our human capital development. We have updated and enriched competency models to standardize and align all aspect of recruiting, hiring, training, and development. We have invested heavily in our employer value proposition to increase visibility and awareness of our careers to a wider and more diverse talent pool. We have implemented targeted development programs like our *Trex Leadership Academy* so that senior leaders and high potential team members have the opportunity to develop their skills as they contribute to Company performance. We have also invested heavily in our culture, ensuring that leaders and team members hold each other accountable to our shared beliefs and values though out all parts of the organization.

To help support our strategic talent development, we invested in several enabling tools and systems to strengthen our decision making and accelerate our progress. In 2023, we began a semi-annual cadence of employee engagement surveying and action planning using tools from the Gallup organization. All Company managers and leaders received training on the tools and new expectations have been set to ensure action is taken between each survey. We have also continued to evolve our internal communications function. New tools, channels, and processes have enabled the Company to move beyond weekly newsletter updates to real-time news sharing and dynamic access to information through a centralized intranet. Finally, we updated our annual performance and ongoing coaching expectations for all people leaders, creating more standardized process and usable information for functions like high potential identification and succession planning.

While significant investments have been made on internal development, wide-net recruiting outside talent continues to infuse the Company with new and diverse perspectives. An expanded summer internship program coupled with an aggressive campus recruitment program has created a pipeline of young talent, while at the same time we continue to attract some of the most talented senior leaders from around the country to fill key leadership positions.

Trex continues to be committed to building a workforce that is reflective of the communities in which we operate. Embracing diverse perspectives and fostering a culture of inclusion and belonging are at the core of what has fueled Trex's legacy of invention and innovation. We continue to find new ways to increase opportunities for underrepresented team members, including offering English language classes for non-native speakers and partnering with local agencies to provide employment opportunities to neuro-diverse candidates.

As an equal opportunity employer, Trex is committed to providing fair and equitable pay for all employees across the Company. We have a strong track record as an industry leader in terms of hourly wages, salary and total compensation. We use a compensation grade structure as part of our process to determine the appropriate grade level for each position at Trex. As a result, we set the pay range for each position before considering who we might hire to fill that role. In addition, we regularly review our compensation structures for signs of emerging inequities along gender or ethnicity lines as well as market competitiveness. Our employees are not covered by collective bargaining agreements and we believe that our relationships with our employees are favorable. Our Human Rights Policy sets forth our values related to working conditions and human rights, and it underscores our philosophy about the way we conduct our business. The policy is available at www.trex.com/our-company.

We know our people are what will fuel our future growth and innovation and we are committed to reinvesting in our people and executing our strategic talent management plan at the highest level.

Corporate Governance

Information related to the Company's governance and related activities and programs may be found in the Company's Definitive Proxy Statement filed on March 21, 2023 in Schedule 14A. Also, a copy of the Company's Code of Conduct and Ethics (Code) is maintained on the Company's web site at www.trex.com/our-company. The Company has a whistle-blowing policy included in its Code that encourages reporting by employees of activities the employee considers illegal or dishonest. Each employee is notified of the whistle-blower policy and a toll-free hotline is provided for reporting issues directly to the Board of Directors and the Company's Senior Vice President, Chief Legal Officer and Secretary.

Environmental and Occupational Safety

Environmental

The Company has been committed to sustainability since our inception more than 30 years ago, creating eco-friendly products from reclaimed and recycled materials. Trex Residential's high-performance, low-maintenance composite decking is made from 95% recycled and reclaimed materials. The Company's commitment to improving our environmental footprint includes developing and offering more sustainable products to the market as well as advancing sustainability and efficiency in our operations. From continuous improvement in our manufacturing practices that reduce the use of energy to making products using industry leading high levels of reclaimed and recycled materials, the Company is able to improve the use of resources, greenhouse gas emissions, and waste streams. The foundation for our commitment to sustainability includes, but is not limited to:

- Using recycled, reclaimed and other waste resources whenever possible in our manufacturing process;
- Preventing pollution by maintaining environmental management as a core value;
- Reducing waste generated in our manufacturing and business operations;
- Developing and using environmentally acceptable, safe and efficient production methods; and
- Identifying and complying with all legal and statutory requirements.

Our Environmental Policy, located on our web site at www.trex.com/our-company, outlines our commitment to conducting business in an ethical and socially responsible manner that respects the environment.

The Nominating / Corporate Governance Committee of the Board of Directors oversees the Company's environmental, social and governance (ESG) matters that are significant to the Company. Periodically, the Committee reviews the Company's ESG strategy, initiatives and policies and receives updates from the Group Vice President, Marketing and ESG Development, who oversees the Company's ESG initiatives. Also, environmental matters relevant to the Company's operations are the responsibility of the President and Chief Executive Officer, the Executive Vice President and Chief Operating Officer, the Senior Vice President and Chief Financial Officer, and the Senior Vice President, Chief Legal Officer and Secretary.

Trex Residential's proprietary, eco-friendly processing method minimizes greenhouse gas emissions, and our bi-coastal factories reduce fuel consumption and CO_2 emissions. We strive to reduce energy use and associated greenhouse gas emissions in Trex manufacturing operations by designing our facilities to run efficiently. In addition, almost 100 percent of our factory runoff and refuse are recycled back into the manufacturing line. Any product that does not meet quality specifications is reprocessed, which eliminates the need for landfill.

The Company's primary resource usage consists of water, natural gas and electricity. The Company develops budgets and plans that improve shareholder return by ensuring the optimal use of each resource, which promotes resource efficiency and minimal waste of the resource. Water management is of critical importance to us. Our Virginia and Nevada manufacturing facilities have closed-loop recirculation systems that run water through multiple cycles of re-use before being returned to the municipal wastewater stream. We prioritize energy savings as part of our ongoing evaluation and optimization of business operations and manufacturing processes. We regularly assess environmental impacts at each stage of our manufacturing process and seek to continually improve our performance. We ensure that all manufacturing facilities meet emission standards for the locality in which they operate and certify to applicable authorities that our emissions are within the relevant locality's standards.

Market Recognition of Trex Brand's Environmental Characteristics

The Company's internal standards for environmental stewardship and product integrity are recognized year-over-year in the marketplace. Trex Transcend® Lineage™ was named as a 2023 Sustainable Product of the Year by Green Builder Media. In addition, Trex was also recognized as Sustainable Brand Leader in the decking category of Green Builder's annual Reader's Choice Survey for the 13th consecutive year. Trex also earned the Lowe's 2023 Sustainability Award, recognition as one of the 100 Best ESG Companies for 2023 by *Investor's Business Daily* and Trex was ranked by *Newsweek* magazine as one of America's Most Responsible Companies 2024.

Trex environmental benefits are recognized by the receipt of the Leadership in Energy and Environmental Design (LEED) certification by the United States Green Building Council. Trex Residential decking products meet LEED requirements for builders and our commercial products have contributed to the LEED certifications of some high-profile venues. LEED is a point-based system designed to reward points to building projects that incorporate efficient, and safe eco-friendly products, leading to a building's designation as LEED Silver, Gold or Platinum. Trex Residential decking can add up to five points to a project — four points in the Materials and Resources category for being composed of 95% recycled and reclaimed materials, and one point in the Innovation and Design category. As a U.S. Green Building Council member, Trex works along with council members to transform the way buildings and communities are designed, built and operated with the goal of creating environmentally and socially responsible spaces that improve the quality of life.

Occupational Health and Safety

The health and safety of our employees is our highest priority. We have a strong Environmental, Health and Safety program that focuses on developing and implementing policies and effective safety training programs, as well as performing internal safety assessments to ensure a company-wide culture of safety and accountability.

The Trex Occupational Health and Safety Policy, located on our website at www.trex.com/our-company, sets forth our commitment to sustaining a compliant and safety-conscious work environment, keeping safety at the forefront of our business, and is based on:

- Compliance with statutory, regulatory and other legal requirements;
- A comprehensive understanding of worker expectations;
- Demonstrating employee safety leadership in all processes while striving to consistently improve performance; and
- Tracking company and site level safety performance metrics including common lagging indicators, such as injury rates, but also leading indicators such as safety observations, near-misses, and proactive actions taken at the sites to ensure worker safety.

Each of our manufacturing sites has a dedicated health and safety (EHS) coordinator and committee. The Site EHS Managers ensure safety is at the forefront of our manufacturing operations every day. Employee representatives on the Process Safety Committee meet monthly to collect, discuss and act upon safety feedback from their colleagues. Our active Process Safety Committees perform safety audits and observations, review and trend all incidents, and participate in all Pre-Startup Safety Reviews and are an example of our robust employee engagement in safety. Long term, the Company is committed to pursuing Occupational Health and Safety Administration Voluntary Protection Program (VPP) recognition and is an active participant in state level VPP development programs. The Company is a member of the Voluntary Protection Program Participants Association, the National Safety Council, and the National Fire Protection Association. Also, we support all EHS staff in becoming Certified Occupational Safety Specialists and obtaining the Certificate for Occupational Safety Managers through programs offered by the Federal Occupational Health and Safety Administration.

Websites and Additional Information

The U. S. Securities and Exchange Commission (SEC) maintains an Internet web site at *www.sec.gov* that contains reports, proxy statements, and other information regarding our Company. Our website is www.trex.com. In addition, we maintain an Internet corporate web site at www.trex.com/our-company/investor-relations. We make available through our web site our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports, as soon as reasonably practicable after we electronically file with or furnish such material to the SEC. We do not charge any fees to view, print, or access these reports on our web site. The contents of our web site are not a part of this report.

Item 1A. Risk Factors

Our business operates in one reportable segment, Trex Residential, and is subject to a number of risks, including the following.

Risks Related to the Distribution and Sale of Our Product

Risk	Discussion
Description We may not be able to grow unless we increase market acceptance of our products, compete effectively and develop new products and applications. *Impact* Our failure to compete successfully could have a material adverse effect on our ability replace wood products or increase our market share amongst wood-alternative products. • If our products do not meet emerging demands and preferences, we could lose market share, which could have a material adverse effect on our business. • In addition, substantially all of our revenues are derived from sales of our proprietary wood/polyethylene composite material. Although we have developed, and continue to develop, new products made from other materials, if we should experience significant problems, real or perceived, with acceptance of the Trex wood/polyethylene composite material, our lack of product diversification could have a significant adverse impact on our net sales levels.	Our primary competition consists of wood products, which constitute a substantial majority of decking, railing, fencing, and deck framing sales. Since composite products were introduced to the market in the late 1980s, their market acceptance has increased. Our ability to grow depends, in part, on our success in continuing to convert demand for wood products into demand for our composite products. Many of the conventional lumber suppliers with which we compete have established ties to the building and construction industry and have well-accepted products. Our ability to compete depends, in part, upon a number of factors outside our control, including the ability of competitors to develop new alternatives that are more competitive with Trex products. Our ability to identify and respond to emerging consumer demands and preferences for our products depends, in part, on how successfully we develop, manufacture and market new products. To increase our market share, we must overcome: • Lack of awareness of the enhanced value of composite products in general and our products in particular;

	• Resistance of many consumers and contractors to change from well-established wood products; • Consumer lack of awareness that the greater initial expense of our products compared to wood is a one-time cost that is reduced over time as our products have lower maintenance costs and a longer life span than wood; • Established relationships existing between suppliers of wood products and contractors and homebuilders; • Actual and perceived quality issues with first generation composite products; and • Competition from other wood-alternative manufacturers.

Risk	Discussion
Description The demand for our products is influenced by the home improvement market and could be adversely affected by conditions that negatively impact this market. *Impact* We cannot predict conditions that may negatively impact the home remodeling and new home construction environment. Any economic downturn or adverse changes in the home improvement market could reduce consumer income or equity capital available for spending on discretionary items, which could adversely affect the demand for our products.	The demand for our composite decking and railing products is influenced by the general health of the economy, the level of home improvement activity and, to a much lesser extent, new home construction. These factors are affected by home equity values, credit availability and interest rates, consumer confidence, income and spending habits, employment, inflation, and general economic conditions.

Risk	Discussion
Description We may not be able to fully maintain or expand our wholesaler and dealer channels. *Impact* If we fail to compete successfully for wholesale distributors and dealers, our business could experience material adverse effects, which could negatively impact profitability and cash flows.	We sell most of our composite decking and railing products through our network of wholesale distributors who, in turn, sell to retail lumber outlets. Our growth strategy depends on maintaining and expanding this network and on our ability to compete with other entities for these channels. In order to successfully compete for wholesaler distributors, dealers and retail lumber outlets, we must accurately assess their customers' needs and preferences.

Risk	Discussion
Description Certain of our customers account for a significant portion of our sales, and the loss of one or more of these customers could have an adverse effect on our business. *Impact* The loss of a significant customer could have a significant negative impact on our business, results of operations and financial condition.	A limited number of our customers account for a significant percentage of our sales. For the years ended December 31, 2023, 2022, and 2021, three customers of Trex Residential represented approximately 72%, 64%, and 61%, respectively, of the Company's total net sales. We expect that a significant portion of our sales will continue to be sold through a small number of customers, and certain customers will continue to account for a significant portion of our sales.

Risk	Discussion
Description Our operating results may vary quarter to quarter due to the level of inventory maintained in our distribution channel. *Impact* We have limited visibility to project inventory levels in our two-step distribution channel. Any sudden fluctuation in demand from our distribution partners may require us to quickly increase or decrease our manufacturing inputs and outputs. If we are unable to effectively respond in a timely manner our short-term results of operations may be negatively impacted.	We sell our composite decking and railing products through our distribution channel who, in turn, sell to end-use consumers. Our distribution partners manage their inventory levels by forecasting demand for our products, placing orders for the products, and maintaining product inventories in order to meet consumer demand. Inventory levels respond to a number of factors, including, without limitation, changes in product price, the number of competitors, product innovation, and the level of discretionary spending by consumers. Therefore, our operating results are subject to inventory stocking decisions made by our distribution partners and may vary quarter to quarter. Past performance will not necessarily indicate future performance.

Risk	Discussion
Description The demand for our outdoor living products may be negatively affected by seasonal, erratic, or prolonged adverse weather conditions. *Impact* Seasonal, erratic, or prolonged adverse weather conditions may shift sales of our products to future periods or decrease overall sales in affected locations, which could have a negative impact on our results of operations and liquidity.	Our products are generally purchased shortly before installation and used in outdoor environments. As a result, there is a correlation between the amount of product we sell and weather conditions during the time they are to be installed. Seasonal, erratic or prolonged adverse weather conditions may interfere with ordinary construction, delay projects or lead to cessation of construction involving our products.

Risk	Discussion
Description We depend on third parties for transportation services and the lack of availability of transportation and/or increases in cost could materially adversely affect our business and operations. *Impact* If the required supply of third-party transportation services is unavailable when needed, we may be unable to deliver our products in a timely manner and, therefore, unable to sell our products at full value, or at all. Similarly, if any of these providers were unavailable to deliver raw materials to us in a timely manner, we may be unable to manufacture our products in response to customer demand. This could harm our reputation, negatively impact our customer relationships and have a material adverse effect on our financial condition and results of operations. In addition, a material increase in transportation rates or fuel surcharges could have a material adverse effect on our profitability.	Our business depends on the transportation by third parties of both raw materials to us and finished goods to our customers. In particular, a significant portion of our finished goods are transported by flatbed trucks, which are occasionally in high demand (especially at the end of calendar quarters) and/or subject to price fluctuations based on market conditions and the price of fuel.

Risks Related to the Manufacture of Our Product

Risk	Discussion
Description Our business is dependent on consistently producing a product which is available when needed to meet the demands of our customers. As our business grows, we must adjust capacity to meet customer needs and provide increased throughput on our existing capacity. *Impact* Our sales growth and profitability could suffer from our failure to effectively pair supply and demand for our products. Our customers' demands for varying quantities of products and delivery items throughout the year, and increased demand year to year, require monitoring and the ability to adjust production in accordance with these demands. Failure to do so can lead to lost or reduced sales and have a negative effect on earnings.	In order to meet customer demand in a timely manner, we must adjust capacity to meet customer needs and provide increased throughput on our existing capacity. Our sourcing team must obtain raw materials on a timely basis at an appropriate volume.

Table of Contents

Risk	Discussion
Description We have made and may continue to make significant capital investments in new and existing manufacturing facilities, that may become impaired or obsolete and result in a charge to our earnings. In addition, underutilization of any such investments may result in reduced profitability through reduced gross profit and lower gross margins. *Impact* Our ability to achieve the expected benefits and returns from our capital investments, such as increased production, improved efficiency, cost savings, or diversification into new product markets, is subject to estimates, assumptions, and market risks. If the actual results differ from our estimates and assumptions, we may not achieve the benefits from the investments within the estimated time frame, if at all, which could adversely affect our financial condition and results of operations.	We have made and may continue to make significant investments in new manufacturing facilities, upgrading our existing facilities and acquiring businesses or operations. These investments sometimes involve the implementation of new technologies and replacement of existing equipment. While we anticipate that these investments will increase production, improve efficiency, achieve cost savings, or allow us to diversify into new product markets, we cannot be certain we will realize the benefits of these initiatives when anticipated or at all. Failure to achieve the expected benefits from our investments may result in reduced cash flows in future periods, obsolete or impaired assets, and charges to our earnings.

Risk	Discussion
Description Our prospects for sales growth and profitability may be adversely affected if we fail to maintain product quality and product performance at an acceptable cost. *Impact* If we are unable to produce high-quality products at standard manufacturing rates and yields, unit costs may be higher. A lack of product performance could impede acceptance of our products in the marketplace and negatively affect our profitability. Future material increases to our warranty reserve could have a significant adverse effect on our profitability and cash flows. In the event lawsuits relating to alleged product quality issues are brought against us in the future, such lawsuits may be costly and could cause adverse publicity, which in turn could result in a loss of consumer confidence in our products and reduce our sales. Product quality claims could increase our expenses, have a material adverse effect on demand for our products and decrease net sales, net income and liquidity.	In order to expand our net sales and sustain profitable operations we must maintain the quality and performance of our products. We continue to receive and settle claims and maintain a warranty reserve related to decking product produced at our Nevada facility prior to 2007 that exhibits surface flaking. We have limited our financial exposure by settling a nationwide class action lawsuit that provides that a consumer's remedy is limited to the replacement of product and a partial labor reimbursement. However, because the establishment of reserves is an inherently uncertain process involving estimates of the number of future claims and the average cost of claims, our ultimate losses may differ from our warranty reserve. Increases to the warranty reserve and payments for related claims have had a material adverse effect on our profitability and cash flows. A number of class action lawsuits alleging defects in our products have been brought against us, all of which have been settled.

Risk	Discussion
Description Our business is subject to risks in obtaining the raw materials we use. In addition, to the extent we source raw materials internationally changes in trade policies, including the imposition of tariffs, could negatively impact our business, financial condition, and results of operations. *Impact* Our business could suffer from the termination of significant sources of raw materials, the payment of higher prices for raw materials, the quality of available raw materials, or from the failure to obtain sufficient additional raw materials to meet planned increases in production.	The manufacture of our composite decking and railing products requires substantial amounts of wood fiber and scrap polyethylene. Our business strategy is to create a substantial cost advantage over our competitors by using scrap polyethylene. Our ability to obtain adequate supplies of wood fiber and scrap polyethylene depends on our success in developing new sources that meet our quality requirements, maintaining favorable relationships with suppliers and managing the collection of supplies from geographically dispersed locations. In addition to wood fiber and scrap polyethylene, we also use a small percentage of other materials in making our products, which are sometimes subject to volatility in supply and could negatively affect our profitability. We procure certain of the raw materials we use in the manufacturing of our products from suppliers located outside of the United States. The imposition of tariffs and other potential changes in U.S. trade policy could increase the cost and/or limit the availability of raw materials, which could hurt our competitive position and adversely impact our business, financial condition and results of operations.

Risk	Discussion
Description Periods of significant or prolonged inflation could affect our ability to obtain manufacturing inputs at acceptable prices and may negatively impact our profitability. *Impact* In a competitive environment, we may be unable to increase prices of our products to offset higher costs resulting from significant or prolonged inflationary pressures, which could have a material adverse effect on our business, financial condition, and operating results. In addition, periods of sustained or rapidly increasing inflation may result in decreased spending in the residential and commercial markets and reduce demand for our products, which could further adversely impact our business.	Our business may be directly affected by significant or prolonged inflationary pressures on raw materials and transportation. We will look to offset increased input costs through cost reduction projects, purchasing strategies, and increased production efficiencies and improvement opportunities to enhance our margins. Specifically, our efforts would primarily center on increased automation, modernization, enhanced energy efficiency and improvements to raw material processing. To the extent that these actions would not offset the impact of inflation we would seek to increase the price of our products to our customers. At the same time, we would expand our marketing campaigns, including campaigns to highlight the advantages of our decking over wood, as well as campaigns focused on innovation and new product development that further strengthens our consumer brand and distribution advantages.

Table of Contents

	In general, we believe that an effect of inflation would be a short-term disruption and that, over time, we would offset increased input costs through cost reduction projects, purchasing strategies, and increased production efficiencies and improvement opportunities to enhance our margins. In addition, we would be able to increase prices to counteract the majority of any inflationary effects of increasing costs and to generate sufficient cash flows to maintain our productive capability.

Risk	Discussion
Description Labor shortages or increases in labor costs could adversely impact our business and results of operations. *Impact* We rely heavily on our employees and any shortage of qualified labor could adversely affect our business. If we are not successful in our recruiting and retention efforts, we could encounter a shortage of qualified employees in future periods. Any such shortage would decrease our ability to produce sufficient quantities of our product to serve our customers effectively. Such a shortage may also require us to pay higher wages for employees and incur a corresponding reduction in our profitability.	Labor is one of the primary components of our production process. Our success is dependent upon recruiting qualified employees to manufacture our product. Our future success depends on, among other things, our ability to identify, attract, hire, train, retain and motivate operational personnel on a timely basis as we continue our pace of growth. If we fail to do so, our ability to maintain and grow our business could be adversely impacted. Further, improvements in the economy and labor markets could impact our ability to attract and retain key personnel.

Risks Related to the Availability of Capital

Risk	Discussion
Description Our ability to continue to obtain financing on favorable terms, and the level of any outstanding indebtedness, could adversely affect our financial condition and ability to compete. *Impact* Our ability to make future principal and interest payments, borrow and repay amounts under our senior credit facility and continue to comply with our loan covenants will depend primarily on our ability to generate sufficient cash flow from operations. Our failure to comply with our loan covenants might cause our lenders to accelerate our repayment obligations under our senior credit facility, which may be declared payable immediately based on a default.	Our ability to continue to obtain financing on favorable terms may limit our discretion on some business matters, which could make it more difficult for us to expand, finance our operations and engage in other business activities that may be in our interest. In addition, our senior credit facility may impose operating and financial restrictions. At certain periods during the year, we may borrow significant amounts on our senior credit facility for working capital purposes. In addition, we may borrow on the senior credit facility to pursue strategic opportunities or other general business matters. Accordingly, our future level of indebtedness and the terms of our borrowings could have important consequences.

Risks Related to Other Matters

Risk	Discussion
Description Our business, results of operations and financial condition may be disrupted and adversely affected by global public health pandemics or geopolitical conflicts. *Impact* If our employees or the employees of our suppliers or transportation providers are unable to work because of illness related to a global public health pandemic, or if we or our suppliers or transportation providers are forced to temporarily cease operations, either on a voluntary or mandatory basis, then we may have a period of reduced operations and be unable to supply our customers in a timely manner, which could have a material negative impact on our business. If geopolitical conflicts disrupt the operations of our distributors and retail outlets or negatively impacts economies in the United States, Canada and the rest of the world, our business, results of operations and financial condition may be adversely affected.	Our business, results of operations and financial condition may be adversely affected if a global public health pandemic interferes with the ability of our employees, suppliers and other business partners to perform their respective responsibilities and obligations relative to the conduct of our business. We monitor the outbreak of any global public health pandemic or global political conflicts and evaluate the impact on our business as information emerges. The extent to which the impact of a global public health pandemic or a continuing global political conflict may have on our business, supply chains, commodity and fuel prices, and prices of raw materials will depend on future developments, which may be highly uncertain and cannot be predicted.

Risk	Discussion
Description Climate change and legal or regulatory responses thereto may have a long-term adverse impact on our business and results of operations. *Impact* There is increasing concern that a gradual increase in global average temperatures due to increased concentration of carbon dioxide and other greenhouse gases in the atmosphere could cause significant changes in weather patterns and an increase in the frequency, duration, and severity of natural disasters. In addition, the increasing concern over climate change may result in additional laws or regulations designed to reduce or mitigate the effects of carbon dioxide and other greenhouse gas emissions on the environment. Compliance with newly enacted laws and regulations could impose operational and compliance burdens which may negatively impact our financial condition and results of operations.	We continue to strive to minimize the environmental impact of Trex operations, remain one of the largest recyclers of polyethylene in the U.S. and continue to benefit from increasing consumer interest in our environmentally friendly composite product offerings that leverage recycled and reclaimed materials. Any significant changes in weather patterns or increases in the frequency, duration and severity of natural disasters are beyond our control and could disrupt our supply chain, increase our product costs, impact demand for our product, or impair our ability to deliver product to our customers. In addition, we cannot predict what environmental legislation or regulations will be enacted in the future related to climate issues, or how existing or future laws or regulations will be administered or interpreted. Compliance with more stringent laws or regulations, or stricter interpretation of existing laws, may require additional expenditures. Any increased energy or compliance costs and expenses may cause disruptions in, or an increase in the costs associated with, the manufacturing and distribution of our products.

Risk	Discussion
Description Cyberattacks and other security breaches could compromise our proprietary and confidential information which could harm our business and reputation. *Impact* While we have certain safeguards in place to reduce the risk of and detect cyber-attacks, our information technology networks and infrastructure may be vulnerable to unpermitted access by hackers or other breaches, or employee error or malfeasance. Any such compromise of our data security and access to, or public disclosure or loss of, confidential business or proprietary information could disrupt our operations, damage our reputation, provide our competitors with valuable information and subject us to additional costs, which could adversely affect our business.	In the ordinary course of our business, we generate, collect and store confidential and proprietary information, including intellectual property, business information and employee data. The secure storage, maintenance, and transmission of and access to this information is important to our operations and reputation. Computer hackers may attempt to penetrate our computer systems and, if successful, misappropriate our proprietary and confidential information including e-mails and other electronic communications. In addition, an employee, contractor, competitor, or other third party with whom we do business may attempt to obtain such information and may purposefully or inadvertently cause a breach involving such information. We also collect limited information on consumers. Although we do not collect any highly sensitive information, there is a risk that a cybersecurity attack could compromise consumer’s names, addresses and other personal information. Proactive measures that reduce our risk of a cybersecurity incident include: • Maintaining cybersecurity insurance to protect against risks related to cyber-attacks and other security breaches. • Partnering with an enterprise grade security solutions integrator (SSI) that leverages deep industry expertise to help us build and run holistic cybersecurity programs designed to reduce our overall risk profile. The SSI performs regular audits to evaluate our current security posture and prioritize our improvement plans. • Implementing an information security training and compliance program for employees. We test our employees monthly with simulated “phishing” attacks. Additionally, we run annual security awareness video training programs and occasional ad hoc awareness sessions as needed. Despite these proactive measures, there is no guarantee that these measures will prevent a cybersecurity incident that could have a material adverse effect on the Company.

Item 1B. Unresolved Staff Comments

None.

Item 1C. Cybersecurity

Cybersecurity Risk Management

The Company has systems and processes for identification, assessment, and management of material risks from cybersecurity threats, as such term is defined in Item 106(a) of Regulation S-K. The Company's multi-faceted approach includes deploying applications and control activities to actively monitor and mitigate potential threats to the Company's IT environment.

These activities include, but are not limited to, engaging an external third-party to monitor information systems security events, conducting annual security training of employees, testing employees via periodic phishing campaigns, conducting system vulnerability scanning, utilizing a patching program to remediate critical patches, and utilizing an external third-party to perform testing to identify gaps in the Company's security program. The Company also performs third-party risk management to identify and mitigate risks from third parties such as vendors, suppliers, and other business partners. Additionally, for providers of software-as-a-service and other services that hold Company data, the Company reviews and assesses industry standard certifications such as System and Organization Controls (SOC) 1 or SOC 2 reports and cybersecurity preparedness questionnaires. Mitigation of risk efforts are coordinated by the Company's Director of Information Security, utilizing internal resources and third-party providers.

The Company has not had any cybersecurity risks that have materially affected the Company, including its business strategy, results of operations, or financial condition. Cybersecurity risks are disclosed in Part I Item 1A. Risk Factors, incorporated herein by reference.

Cybersecurity Governance

Our cybersecurity programs, including the cross-functional management committees responsible for identifying, assessing, and mitigating cybersecurity risks and incidents, are owned by our Chief Information Officer. Day-to-day administration of the cybersecurity programs are led by our Director of Information Security, a direct report to the Chief Information Officer. The Chief Information Officer has 27 years of technology leadership experience and a Master of Business Administration with a concentration in Management Information Systems. The Director of Information Security has 26 years of experience in infrastructure and security operations and a degree in Information Technology Management. The Director of Information Security is the chair of the Company's Information Security Committee. The activities of the Information Security Committee are reviewed by the Executive Information Security Oversight Committee, which is comprised of members of our senior leadership team including our Chief Information Officer, the Senior Vice President, Chief Financial Officer, Senior Vice President, Chief Legal Officer and Secretary and Senior Vice President, Chief Human Resources Officer. The Executive Information Security Oversight Committee facilitates notification to the Audit Committee of emerging cybersecurity risks, and threats, the status of projects to strengthen the Company's information security systems, and updates on any cybersecurity incidents.

The Audit Committee of the Board of Directors oversees cybersecurity related risks. Members of the Audit Commitree receive the above referenced notifications and updates on a quarterly basis from the Company's Chief Information Officer as the designated representative of the Executive Information Security Oversight Committee.

Additionally, the Company has a Written Information Security Policy and a Cybersecurity Incident Response Plan that provides the above-referenced processes by which such committees are informed of and monitor the prevention, detection, mitigation, and remediation of cybersecurity incidents and material risks from cybersecurity threats.

Item 2. Properties

We own and lease certain properties, as noted in the below table:

	Square Footage/ Acres	Leased / Owned	Lease Expiration Dates	Location	Purpose
Corporate Headquarters	62,942 SF	Owned	N/A	Virginia	Office Space
Corporate Headquarters	8 Acres	Owned	N/A	Virginia	Land
Trex Residential	1,848,535 SF	Leased	2023 – 2029	Virginia / Nevada/ Arkansas	Warehouse, Research and Development, Storage, Training and Manufacturing Facilities
Trex Residential	1,236,360 SF / 455 Acres	Owned	N/A	Virginia / Nevada / Arkansas	Manufacturing Facilities, Storage and Office Space

We regularly evaluate our various facilities and equipment and make capital investments where necessary. In 2023, we spent a total of $166.1 million on capital expenditures, primarily at our Trex Residential facilities, including $98.0 million related to construction of our Arkansas facility, $23.9 million related to general plant cost reduction initiatives at our Virginia and Nevada facilities, $13.0 million related to our new corporate office development and $29.0 million for general support, safety and environmental initiatives.

In October 2021, we announced plans to add a third U.S.-based Trex Residential manufacturing facility located in Little Rock, Arkansas, that will sit on approximately 300 acres of land. The development approach for the new campus will be modular and calibrated to demand trends for Trex Residential outdoor living products. Construction began on the new facility in the second quarter of 2022, and in July 2022, we entered into a design-build agreement. We anticipate spending approximately $450 million on the facility and the budget for the design-build agreement is contained within this amount. Construction for the new facility will be funded primarily through our ongoing cash generation or our line of credit.

For information about our leases, see Note 10 to our Consolidated Financial Statements appearing elsewhere in this report. The equipment and machinery we use in our operations consist principally of plastic and wood conveying and processing equipment. We own all of our manufacturing equipment. We lease some equipment, primarily forklifts, at our facilities under operating leases.

Item 3. 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 4. Mine Safety Disclosures.

Not applicable.

PART II

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

Market for Common Stock

Our common stock has been listed on the New York Stock Exchange (NYSE) since April 8, 1999. Effective November 23, 2009, our common stock is listed under the symbol "TREX".

Dividend Policy

We have never paid cash dividends on our common stock and our credit agreement places limitations on our ability to pay cash dividends. We intend to retain future earnings to finance the development and expansion of our business or the repurchase of our common shares and, therefore, have no current intention to pay cash dividends. However, we reconsider our dividend policy on a regular basis and may determine to pay dividends in the future.

Issuer Purchases of Equity Securities

The following table provides information relating to the purchases of our common stock during the three months ended December 31, 2023 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
October 1, 2023 – October 31, 2023	—	$ —	—	10,535,104
November 1, 2023 – November 30, 2023	—	$ —	—	10,535,104
December 1, 2023 – December 31, 2023	—	$ —	—	10,535,104
Quarter ended December 31, 2023	—		—	

(1) During the three months ended December 31, 2023, no 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.

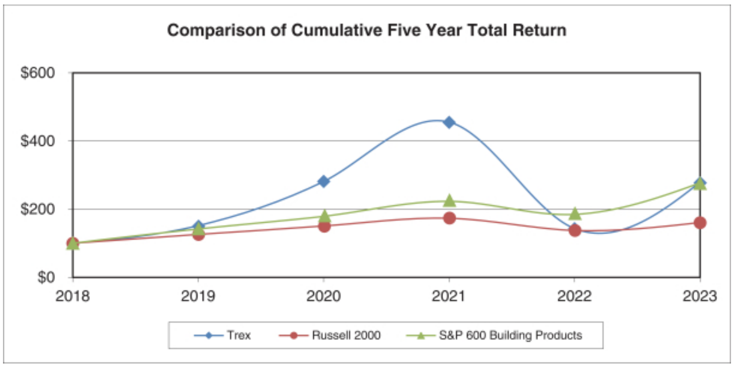
(2) On May 4, 2023, the Trex Board of Directors adopted a stock repurchase program (2023 Stock Repurchase Program) of up to 10.8 million shares of its outstanding common stock. The 2023 Stock Repurchase Program has no set expiration date and no shares were repurchased under the program during the three months ended December 31, 2023.

Stockholder Return Performance Graph

The following graph and table show the cumulative total stockholder return on the Company's common stock for the last five fiscal years compared to the Russell 2000 Index and the Standard and Poor's 600 Building Products Index (S&P 600 Building Products). The graph assumes $100 was invested on December 31, 2018, in (1) the Company's common stock, (2) the Russell 2000 Index and (3) the S&P 600 Building Products and assumes reinvestment of dividends and market capitalization weighting as of December 31, 2019, 2020, 2021, 2022 and 2023.

Comparison of Cumulative Total Return

Among Trex Company, Inc., Russell 2000 Index, and S&P 600 Building Products Index



	12/31/2018	12/31/2019	12/31/2020	12/31/2021	12/31/2022	12/31/2023
Trex Company, Inc.	$ 100.00	$ 151.42	$ 282.08	$ 454.95	$ 142.62	$ 278.94
Russell 2000 Index	$ 100.00	$ 125.53	$ 150.59	$ 173.16	$ 137.76	$ 161.09
S&P 600 Building Products	$ 100.00	$ 142.19	$ 179.24	$ 222.61	$ 184.43	$ 276.54

Other Stockholder Matters

As of February 12, 2024, there were approximately 138 holders of record of our common stock, although we believe that there are a significantly larger number of beneficial owners of our common stock.

In 2023, we submitted to the NYSE in a timely manner the annual certification that our Chief Executive Officer was not aware of any violation by us of the NYSE corporate governance listing standards.

Item 6. [Reserved]

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

This Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) 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." 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 and 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 Consolidated Financial Statements and the accompanying notes thereto contained in "*Item 8. Financial Statements and Supplementary Data*" of this report. MD&A includes the following sections:

- *Our Business* — a general description of our business, a brief overview of our products, and highlights for the twelve months ended December 31, 2023.
- *Critical Accounting Policies and Estimates* — a discussion of accounting policies that require critical judgments and estimates.
- *Results of Operations* — an analysis of our consolidated results of operations for 2023 and 2022 and year-to-year comparisons. An analysis of our consolidated results of operations for 2022 and 2021 and year-to-year comparisons between 2022 and 2021 can be found in MD&A in Part II, Item 7 of the Company's Form 10-K for the year ended December 31, 2022.
- *Liquidity and Capital Resources* — an analysis of cash flows, contractual obligations, and a discussion of our capital and other cash requirements.
- *New Accounting Standards Not Yet Adopted* — a general description of new accounting standards applicable to our business and a discussion of their expected impact.

OUR BUSINESS

General. The 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 our products are manufactured in a proprietary process that combines reclaimed wood fibers and recycled polyethylene. The Company is focused on using renewable resources within our Trex Residential segment. Also, through December 30, 2022, the Company provided custom-engineered commercial railing and staging systems for the commercial and multi-family market, including sports stadiums and performing arts venues. During the two years in the period ended December 31, 2022, the Company operated in two reportable segments: Trex Residential Products (Trex Residential), the Company's principal business based on net sales, and Trex Commercial Products (Trex Commercial). On December 30, 2022, we completed the sale of substantially all of the assets of our wholly-owned subsidiary and reportable segment, Trex Commercial. Subsequent to the sale of Trex Commercial, the Company operates in one reportable segment, Trex Residential.

Outdoor living remains one of the fastest growing categories within the repair and remodel sector, and the strength of the Trex Residential brand coupled with our expanded manufacturing capacity, our key competitive advantages, help us to effectively unlock potential market share and drive long term growth. We continue to benefit from increasing consumer interest in our environmentally friendly, low maintenance product portfolio that transforms and enhances the outdoor living experience.

We remain focused on ensuring the capacity to service our Trex Residential channel partners is aligned with both current demand and expected future growth. In October 2021, we announced plans to add a third U.S.-based Trex Residential manufacturing facility located in Little Rock, Arkansas, that will sit on approximately 300 acres of land. The development approach for the new campus will be modular and calibrated to demand trends for Trex Residential outdoor living products. Construction began in the second quarter of 2022, and in July 2022, we entered into a design-build agreement. We anticipate spending approximately $450 million on the facility and the budget for the design-build agreement is contained within this amount. Construction will be funded primarily through our ongoing cash generation or our line of credit.

We continue to focus on cost reduction projects and identifying continuous improvement opportunities to enhance our margins. Specifically, our efforts are primarily centered on increased automation, modernization, enhanced energy efficiency and improvements to raw material processing. At the same time, we intend to expand our marketing campaigns, continue highlighting the advantages of Trex Residential decking over wood, as well as focusing on innovation and new product development to further strengthen our consumer brand and distribution advantages. These initiatives should help drive continued topline and profit growth and accelerated market share conversion.

Trex Residential is the world's largest manufacturer of wood-alternative composite decking and railing products marketed under the brand name Trex® and manufactured in the United States. We offer a comprehensive set of aesthetically pleasing, high-performance, low maintenance, eco-friendly products in the decking, railing, fencing, cladding and outdoor lighting categories. We believe that the range and variety of our products allow consumers to design much of their outdoor living space using Trex brand products.

We offer the following composite decking and railing products through Trex Residential:

Decking and Accessories	Trex Signature® decking Trex Transcend® Lineage™ decking Trex Transcend® decking Trex Select® decking Trex Enhance® decking Trex Hideaway® hidden fastening system Trex DeckLighting™ outdoor lighting system
Railing	Trex Transcend Railing Trex Select Railing Trex Select T-Rail Trex Signature® aluminum railing
Fencing	Trex Seclusions® fencing product

Trex Commercial offered modular and architectural railing and staging systems and solutions for the commercial and multifamily market, including sports stadiums and performing arts venues, through the date of divesture on December 30, 2022.

Highlights:

- *Trex Named 2024 America's Most Trusted® Composite Decking Brand* according to a nationwide study by Lifestory Research*.
- *Trex Named Lowe's Sustainability Vendor Partner of the Year.* Trex was recognized for its commitment to sustainably made, wood alternative decking, using 95% recycled and reclaimed materials.
- *Trex Named 100 Best ESG Companies for 2023* by *Investor's Business Daily.* Within the Building Construction Products category, Trex was one of three companies to be selected.
- *Trex Named America's Most Responsible Companies 2024* by Newsweek magazine and Statista Inc. reinforcing Trex's position as a sustainability leader.
- *Trex Transcend® Lineage™* recognized in *Good Housekeeping's* 2023 Home Renovation Awards in the Exterior Enhancements category.
- *Trex and Keep Arkansas Beautiful awarded 'Recycling Education Program of the Year".* A joint initiative by Trex and Keep Arkansas Beautiful was awarded the "2023 Recycling Education Program of the Year" by the Arkansas Recycling Coalition for their collaborative efforts in educating students across Arkansas about the importance of responsible recycling through the NexTrex® Plastic Film Recycling Challenge.
- *Trex named a 2023 Eco-Leader by Green Builder Media*, the highest honor awarded. Trex is the only decking brand ever to be awarded Eco-Leader status, which signifies companies across the building products arena that are working to quantify ESG concepts in meaningful ways.
- *Trex Transcend® Lineage™ Named "Sustainable Product of the Year"* by Green Building Media as a 2023 Sustainable Product of the Year.
- *Trex Named Most Sustainable Decking Brand by Green Builder Media for 13th Consecutive Year* and the only brand to be recognized as a sustainability leader for all 13 years of the program.
- *Introduction of Trex Signature® Decking* that 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.
- *Introduction of Enhanced Product Warranty* for the applicable warranty period providing that our Trex Residential 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.

* *2021-2024 DISCLAIMER: Trex received the highest numerical score in the proprietary Lifestory Research 2021-2024 America's Most Trusted® Outdoor Decking studies. Study results are based on experiences and perceptions of people surveyed. Experiences may vary.*

Financial Performance Highlights for the Twelve Months Ended December 31, 2023:

	Year Ended December 31,			
	2023	2022	$ Change	% Change
(000s omitted, except per share data)				
Net sales	$1,094,837	$1,106,043	$(11,206)	(1.0)%
Gross profit	$ 452,407	$ 403,989	$ 48,418	12.0%
Net income	$ 205,384	$ 184,626	$ 20,758	11.2%
EBITDA*	$ 326,393	$ 291,033	$ 35,360	12.1%
Diluted earnings per share	$ 1.89	$ 1.65	$ 0.24	14.5%

**A reconciliation of Net Income to EBITDA is presented on page 33 of this document under "Net Income and Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)."*

Capital expenditures. In 2023, we spent a total of $166.1 million on capital expenditures, primarily at our Trex Residential facilities, including $98.0 million related to construction of our Arkansas facility, $23.9 million related to general plant cost reduction initiatives at our Virginia and Nevada facilities, $13.0 million related to our new corporate office development, and $29.0 million for general support, safety and environmental initiatives.

Repurchase of common shares. We repurchased 264,896 shares of our outstanding common stock in 2023 under our stock repurchase programs.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our significant accounting policies are described in Note 2 to our Consolidated Financial Statements appearing elsewhere in this report. Our critical accounting estimates include the areas where we have made what we consider to be particularly difficult, subjective or complex judgments in making estimates, and where these estimates can significantly affect our financial results under different assumptions and conditions. We prepare our financial statements in conformity with accounting principles generally accepted in the United States. As a result, we are required to make estimates, judgments, and assumptions that we believe are reasonable based upon the information available. These estimates, judgments and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the periods presented. Actual results could be different from these estimates.

Product Warranty. We warrant that for the applicable warranty period our Trex Residential 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 future claims experience. 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 Trex Residential 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.

Average cost per claim experienced in the year ended December 31, 2023, was lower than that experienced in the year ended December 31, 2022, which was elevated due to the closure of three large claims, and lower than our expectations for 2023. The number of incoming claims received in the year ended December 31, 2023, was lower than the number of claims received in the year ended December 31, 2022, and lower than our expectations for 2023. After evaluating the declining trend in incoming claims in its actuarial analysis, we decreased the estimate of the number of future claims to be settled with payment. As a result of the decrease in estimated future claims, in the three-month period ended September 30, 2023, we recorded a reduction of $3.8 million to our warranty reserve for the future settlement of surface flaking claims. We believe the reserve at December 31, 2023 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 $1.0 million change in the surface flaking warranty reserve.

The following table details surface flaking warranty claims activity:

	Year Ended December 31,		
	2023	2022	2021
Claims unresolved beginning of period	1,729	1,759	1,799
Claims received (1)	521	592	894
Claims resolved (2)	(555)	(622)	(934)
Claims unresolved end of period	1,695	1,729	1,759
Average cost per claim (3)	$4,221	$4,987	$3,519

(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.

For additional information about product warranties, see Notes 2 and 19 to the Consolidated Financial Statements appearing elsewhere in this report.

Goodwill. We evaluate the recoverability of goodwill in accordance with Accounting Standard Codification (ASC) Topic 350, "*Intangibles—Goodwill and Other*," annually or more frequently if an event occurs or circumstances change in the interim that would more likely than not reduce the fair value of the asset below its carrying amount. We evaluate the recoverability of goodwill at the reporting unit level. Through December 30, 2022 and during the year ended December 31, 2021, we determined that the Company had three reporting units: a residential reporting unit in the Trex Residential reportable segment, and a commercial railing reporting unit and a staging reporting unit in the Trex Commercial reportable segment. On December 30, 2022, we completed the sale of substantially all of the assets of our wholly-owned subsidiary and reportable segment, Trex Commercial. Subsequent to the sale of Trex Commercial, the Company operates in one reportable segment, Trex Residential. Goodwill is considered impaired when the carrying amount of a reporting unit exceeds its fair value, and an impairment loss is recognized in an amount equal to that excess but limited to the total amount of goodwill allocated to that reporting unit. We first assess qualitative factors to determine if it is more likely than not that the fair value of the reporting unit is less than its carrying amount, including goodwill. Qualitative factors we consider include events and circumstances such as macroeconomic conditions, industry and market considerations, cost factors, overall financial performance, and other relevant Company-specific events. We evaluate, based on the weight of evidence, the significance of all identified events and circumstances in the context of determining whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. Weighing the effect of various positive and negative factors is challenging and requires the use of significant judgment. The weight we place on each factor depends on certain conditions, including uncertainty about future events. If different conditions exist in future periods, future impairment charges could result.

If the qualitative assessment indicates that the carrying amount of the reporting unit exceeds its fair value, including goodwill, we are then required to perform a quantitative goodwill impairment test. The quantitative goodwill impairment test, used to identify both the existence of impairment and the amount of impairment loss, compares the fair value of a reporting unit with its carrying amount, including goodwill. The fair value of a reporting unit refers to the price that would be received to sell the unit as a whole in an orderly transaction between market participants at the measurement date. If the carrying amount of a reporting unit is in excess of the estimated fair value of that reporting unit, a goodwill impairment charge is recognized in the amount by which the reporting unit's carrying amount exceeds its fair value, but not to exceed the total goodwill assigned to the reporting unit.

We measure the fair value of a reporting unit based on a combination of the Income Approach (i.e., the Discounted Cash Flow Method) and a Market Approach. The Discounted Cash Flow Method is a multiple period discounting model in which the fair value of the reporting units are determined by discounting the projected free cash flows using an appropriate discount rate and indicates the fair value of the reporting units based on the present value of the cash flows that the reporting unit is expected to generate in the future. Significant estimates in the Discounted Cash Flow Method include: the weighted average cost of capital (or discount rate); long-term rate of growth and profitability of the business (residual growth rate); and working capital effects. The Market Approach uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities or a group of assets and liabilities, such as a business. Significant estimates in the Market Approach model may include identifying appropriate market multiples and assessing earnings before interest, income taxes, depreciation and amortization (EBITDA) in estimating the fair value of the reporting units. The use of different assumptions, estimates or judgements, including estimated future cash flows and the discount rate used to discount estimated cash flows to their net present value, could materially increase or decrease the fair value of the reporting unit and impact our assessment of any goodwill impairment charges. Also, if different conditions exist in future periods, future impairment charges could result.

Revenue Recognition

Trex Residential Products

Trex Residential principally generates revenue from the manufacture and sale of its high-performance, low-maintenance, eco-friendly outdoor living products, consisting of composite decking and railing products, hidden fasteners, and a broad offering of outdoor living accessories. Substantially all of its revenues are from contracts with customers, which are individual customer purchase orders of short-term duration of less than one year. Trex Residential 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 Residential 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 and 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 Consolidated Financial Statements presented in this Form 10-K.

Trex Residential may offer various sales incentive programs throughout the year. It estimates the amount of sales incentive to allocate to each performance obligation, or product shipped, based on direct sales to the customer. The estimate is updated each reporting period and any changes are allocated to the performance obligations on the same basis as at inception. Changes in estimate allocated to a previously satisfied performance obligation are recognized as a reduction of revenue in the period in which the change occurs under the cumulative catch-up method. Should estimates change or prove to have been incorrect, it could negatively affect our results of operations and financial condition. In addition to sales incentive programs, Trex Residential may offer payment discounts. It estimates the payment discount that it believes will be taken by the customer based on prior history using the most-likely-amount method of estimation.

Trex Commercial Products

Trex Commercial generated revenue from the manufacture and sale of its custom, modular and architectural railing and staging systems. All of its revenues were from fixed-price contracts with customers. Trex Commercial contracts had a single performance obligation as the promise to transfer the individual goods or services was not separately identifiable from other promises in the contract and was, therefore, not distinct.

Trex Commercial satisfied its performance obligation over time as work progressed because control was transferred continuously to its customers. Revenue and estimated profit were recognized over time based on the proportion of actual costs incurred to date relative to total estimated costs at completion to measure progress toward satisfying the performance obligation. Incurred costs represent work performed, which corresponds with, and thereby best depicts, the transfer of control to the customer. Incurred costs included all direct material, labor, subcontract and certain indirect costs. The Company reviewed and updated its estimates regularly and recognized adjustments in estimated profit on contracts under the cumulative catch-up method. Under this method, the impact of the adjustment on revenue and estimated profit to date on a contract is recognized in the period the adjustment is identified. If at any time the estimate of contract profitability indicated an anticipated loss on the contract, the Company recognized the total loss in the period it was identified. During the year ended December 31, 2022, no adjustment to any one contract was material to the Company's Consolidated Financial Statements and no material impairment loss on any contract was recorded.

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. The operating results for Trex Residential have historically varied from quarter to quarter, often due to seasonal trends in the demand for outdoor living products. 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 practices, Trex Residential has historically offered incentive programs to its distributors and dealers to build inventory levels before the start of the prime deck-building season to ensure adequate availability of its product to meet anticipated seasonal consumer demand and to enable production planning. These incentives include prompt payment discounts and favorable payment terms. In addition, we offer 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 sales incentive programs can impact sales, receivables and inventory levels during the offering period. In addition, the operating results for Trex Commercial have not historically varied from quarter to quarter as a result of seasonality, but are driven by the timing of individual projects, which may vary significantly each period.

Gross Profit. Gross profit represents the difference between net sales and cost of sales. Cost of sales consists of raw materials costs, direct labor costs, manufacturing costs, warranty costs, and freight. Raw materials costs generally include the costs to purchase and transport reclaimed wood fiber, scrap polyethylene and pigmentation for coloring Trex products. 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 include 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 of Trex. 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 have varied from quarter to quarter due, in part, to the seasonality of our business.

Below we have included a discussion of our operating results and material changes in our operating results for the year ended December 31, 2023, compared to the year ended December 31, 2022.

Year Ended December 31, 2023 Compared To Year Ended December 31, 2022

Net Sales

	Year Ended December 31, 2023	2022	$ Change	% Change
	(dollars in thousands)			
Total net sales	$1,094,837	$1,106,043	$(11,206)	(1.0)%
Trex Residential net sales	$1,094,837	$1,059,536	$ 35,301	3.3%
Trex Commercial net sales	$ N/A	$ 46,507	$ N/A	N/A

Total net sales in 2023 decreased $11.2 million, or 1.0%, compared to total net sales in 2022, primarily due to the divesture of Trex Commercial, our wholly-owned subsidiary and reportable segment, on December 30, 2022. The increase in Trex Residential net sales of $35.3 million or 3.3% was primarily due to an increase in sales volume of 2.6%.

Gross Profit

	Year Ended December 31, 2023	2022	$ Change	% Change
	(dollars in thousands)			
Cost of sales	$642,430	$702,054	$(59,624)	(8.5)%
% of total net sales	58.7%	63.5%		
Gross profit	$452,407	$403,989	$48,418	12.0%
Gross margin	41.3%	36.5%		

Gross profit as a percentage of net sales, gross margin, was 41.3% in 2023 compared to 36.5% in 2022. Gross margin for Trex Residential in 2023 was 41.3% compared to 37.7% in 2022. The increase was primarily due to lower production costs resulting from cost saving initiatives and improved plant performance. The increase was partially offset by lower absorption resulting from reduced production and higher depreciation and utilities. Our 2022 gross margin was negatively impacted by our channel partners inventory drawdown to rightsize their inventories and additional costs as we restructured our operations for reduced production levels.

Selling, General and Administrative Expenses

	Year Ended December 31, 2023	2022	$ Change	% Change
	(dollars in thousands)			
Selling, general and administrative expenses	$176,203	$141,831	$34,372	24.2%
% of total net sales	16.1%	12.8%		

Selling, general and administrative expenses increased $34.3 million in 2023 compared to 2022 primarily resulting from a $19.1 million increase in personnel related expenses, a $5.6 million increase in branding and marketing expenses, a $3.1 million write down of fixed assets, and a $2.8 million increase in research and development expenses.

Loss on Sale

	Year Ended December 31, 2023	2022	$ Change	% Change
	(dollars in thousands)			
Loss on sale	$ —	$ 15,423	$15,423	N/A
% of total net sales	N/A	1.4%		

On December 30, 2022, we completed the sale of substantially all of the assets of our wholly-owned subsidiary and reportable segment, Trex Commercial, for net proceeds of $7.3 million. The divestiture reflects our decision to focus on driving the most profitable growth strategy for the Company and its shareholders through the execution of our outdoor living strategy. The sale resulted in a loss on sale of $15.4 million and is reported in the Consolidated Statements of Comprehensive Income.

Provision for Income Taxes

	Year Ended December 31, 2023	2022	$ Change	% Change
	(dollars in thousands)			
Provision for income taxes	$ 70,815	$ 62,212	$ 8,603	13.8%
Effective tax rate	25.6%	25.2%		

The effective tax rate for 2023 of 25.6% was comparable to the effective tax rate for 2022 of 25.2%.

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

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

	Year Ended December 31, 2023 Trex Residential and Consolidated
Net income	$ 205,384
Interest expense, net	5
Income tax expense	70,815
Depreciation and amortization	50,189
EBITDA	$ 326,393

	Year Ended December 31, 2022		
	Trex Residential	Trex Commercial	Total
Net income (loss)	$200,876	$ (16,250)	$184,626
Interest income, net	(103)	—	(103)
Income tax expense (benefit)	67,313	(5,101)	62,212
Depreciation and amortization	43,173	1,125	44,298
EBITDA	$311,259	$ (20,226)	$291,033

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 and EBITDA as a percentage of net sales (EBITDA margin) because management believes the measures facilitate performance comparison between the Company and its competitors, and management evaluates the performance of its reportable segments using EBITDA and EBITDA margin. Management considers EBITDA and EBITDA margin to be important supplemental indicators of our core operating performance because the measures eliminate interest, income taxes, and depreciation and amortization charges to net income. In relation to its competitors, EBITDA eliminates differences among companies in capitalization and tax structures, capital investment cycles and ages of related assets, especially when comparing financial results to prior periods. For these reasons, management believes that EBITDA and EBITDA margin provide important information regarding the operating performance of the Company and its reportable segments. Non-GAAP measures are not meant to be considered superior to or a substitute for our GAAP results.

	Year Ended December 31, 2023	2022	$ Change	% Change
	(dollars in thousands)			
Total EBITDA	$ 326,393	$ 291,033	$35,360	12.1%
Trex Residential EBITDA	$ 326,393	$ 311,259	$15,134	4.9%
Trex Commercial EBITDA	N/A	$ (20,226)	$20,226	N/A

Total EBITDA increased 12.1% to $326.4 million for 2023 compared to $291.0 million for 2022. The increase was due to a $15.1 million increase in Trex Residential EBITDA, primarily driven by an increase in net sales and gross profit. In addition, the divesture of Trex Commercial on December 30, 2022 contributed to the increase in Total EBITDA in 2023.

Year Ended December 31, 2022 Compared To Year Ended December 31, 2021

The Company hereby incorporates by reference the financial results from fiscal year 2021 and the comparison of financial results from fiscal year 2022 to fiscal year 2021 as set forth in the Company's Management's Discussion and Analysis of Financial Condition and Results of Operation in the Annual Report on Form 10-K for the year ended December 31, 2022 and filed with the U.S. Securities and Exchange Commission on February 27, 2023.

LIQUIDITY AND CAPITAL RESOURCES

We finance operations and growth primarily with cash flow from operations, borrowings, operating leases, and normal trade credit terms from operating activities.

S*ources and Uses of Cash.* The following table summarizes our cash flows from operating, investing and financing activities for the years ended December 31, 2023, 2022, and 2021 (in thousands):

	Year Ended December 31, 2023	2022	2021
Net cash provided by operating activities	$ 389,420	$ 216,220	$ 258,064
Net cash used in investing activities	(166,089)	(168,884)	(158,039)
Net cash used in financing activities	(233,697)	(176,064)	(80,673)
Net (decrease) increase in cash and cash equivalents	$ (10,366)	$(128,728)	$ 19,352

Operating Activities

Cash provided by operating activities in 2023 was $389.4 million compared to cash provided by operating activities of $216.2 million in 2022. The $173.2 million increase in cash provided by operating activities was primarily a result of a reduction in inventories, and to a lesser extent, impacted by higher operating profit, and increases in accounts payable and accrued expenses. Inventory decreased in 2023 compared to 2022. During 2022 we saw an increase in inventory as a result of a decline in sales which occurred as our distribution partners met demand partially through inventory drawdown. The decrease in inventory in 2023 reflects a return to more normal purchase patterns from our distribution partners.

Investing Activities

In 2023, cash used in investing activities for capital expenditures was $166.1 million, primarily at our Trex Residential facilities, including $98.0 million related to construction of our Arkansas facility, $23.9 million related to general plant cost reduction initiatives at our Virginia and Nevada facilities, $13.0 million related to our new corporate office development, and $29.0 million for general support, safety, and environmental initiatives.

Financing Activities

Net cash used in financing activities in 2023 consisted primarily of principal payments under our revolving credit facility and to a lesser extent repurchases of our outstanding common stock.

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). The Company 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 (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 and during 2023 the Company repurchased 264,896 shares of its common stock under the 2023 Stock Repurchase Program.

Inventory in Distribution Channels. We sell our Trex Residential 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.

Seasonality. The operating results for Trex Residential have historically varied from quarter to quarter. Seasonal, erratic or prolonged adverse weather conditions 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 Residential 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.

Indebtedness Prior to December 22, 2022. On May 18, 2022, the Company, as borrower; Trex Commercial as guarantor; BOA, as a Lender, Administrative Agent, Swing Line Lender and L/C Issuer; Wells Fargo as lender and Syndication Agent; Regions Bank, PNC Bank, National Association (PNC), and TD Bank, N.A. (YD) (each, a Lender and collectively, the Lenders), arranged by BofA Securities, Inc. as Sole Lead Arranger and Sole Bookrunner, entered into a Credit Agreement (Credit Agreement) 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.

The Credit Agreement provides the Company, in the aggregate, the ability to borrow an amount up to the Loan Limit during the Term. The Company is not obligated to borrow any amount under the Loan Limit. Within the 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 Loans 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.

The Company and BofA Securities, as a sustainability coordinator, are entitled to establish specified key performance indicators (KPIs) with respect to certain environmental, social and governance targets of the Company and its subsidiaries. The sustainability coordinator and the Company may amend the Credit Agreement for the purpose of incorporating the KPIs and other related provisions unless the Lenders object to such amendment on or prior to the date that is ten business days after the date on which such amendment is posted for review by the Lenders. Based on the performance of the Company and its subsidiaries against the KPIs, certain adjustments (increase, decrease or no adjustment) to otherwise applicable pricing will be made; provided that the amount of such adjustments shall not exceed certain aggregate caps as in the definitive loan documentation.

Under the terms of the Security and Pledge Agreement, the Company and Trex Commercial, 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 to BOA, as Administrative Agent for the Lenders, 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).

Indebtedness On and After December 22, 2022. As of December 22, 2022, the Company entered into a First Amendment to the Credit Agreement (First Amendment) by and among the Company, as borrower, the guarantors party thereto; BOA, as a Lender, Administrative Agent, Swing Line Lender and L/C Issuer; TD as lender and Syndication Agent; Regions Bank, PNC, and Wells Fargo (each, a Lender and collectively, the Lenders), arranged by BofA Securities, as Sole Lead Arranger and Sole Bookrunner, amending that certain Credit Agreement dated as of May 18, 2022, by and among the Company, as borrower, the guarantors party thereto, BOA, as a Lender, Administrative Agent, Swing Line Lender and L/C Issuer and the other lenders identified therein (as so amended, Credit Agreement). The First Amendment removes Trex Commercial as a guarantor to any and all indebtedness under the Credit Agreement. 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 would serve as Syndication Agent.

As of 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 Credit Agreement continues to include sublimits under the Revolving A Loan 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 under Revolving A Loan are for the purpose of raising working capital and supporting general business operations.

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. With respect to Revolving B Loans, 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 between1.20% 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%.

At December 31, 2023, we had $5.5 million in outstanding borrowings under the revolving credit facility and borrowing capacity under the facility of $544.5 million.

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 at December 31, 2023. 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.

Contractual Obligations. Our contractual obligations consist primarily of purchase commitments and operating leases.

Purchase obligations represent supply contracts with raw material vendors and service contracts for hauling raw materials. Open purchase orders written in the normal course of business for goods or services that are provided on demand have been excluded as the timing of which is not certain. As of December 31, 2023, we have purchase obligations under material supply contracts of $42.6 million for the year ending December 31, 2024, $29.1 million in 2025, $19.6 million in 2026, and $11.3 million in 2027. Please refer to Note 19 to the Consolidated Financial Statements in this filing for additional information on our purchase commitments.

Operating leases represent office space, storage warehouses, manufacturing facilities and certain office and plant equipment under various operating leases, and include operating leases accounted for under Financial Accounting Standards Board Accounting Standards Codification Topic 842 and short-term leases. As of December 31, 2023, we have operating lease liabilities of $7.8 million for the year ending December 31, 2024, $19.1 million for the years 2025 through 2028 and $0.9 million thereafter. Please refer to Note 10 to the Consolidated Financial Statements in this filing for additional information on our operating leases.

The Company believes that its cash on hand and cash generated through operating activities, both over the next 12 months and beyond the next 12 months, should be sufficient to cover purchase obligations and operating leases.

Off-Balance Sheet Arrangements. We do not have off-balance sheet financing arrangements.

Capital and Other Cash Requirements. In October 2021, we announced plans to add a third U.S.-based Trex Residential manufacturing facility located in Little Rock, Arkansas. The new campus will sit on approximately 300 acres of land and will address demand for Trex Residential outdoor living products. The development approach for the new campus will be modular and calibrated to demand trends for Trex Residential outdoor living products. Construction began on the new facility in the second quarter 2022, and in July 2022, the Company entered into a design-build agreement. The Company anticipates spending approximately $450 million on the facility and the budget for the design-build agreement is contained within this amount. Construction for the new facility will be funded primarily through the Company's ongoing cash generation or its line of credit.

Our capital expenditure guidance for 2024 is $210 million to $230 million. In addition to our capital expenditure program, our capital allocation priorities 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.

We believe that cash on hand, cash flows from operations and borrowings expected to be available under our revolving credit facility will provide sufficient funds to enable us to fund planned capital expenditures, make scheduled principal and interest payments, fund the warranty reserve, meet other cash requirements, and maintain compliance with terms of our debt agreements for at least the next 12 months. We currently expect to fund future capital expenditures from operations and borrowings under the revolving credit facility. 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. Our ability to meet our cash needs during the next 12 months and thereafter could be adversely affected by various circumstances, including increases in the cost of raw materials and product replacement costs, quality control problems, higher than expected product warranty claims, service disruptions and lower than expected collections of accounts receivable. In addition, any failure to negotiate amendments to our existing debt agreements to resolve any future noncompliance with financial covenants could adversely affect our liquidity by reducing access to revolving credit borrowings needed primarily to fund seasonal borrowing needs. We may determine that it is necessary or desirable to obtain financing through bank borrowings or the issuance of debt or equity securities to address such contingencies or changes to our business plan. Debt financing would increase our level of indebtedness, while equity financing would dilute the ownership of our stockholders. There can be no assurance as to whether, or as to the terms on which, we would be able to obtain such financing, which would be restricted by covenants contained in our existing debt agreements.

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's 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 measure of a segment's 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 year 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 expect adoption of the guidance to have a material effect on its consolidated results of operations and financial position.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We are subject to market risks from changing interest rates associated with our borrowings. To meet our seasonal working capital needs, we borrow periodically on our variable rate revolving line of credit. At December 31, 2023, we had $5.5 million in debt outstanding under our revolving line of credit. While variable rate debt obligations expose us to the risk of rising interest rates, an increase of 1% in interest rates would not have a material adverse effect on our overall financial position, results of operations or liquidity.

In certain instances, we may use interest rate swap agreements to modify fixed rate obligations to variable rate obligations, thereby adjusting the interest rates to current market rates and ensuring that the debt instruments are always reflected at fair value. We had no interest rate swap agreements outstanding as of December 31, 2023.

Item 8. Financial Statements and Supplementary Data

The financial statements listed in Item 15 of this Form 10-K are incorporated by reference in this Item 8 and are filed as part of this report.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure 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 December 31, 2023. 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.

Management's Report on Internal Control Over Financial Reporting

We, as members of management of Trex Company, Inc. (Company), are responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles. Internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

We assessed the Company's internal control over financial reporting as of December 31, 2023, based on criteria for effective internal control over financial reporting established in "Internal Control-Integrated Framework (2013)" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO Framework). Based on this assessment, we concluded that, as of December 31, 2023, our internal control over financial reporting was effective, based on the COSO Framework.

The effectiveness of our internal control over financial reporting as of December 31, 2023, has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report, which follows hereafter.

TREX COMPANY, INC.

February 26, 2024	By:	/S/ BRYAN H. FAIRBANKS **Bryan H. Fairbanks** **President and Chief Executive Officer** **(Principal Executive Officer)**
February 26, 2024	By:	/S/ BRENDA K. LOVCIK **Brenda K. Lovcik** **Senior Vice President and Chief Financial Officer** **(Principal Financial Officer)**

Changes in Internal Control Over Financial Reporting

There have been no changes in the Company's internal control over financial reporting identified in connection with the evaluation described above in "Management's Report on Internal Control Over Financial Reporting" that occurred during the Company's fourth fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Trex Company, Inc.

Opinion on Internal Control Over Financial Reporting

We have audited Trex Company, Inc.'s internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Trex Company, Inc., (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the 2023 consolidated financial statements of the Company and our report dated February 26, 2024 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Tysons, Virginia
February 26, 2024

Item 9B. Other Information

Amended and Restated By-Laws of the Company dated February 21, 2024. On February 21, 2024 the Board of Directors of the Company approved and adopted amendments to Article III, Section 2 and Article IV, Section 1 of the Company's Amended and Restated By-laws, effective immediately, to (a) clarify that that notwithstanding the statement that Directors need not be stockholders of the Corporation, if the Corporation has in effect at any time any Stock Ownership Guidelines applicable to Directors, Directors shall comply with such Guidelines and (b) to provide that if the Chairman is unavailable to preside over a meeting of the Board of Directors, then, if there is a Vice Chairman and/or a Lead Independent Director serving at the time of such meeting, the Vice Chairman or the Lead independent Director, in that order, shall serve as Chairman of the Board of Directors for such meeting.

Insider Trading Arrangements. During the quarter ended December 31, 2023, 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 identified in Item 408(c) of Regulation S-K).

Item 9C. Disclosure Regarding Foreign Jurisdictions the Prevent Inspections

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Information responsive to this Item 10 is incorporated herein by reference to our definitive proxy statement for our 2024 annual meeting of stockholders, which we will file with the SEC on or before 120 days after our 2023 fiscal year-end.

We have adopted a Code of Conduct and Ethics, which is applicable to all directors, officers and employees, including our Chief Executive Officer and Chief Financial Officer. The code is available on our corporate web site and in print to any stockholder who requests a copy. We also make available on our web site, at *www.trex.com/our-company/corporate-governance*, and in print to any stockholder who requests them, copies of our corporate governance principles and the charters of each standing committee of our board of directors. Requests for copies of these documents should be directed to Corporate Secretary, Trex Company, Inc., 2500 Trex Way, Winchester, Virginia 22601. To the extent required by SEC rules, we intend to disclose any amendments to our code of conduct and ethics, and any waiver of a provision of the code with respect to our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, on our web site referred to above within four business days following any such amendment or waiver, or within any other period that may be required under SEC rules from time to time.

Item 11. Executive Compensation

Information responsive to this Item 11 is incorporated herein by reference to our definitive proxy statement for our 2024 annual meeting of stockholders, which we will file with the SEC on or before 120 days after our 2023 fiscal year-end.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information responsive to this Item 12 is incorporated herein by reference to our definitive proxy statement for our 2024 annual meeting of stockholders, which we will file with the SEC on or before 120 days after our 2023 fiscal year-end.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Information responsive to this Item 13 is incorporated herein by reference to our definitive proxy statement for our 2024 annual meeting of stockholders, which we will file with the SEC on or before 120 days after our 2023 fiscal year-end.

Item 14. Principal Accounting Fees and Services

Information responsive to this Item 14 is incorporated herein by reference to our definitive proxy statement for our 2024 annual meeting of stockholders, which we will file with the SEC on or before 120 days after our 2023 fiscal year-end.

Table of Contents

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a)(1) The following Consolidated Financial Statements of the Company are incorporated by reference in Part II, Item 8 of this Form 10-K:

All other schedules for which provision is made in the applicable accounting regulations of the SEC are not required under the related instructions or are inapplicable or not material and, therefore, have been omitted.

(a)(3) See Exhibit Index at the end of the Annual Report on Form 10-K for the information required by this Item.

Item 16. Form 10-K Summary

None.

Table of Contents

TREX COMPANY, INC.

Index to Consolidated Financial Statements

The following Consolidated Financial Statement Schedule of the Registrant is filed as part of this Report as required to be included in Item 15(a)(2):

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Trex Company, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Trex Company, Inc. (the Company) as of December 31, 2023 and 2022 the related consolidated statements of comprehensive income, changes in stockholders' equity and cash flows for each of the three years in the period ended December 31, 2023, and the related notes and the financial statement schedule listed in the Index at Item 15(a)(2) (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2023, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated February 26, 2024 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Surface Flaking Warranty Reserve

Description of the Matter	At December 31, 2023, the Company's surface flaking warranty reserve was $10.1 million. As discussed in Note 19 of the consolidated financial statements, 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. The Company's surface flaking warranty reserve is based on management's estimate of the number of claims to be settled with payment and the average cost to settle each claim. Auditing the surface flaking warranty reserve is complex because it involves the estimation of the number of claims to be settled with payment and requires the use of actuarial specialists. This estimate has a significant effect on the surface flaking warranty reserve.
How We Addressed the Matter in Our Audit	We obtained an understanding, evaluated the design and tested the operating effectiveness of the controls over the Company's process to estimate the number of claims to be settled with payment. To test the estimated number of claims to be settled with payment, our audit procedures included, among others, evaluating the methodology and the significant assumptions used by management. We also involved an actuarial specialist to assist us in independently calculating a range of the expected number of claims to be settled with payment and compared that to the Company's range.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 1995.
Tysons, Virginia
February 26, 2024

TREX COMPANY, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended December 31,		
	2023	2022	2021
	(In thousands, except share and per share data)		
Net sales	$ 1,094,837	$ 1,106,043	$ 1,196,952
Cost of sales	642,430	702,054	736,448
Gross profit	452,407	403,989	460,504
Selling, general and administrative expenses	176,203	141,831	139,624
Goodwill impairment	—	—	54,245
Loss on sale	—	15,423	—
Gain on insurance proceeds	—	—	(8,741)
Income from operations	276,204	246,735	275,376
Interest expense (income), net	5	(103)	(15)
Income before income taxes	276,199	246,838	275,391
Provision for income taxes	70,815	62,212	66,654
Net income	$ 205,384	$ 184,626	$ 208,737
Basic earnings per common share	$ 1.89	$ 1.65	$ 1.81
Basic weighted average common shares outstanding	108,680,459	111,710,676	115,461,016
Diluted earnings per common share	$ 1.89	$ 1.65	$ 1.80
Diluted weighted average common shares outstanding	108,809,403	111,880,488	115,762,843
Comprehensive income	$ 205,384	$ 184,626	$ 208,737

See Notes to Consolidated Financial Statements.

TREX COMPANY, INC.

CONSOLIDATED BALANCE SHEETS

	December 31, 2023	December 31, 2022
	(In thousands)	
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 1,959	$ 12,325
Accounts receivable, net	41,136	98,057
Inventories	107,089	141,355
Prepaid expenses and other assets	22,070	35,105
Total current assets	172,254	286,842
Property, plant and equipment, net	709,402	589,892
Operating lease assets	26,233	30,991
Goodwill and other intangible assets, net	18,163	18,582
Other assets	6,833	7,398
Total Assets	$ 932,885	$ 933,705
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 23,963	$ 19,935
Accrued expenses and other liabilities	56,734	44,064
Accrued warranty	4,865	4,600
Line of credit	5,500	222,000
Total current liabilities	91,062	290,599
Deferred income taxes	72,439	68,224
Operating lease liabilities	18,840	23,974
Non-current accrued warranty	17,313	20,999
Other long-term liabilities	16,560	11,560
Total Liabilities	216,214	415,356
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; 140,974,843 and 140,841,833 shares issued and 108,611,537 and 108,743,423 shares outstanding at December 31, 2023 and December 31, 2022, respectively	1,410	1,408
Additional paid-in capital	140,157	131,539
Retained earnings	1,336,058	1,130,674
Treasury stock, at cost, 32,363,306 and 32,098,410 shares at December 31, 2023 and December 31, 2022, respectively	(760,954)	(745,272)
Total Stockholders' Equity	716,671	518,349
Total Liabilities and Stockholders' Equity	$ 932,885	$ 933,705

See Notes to Consolidated Financial Statements.

Table of Contents

TREX COMPANY, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(In thousands, except share data)

	Common Stock		Additional Paid-In Capital	Retained Earnings	Treasury Stock		Total
	Shares	Amount			Shares	Amount	
Balance, December 31, 2020	115,799,503	$ 1,406	$ 126,087	$ 737,311	24,777,502	$ (276,273)	$ 588,531
Net income	—	—	—	208,737	—	—	208,737
Employee stock plans	113,242	—	1,800	—	—	—	1,800
Shares withheld for taxes on awards	(78,626)	—	(8,538)	—	—	—	(8,538)
Stock-based compensation	123,132	1	8,438	—	—	—	8,439
Repurchases of common stock	(809,099)	—	—	—	809,099	(73,935)	(73,935)
Balance, December 31, 2021	115,148,152	$ 1,407	$ 127,787	$ 946,048	25,586,601	$ (350,208)	$ 725,034
Net income	—	—	—	184,626	—	—	184,626
Employee stock plans	38,320	—	1,742	—	—	—	1,742
Shares withheld for taxes on awards	(45,834)	1	(3,319)	—	—	—	(3,318)
Stock-based compensation	114,594	—	5,329	—	—	—	5,329
Repurchases of common stock	(6,511,809)	—	—	—	6,511,809	(395,064)	(395,064)
Balance, December 31, 2022	108,743,423	$ 1,408	$ 131,539	$ 1,130,674	32,098,410	$ (745,272)	$ 518,349
Net income	—	—	—	205,384	—	—	205,384
Employee stock plans	27,620	—	1,223	—	—	—	1,223
Shares withheld for taxes on awards	(48,736)	2	(2,769)	—	—	—	(2,767)
Stock-based compensation	154,126	—	10,164	—	—	—	10,164
Repurchases of common stock	(264,896)	—	—	—	264,896	(15,682)	(15,682)
Balance, December 31, 2023	108,611,537	$ 1,410	$ 140,157	$ 1,336,058	32,363,306	$ (760,954)	$ 716,671

See Notes to Consolidated Financial Statements.

TREX COMPANY, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31, 2023	2022	2021
		(In thousands)	
Operating Activities			
Net income	$ 205,384	$ 184,626	$ 208,737
Adjustments to reconcile net income to net cash provided by operating activities:			
Goodwill impairment	—	—	54,245
Depreciation and amortization	50,189	44,298	35,946
Deferred income taxes	4,215	24,256	21,012
Loss on sale	—	15,423	—
Stock-based compensation	10,164	5,329	8,438
Loss (gain) on disposal of property, plant and equipment	3,140	(27)	(45)
Other non-cash adjustments	(48)	(117)	40
Changes in operating assets and liabilities:			
Accounts receivable	56,921	42,513	(44,349)
Inventories	34,266	(64,454)	(15,515)
Prepaid expenses and other assets	(750)	7,925	(8,715)
Accounts payable	2,697	(5,595)	(3,473)
Accrued expenses and other liabilities	8,875	(14,385)	(5,285)
Income taxes receivable/payable	14,367	(23,572)	7,028
Net cash provided by operating activities	389,420	216,220	258,064
Investing Activities			
Expenditures for property, plant and equipment	(166,089)	(176,228)	(159,394)
Proceeds from sale of assets	—	7,290	—
Proceeds from sales of property, plant and equipment	—	54	1,355
Net cash used in investing activities	(166,089)	(168,884)	(158,039)
Financing Activities			
Borrowings under line of credit	593,500	425,000	494,500
Principal payments under line of credit	(810,000)	(203,000)	(494,500)
Repurchases of common stock	(18,450)	(398,382)	(82,473)
Proceeds from employee stock purchase and option plans	1,223	1,742	1,800
Financing costs	30	(1,424)	—
Net cash used in financing activities	(233,697)	(176,064)	(80,673)
Net decrease increase in cash and cash equivalents	(10,366)	(128,728)	19,352
Cash and cash equivalents at beginning of year	12,325	141,053	121,701
Cash and cash equivalents at end of year	$ 1,959	$ 12,325	$ 141,053
Supplemental disclosures of cash flow information:			
Cash paid for interest, net of capitalized interest	$ 51	$ —	$ —
Cash paid for income taxes, net	$ 52,340	$ 59,934	$ 38,614
Supplemental non-cash investing and financing disclosure:			
Capital expenditures in accounts payable	$ 1,332	$ 1,814	$ 2,564

See Notes to Consolidated Financial Statements.

TREX COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BUSINESS AND ORGANIZATION

Trex Company, Inc. (Trex), a Delaware corporation, was incorporated on September 4, 1998. Through December 30, 2022, Trex had one wholly-owned subsidiary, Trex Commercial Products, Inc. Together, Trex and Trex Commercial Products, Inc. are referred to as the Company. Through December 30, 2022, the Company operated in two reportable segments, Trex Residential Products (Trex Residential) and Trex Commercial Products (Trex Commercial). On December 30, 2022, the Company completed the sale of substantially all of the assets of its wholly-owned subsidiary and reportable segment, Trex Commercial. Refer to Note 3 below for more information on the sale. Subsequent to December 30, 2022, the Company operates in one reportable segment, Trex Residential.

The Company's principal business based on net sales is the manufacture and distribution of Trex Residential high-performance, low-maintenance wood-alternative decking and residential railing and outdoor living products and accessories, marketed under the brand name Trex®. A majority of its products are manufactured in a proprietary process that combines reclaimed wood fibers and recycled polyethylene. Trex Commercial designed, engineered and marketed modular and architectural railing and staging systems for the commercial and multi-family market, including sports stadiums and performing arts venues. The principal executive offices are located at 2500 Trex Way, Winchester, Virginia 22601, and the telephone number at that address is (540) 542-6300.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States. The consolidated financial statements include the accounts of the Company. Intercompany accounts and transactions have been eliminated in consolidation.

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. Towards the end of June 2022, the Company experienced a reduction in demand from its distribution partners, spurred by concerns over a potential easing in consumer demand due to rising interest rates, declining consumer sentiment and expectations of a general slowing in the economy. As a result, beginning in the third quarter of 2022 the Company's channel partners met demand partially through inventory drawdown rather than reordering products and maintaining current inventories. The drawdown was completed by year end 2022.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and the accompanying notes. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash equivalents consist of highly liquid investments purchased with original maturities of three months or less.

Concentrations and Credit Risk

The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents and trade accounts receivable. The Company from time to time may have bank deposits in excess of insurance limits of the Federal Deposit Insurance Corporation. As of December 31, 2023, substantially all deposits are maintained in one financial institution. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk related to its cash and cash equivalents.

The Company routinely assesses the financial strength of its customers and believes that its trade receivables credit risk exposure is limited. Trade receivables are recognized at the amount of revenue recognized on each shipment for Trex Residential products as the Company has an unconditional right to consideration from the customer and payment is due based solely on the passage of time. An estimate of expected credit losses is recognized as a valuation allowance and adjusted each reporting period. The estimate is based on the current expected credit loss model and is determined using an aging schedule, including past events, current conditions and reasonable and supportable forecasts about the future. There was no material valuation allowance recorded as of December 31, 2023 and December 31, 2022.

In the years ended December 31, 2023, 2022, and 2021, sales to certain customers of Trex Residential accounted for 10% or more of the Company's total net sales. For the year ended December 31, 2023, three customers of Trex Residential represented approximately 72% of the Company's total net sales. For the year ended December 31, 2022, three customers of Trex Residential represented 64% of the Company's total net sales. For the year ended December 31, 2021, three customers of Trex Residential represented approximately 61% of the Company's total net sales. No other customer represented 10% or more of the Company's total net sales. At December 31, 2023, three customers represented 27%, 23%, and 20%, respectively, of the Company's total accounts receivable balance. At December 31, 2022, two customers represented 35% and 26%, respectively, of the Company's total accounts receivable balance.

For each year ended December 31, 2023, 2022, and 2021, approximately 26.7%, 17.5%, and 26%, respectively, of the Company's materials purchases at Trex Residential were purchased from its four largest suppliers.

Inventories

Inventories for the composite decking and railing products at Trex Residential are valued at the lower of cost (last-in, first-out, or LIFO, method) and market as this method results in a better matching of costs and revenues. The Company periodically reviews its inventory for slow moving or obsolete items and writes down the related products to the lower of cost or market. The Company's reserves for estimated slow moving products or obsolescence are not material. At December 31, 2023, the excess of the replacement cost of inventory over the LIFO value of inventory was approximately $33.4 million. During the year ended December 31, 2023, the Company had a liquidation of inventories produced in the prior year ended December 31, 2022. As a result, a portion of the Company's cost of sales is based on prior year costs rather than on current year costs. However, the prior year cost of inventory closely approximates the current year cost of inventory and the resulting effect of the liquidation of inventories on the Company's cost of sales in the year ended December 31, 2023, was immaterial.

A majority of the products at Trex Residential are made in a proprietary process that combines reclaimed wood fibers and scrap polyethylene. Trex Residential grinds up scrap materials generated from its manufacturing process and inventories deemed no longer salable and reintroduces the reclaimed material into the manufacturing process as a substitute for raw materials. The reclaimed material is valued at the costs of the raw material components of the material.

Property, Plant and Equipment

Property, plant and equipment are stated at historical cost. The costs of additions and improvements are capitalized, while maintenance and repairs are expensed as incurred. Cash flows for capital expenditures as reported in cash flows from investing activities in the Consolidated Statements of Cash Flows are adjusted to exclude unpaid amounts accrued at period end. Depreciation is provided using the straight-line method generally over the following estimated useful lives:

Buildings	40 years
Machinery and equipment	3-11 years
Furniture and fixtures	10 years
Forklifts and tractors	5 years
Computer equipment and software	5 years

Leasehold improvements are amortized over the shorter of the lease term or 15 years.

The Company reviews its long-lived assets, including property, plant and equipment, whenever events or changes in circumstances indicate that the carrying amount of the assets may not be fully recoverable. To determine the recoverability of its long-lived assets, the Company evaluates the probability that future estimated undiscounted net cash flows will be less than the carrying amount of the long-lived assets. If the estimated cash flows are less than the carrying amount of the long-lived assets, the assets are written down to their fair value. The Company's estimates of anticipated cash flows and the remaining estimated useful lives of long-lived assets could be reduced in the future. As a result, the carrying amount of long-lived assets could be reduced in the future. Long-lived assets held for sale are stated at the lower of cost or fair value less cost to sell.

Leases

The Company leases office space, storage warehouses, training and manufacturing facilities, and certain office and plant equipment under various operating leases. At inception of an arrangement, the Company evaluates, among other things, whether it has the right to control the use of an identified asset in order to determine if the arrangement is or contains a lease. Operating leases are included in operating lease right-of-use (ROU) assets, accrued expenses and other current liabilities, and operating lease liabilities in the consolidated balance sheets. Operating leases with an initial term of 12 months or less are not included in the consolidated balance sheet. The Company recognizes lease expense for these leases on a straight-line basis over the lease term. ROU assets represent the right to use an underlying asset for the lease term and operating lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The Company considers instruments with similar characteristics when calculating its incremental borrowing rate. Certain events, such as a modification to the arrangement or a change in the lease term, are assessed by the Company to determine if it is required to reassess estimates and judgments and remeasure the lease liability and ROU asset. The Company reviews its ROU asset for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be fully recoverable. The carrying amount of the ROU asset is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use of the asset. An impairment loss is measured as the amount by which the carrying amount of the ROU asset exceeds its fair value. The Company's operating leases have remaining lease terms of 1 year to 7 years. Lease terms may include options to extend or terminate the lease when the Company determines that it is reasonably certain it will exercise the option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The Company has lease agreements with lease and non-lease components, which are accounted for separately. Consideration for non-lease components is stated on a stand-alone basis in the applicable agreements.

Fair Value Measurement

Assets and liabilities measured at fair value are measured at the amount that would be received for selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and classified into one of the following fair value hierarchies:

- Level 1 – Quoted prices for identical instruments in active markets.
- Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model derived valuations in which all significant inputs and significant value drivers are observable in active markets.
- Level 3 – Valuations derived from management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs to the model.

Goodwill

Goodwill represents the excess of cost over net assets acquired resulting from the Company's 1996 purchase of the Mobil Composite Products Division, the 2011 purchase of the assets of the Iron Deck Corporation, and the 2017 purchase of certain assets and the assumption of certain liabilities of SC Company. The Company evaluates the recoverability of goodwill in accordance with Accounting Standard Codification Topic 350, "*Intangibles – Goodwill and Other*," annually or more frequently if an event occurs or circumstances change in the interim that would more likely than not reduce the fair value of the asset below its carrying amount. Goodwill is considered to be impaired when the net book value of the reporting unit exceeds its estimated fair value.

The Company assigned its goodwill to reporting units and tests each reporting unit's goodwill for impairment at least on an annual basis, or more frequently if an event occurs or circumstances change in the interim that indicate the carrying amount of reporting unit goodwill exceeds the implied fair value of that goodwill. The Company identified its reporting units based on the way it manages its operating segments. Prior to December 30, 2022, the Company had three reporting units: a residential reporting unit in the Trex Residential reportable segment, and a commercial railing reporting unit and a staging reporting unit in the Trex Commercial reportable segment. Subsequent to the sale of Trex Commercial on December 30, 2022, the Company has one reporting unit in the Trex Residential reportable segment. Each reporting unit constitutes a business with discrete financial information and operating segment management, at a level below the Company's chief operating decision maker, regularly reviews the operating results of the reporting unit. The Company assigned goodwill to the reporting units based on the excess of the fair values acquired over the fair value of the sum of the individual assets acquired and liabilities assumed that were assigned to the reporting units.

In testing for goodwill impairment, the Company first assesses qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, including goodwill. If the qualitative assessment indicates that the carrying amount of the reporting unit exceeds its fair value, including goodwill, the Company is then required to perform a quantitative goodwill impairment test. The quantitative goodwill impairment test, used to identify both the existence of impairment and the amount of impairment loss, compares the fair value of a reporting unit with its carrying amount, including goodwill. The fair value of a reporting unit refers to the price that would be received to sell the unit as a whole in an orderly transaction between market participants at the measurement date. If the carrying amount of a reporting unit exceeds its fair value, an impairment loss is recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit.

The Company measures fair value of the reporting units based on a combination of the Income Approach (i.e., the Discounted Cash Flow Method) and a Market Approach. The Discounted Cash Flow Method is a multiple period discounting model in which the fair value of the reporting units are determined by discounting the projected free cash flows using an appropriate discount rate and indicates the fair value of the reporting units based on the present value of the cash flows that the reporting unit is expected to generate in the future. Significant assumptions in the Discounted Cash Flow Method include: the weighted average cost of capital (or discount rate); residual growth rate; future cash flow projections; and working capital effects. The Market Approach uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities or a group of assets and liabilities, such as a business. Significant estimates in the Market Approach model may include identifying appropriate market multiples and assessing earnings before interest, income taxes, depreciation, and amortization (EBITDA) in estimating the fair value of the reporting units. The use of different assumptions, estimates or judgements, including estimated future cash flows and the discount rate used to discount estimated cash flows to their net present value, could materially increase or decrease the fair value of the reporting unit and impact our assessment of any goodwill impairment charges. Also, if different conditions exist in future periods, future impairment charges could result.

The Company performs the annual impairment testing of its goodwill as of October 31 of each year. For fiscal years 2023, 2022 and 2021, the Company completed its annual impairment test of goodwill for its Trex Residential reporting segment residential reporting unit utilizing the qualitative assessment and concluded it was not more likely than not that the fair value of the residential reporting unit was less than its carrying amount. Qualitative factors the Company considered include events and circumstances such as macroeconomic conditions, industry and market considerations, cost factors, overall financial performance, and other relevant Company-specific events, as applicable.

For fiscal year 2021, the Company determined that it was necessary to perform the goodwill impairment test for its Trex Commercial reportable segment railing and staging reporting units utilizing the quantitative assessment. The Company performed a quantitative assessment primarily due to a reduction in project commitments, which adversely impacted project backlog and forecasted net sales and EBITDA. The reduction in project commitments was influenced by a continued delay in new projects due to lingering uncertainty created in the commercial railing and staging markets by the COVID-19 virus. The delay in new projects, coupled with the Company's successful fulfillment of its pre-pandemic projects, resulted in lower project backlog, and reduced forecasted net sales and EBITDA, which became apparent in the fourth quarter of 2021. As a result, the Company recognized an impairment charge at its commercial railing reporting unit and at its staging reporting unit of $42.5 million and $11.8 million, respectively, which was the amount by which the carrying amount of the respective reporting unit exceeded its fair value. The Company also considered the income tax effects from any tax-deductible goodwill on the carrying amount of the reporting unit when measuring the goodwill impairment loss. On December 30, 2022, the Company sold its Trex Commercial reportable segment. As such, there were no impairment considerations for Trex Commercial as of December 31, 2022 or December 31, 2023.

The Company uses assumptions that are consistent with those it believes a market participant would use. However, the use of different events and circumstances or different assumptions, estimates or judgements, including estimated future cash flows, and the discount rate used to discount estimated cash flows to their net present value and the residual growth rate, could materially increase or decrease the fair value of the reporting unit and impact our assessment of any goodwill impairment charge.

Product Warranty

The Company warrants that for the applicable warranty period its Trex Residential 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 expected future claims experience. 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.

Treasury Stock

The Company records the repurchase of shares of its common stock at cost. These shares are considered treasury stock, which is a reduction to stockholders' equity. Treasury stock is included in authorized and issued shares but excluded from outstanding shares.

Revenue Recognition

Trex Residential Products. Trex Residential principally generates revenue from the manufacture and sale of its high-performance, low-maintenance, eco-friendly composite decking and railing products and accessories. Substantially all of its revenues are from contracts with customers, which are individual customer purchase orders of short-term duration of less than one year. Trex Residential 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 Residential 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 and 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 these Consolidated Financial Statements.

Trex Commercial Products. Trex Commercial generated revenue from the manufacture and sale of its modular and architectural railing and staging systems. All of its revenues were from fixed-price contracts with customers. Trex Commercial contracts had a single performance obligation as the promise to transfer the individual goods or services was not separately identifiable from other promises in the contract and was, therefore, not distinct. On December 30, 2022, the Company sold substantially all of the assets of its wholly-owned subsidiary and reportable segment Trex Commercial.

Trex Commercial satisfied its performance obligation over time as work progressed because control transferred continuously to its customers. Revenue and estimated profit were recognized over time based on the proportion of actual costs incurred to date relative to total estimated costs at completion to measure progress toward satisfying the performance obligation. Incurred costs represent work performed, which corresponds with, and thereby best depicts, the transfer of control to the customer. Incurred costs included all direct material, labor, subcontract and certain indirect costs. The Company reviewed and updated its estimates regularly and recognized adjustments in estimated profit on contracts under the cumulative catch-up method. Under this method, the impact of the adjustment on revenue and estimated profit to date on a contract is recognized in the period the adjustment is identified. If at any time the estimate of contract profitability indicated an anticipated loss on the contract, the Company recognized the total loss in the period it was identified. During the year ended December 31, 2022, no adjustment to any one contract was material to the Company's Consolidated Financial Statements and no material impairment loss on any contract was recorded.

Insurance Proceeds

The Company maintains insurance coverage for losses it may incur from identifiable insurable events resulting in facility repairs, incremental direct costs to serve its customers and losses in operating income from the loss in net sales. The Company recognizes a gain in the amount of any related insurance proceeds received in excess of any losses incurred. The gain on insurance proceeds is presented in a separate line item in the Consolidated Statements of Comprehensive Income. During the year ended December 31, 2021, the Company recognized gains on insurance proceeds of $8.7 million primarily related to the fire at its Virginia Facility.

Stock-Based Compensation

The Company measures stock-based compensation at the grant date of the award based on the fair value. For stock options, stock appreciation rights and time-based restricted stock and time-based restricted stock units, stock-based compensation is recognized on a straight-line basis over the vesting periods of the award. The Company recognizes forfeitures as they occur. 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 probable to be paid out based on the achievement of predetermined performance measures. Stock-based compensation expense is included in "Selling, general and administrative expenses" in the accompanying Consolidated Statements of Comprehensive Income.

Income Taxes

The Company recognizes deferred tax assets and liabilities based on the difference between the financial statement basis and tax basis of assets and liabilities using enacted tax laws and statutory tax rates. The Company assesses the likelihood that its deferred tax assets will be realized. Deferred tax assets are reduced by a valuation allowance when, after considering all available positive and negative evidence, it is determined that it is more likely than not that some portion, or all, of the deferred tax asset will not be realized. As of December 31, 2023, the Company has a valuation allowance of $3.3 million against these deferred tax assets related to certain state tax credits. The Company analyzes its position in subsequent reporting periods, considering all available positive and negative evidence, in determining the expected realization of its deferred tax assets.

Research and Development Costs

Research and development costs are expensed as incurred. For the years ended December 31, 2023, 2022, and 2021, research and development costs were $3.3 million, $0.5 million, and $6.0 million, respectively, and have been included in "Selling, general and administrative expenses" in the accompanying Consolidated Statements of Comprehensive Income.

Advertising Costs

The Company expenses its branding and advertising communication costs as incurred. Production costs are deferred and recognized as expense in the period that the related advertisement is first used. At December 31, 2023 and December 31, 2022, $1.8 million and $1.6 million was included in prepaid expenses for production costs, respectively.

For the years ended December 31, 2023, 2022, and 2021, branding expenses, including advertising expenses as described above, were $48.8 million, $43.3 million, and $30.7 million, respectively.

Fair Value of 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 and other current liabilities, and debt to approximate the fair value of the respective assets and liabilities on the Consolidated Balance Sheets at December 31, 2023 and 2022.

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’s 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 measure of a segment’s 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 year 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 expect adoption of the guidance to have a material effect on its consolidated results of operations and financial position.

3. SALE OF TREX COMMERCIAL PRODUCTS, INC.

On December 30, 2022, the Company completed the sale of substantially all of the assets of its wholly-owned subsidiary and reportable segment, Trex Commercial, for net proceeds of $7.3 million. The divestiture reflected the Company’s decision to focus on driving the most profitable growth strategy for the Company and its shareholders through the execution of its outdoor living strategy. With the sale complete, the Company has dedicated its resources to accelerating conversion to composites from wood and further strengthen its leadership position in the outdoor living category. The sale resulted in a loss on sale of $15.4 million and is reported in the Consolidated Statements of Comprehensive Income. The divestiture did not represent a strategic shift with a major effect on the Company’s operations and financial results and, therefore, was not reported as a discontinued operation. As such, the results of operations of Trex Commercial are consolidated in the Company’s results of operations for the years ended December 31, 2022, and December 31, 2021. Refer to Note 17, Segment Information, for additional information on the Trex Commercial segment.

4. INVENTORIES

Inventories at LIFO value consist of the following as of December 31 (in thousands):

	2023	2022
Finished goods	$ 88,840	$107,114
Raw materials	51,688	69,292
Total FIFO inventories	140,528	176,406
Reserve to adjust inventories to LIFO value	(33,439)	(35,051)
Total LIFO inventories	$107,089	$141,355

Inventory related to Trex Residential composite decking and railing products is stated at the lower of LIFO cost or market. The Company periodically reviews its inventory for slow moving or obsolete items and writes down the related products to estimated market.

Under the LIFO method, reductions in inventory cause a portion of the Company's cost of sales to be based on historical costs rather than current year costs. During the year ended December 31, 2023, the Company had a liquidation of inventories produced in the prior year ended December 31, 2022. As a result, a portion of the Company's cost of sales is based on prior year costs rather than on current year costs. However, the prior year cost of inventory closely approximates the current year cost of inventory and the resulting effect of the liquidation of inventories on the Company's cost of sales was immaterial in the year ended December 31, 2023,.

5. PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses and other assets consist of the following as of December 31 (in thousands):

	2023	2022
Prepaid expenses	$11,830	$ 10,787
Income tax receivable	9,611	23,979
Other	629	339
Total prepaid expenses and other assets	$22,070	$ 35,105

6. GOODWILL AND OTHER INTANGIBLE ASSETS, NET

The carrying amount of goodwill at December 31, 2023, and December 31, 2022, was $14.2 million for Trex Residential. For fiscal years 2023, 2022 and 2021, the Company completed its annual impairment test of goodwill for its residential reporting unit in Trex Residential utilizing the qualitative assessment and concluded it was not more likely than not that the fair value of the residential reporting unit was less than its carrying amount.

For fiscal year 2021, the Company elected to perform the impairment test of goodwill for its commercial railing reporting unit and its staging reporting unit utilizing the quantitative assessment. The Company performed a quantitative assessment primarily due to a reduction in project commitments, which adversely impacted project backlog and forecasted net sales and EBITDA. The reduction in project commitments was influenced by a continued delay in new projects due to lingering uncertainty created in the commercial railing and staging markets by the COVID-19 virus. The delay in new projects, coupled with the Company's successful fulfillment of its pre-pandemic projects, resulted in lower project backlog, and reduced forecasted net sales and EBITDA, which became apparent in the fourth quarter of 2021. In performing the quantitative assessment, the Company employed a combination of the Income Approach (i.e., Discounted Cash Flow Method) and the Market Approach. The Discounted Cash Flow Method is a multiple period discounting model in which the fair values of the reporting units are determined by discounting the projected free cash flows using an appropriate discount rate. The Market Approach uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities or a group of assets and liabilities, such as a business. Using these methodologies resulted in the recognition of an impairment loss of the total amount of goodwill of $42.5 million and $11.8 million at its commercial railing and staging reporting units, respectively. The impairment loss was the amount by which the carrying amount exceeded the fair value of each reporting unit, not to exceed the amount of goodwill of each reporting unit. The Company also considered the income tax effects from any tax-deductible goodwill on the carrying amount of the reporting unit when measuring the goodwill impairment loss. On December 30, 2022, the Company sold Trex Commercial. As such, there were no impairment considerations for Trex Commercial as of December 31, 2022, or December 31, 2023.

Level 3 inputs used to determine the fair value of each reporting unit include management's future cash flow projections, a weighted average cost of capital and a residual growth rate. The cash flows used to determine fair value are dependent on a number of significant management assumptions, such as expectations of future performance and the expected future economic environment, which are partly based on historical experience. Differences between actual and expected results may be material and dependent on future actions and plans. The discount rate and the residual growth rate are based on management's judgment of the rates that would be utilized by a hypothetical market participant. The use of different assumptions, estimates or judgments, including the estimated future cash flows, the discount rate used to discount estimated cash flows to their net present value, and the residual growth rate, could materially increase or decrease the fair value of the reporting unit and, accordingly, could materially increase or decrease related impairment charges.

The Company's intangible assets, purchased in 2018, consist of domain names for Trex Residential. At December 31, 2023, and December 31, 2022, intangible assets were $6.3 million and accumulated amortization was $2.4 million and $1.9 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 year ended December 31, 2023, December 31, 2022, and December 31, 2021, was $0.4 million, $0.4 million, and $0.4 million, respectively.

7. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following as of December 31 (in thousands):

	2023	2022
Machinery and equipment	$ 545,037	$ 529,975
Building and improvements	145,821	120,116
Forklifts and tractors	24,646	24,516
Computer equipment	18,497	16,182
Furniture and fixtures	9,489	6,180
Construction in process	247,659	161,035
Land	29,143	24,886
Total property, plant and equipment	1,020,292	882,890
Accumulated depreciation	(310,890)	(292,998)
Total property, plant and equipment, net	$ 709,402	$ 589,892

The Company had construction in process as of December 31, 2023, of approximately $248 million. The Company expects that substantially all of the above noted construction in process will be completed and put into service during or before the year ending December 31, 2026.

Depreciation expense for the years ended December 31, 2023, 2022, and 2021, was $49.8 million, $43.9 million, and $35.5 million, respectively.

8. ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses and other liabilities consist of the following as of December 31 (in thousands):

	2023	2022
Sales and marketing	$ 15,496	$ 19,194
Compensation and benefits	25,859	8,646
Operating lease liabilities	7,663	7,488
Manufacturing costs	3,382	3,425
Other	4,334	5,311
Total accrued expenses and other liabilities	$ 56,734	$ 44,064

9. DEBT

Revolving Credit Facility

Indebtedness Prior to December 22, 2022. On May 18, 2022, the Company, as borrower; Trex Commercial, as guarantor; BOA, as a Lender, Administrative Agent, Swing Line Lender and L/C Issuer; Wells Fargo, as lender and Syndication Agent; Regions Bank, PNC Bank, National Association (PNC), and TD Bank, N.A. (TD) (each, a Lender and collectively, the Lenders), arranged by BofA Securities, Inc. as Sole Lead Arranger and Sole Bookrunner, entered into a Credit Agreement (Credit Agreement) 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.

The Credit Agreement provides the Company, in the aggregate, the ability to borrow an amount up to the Loan Limit during the Term. The Company is not obligated to borrow any amount under the Loan Limit. Within the 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 Loans 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.

The Company and BofA Securities, as a sustainability coordinator, are entitled to establish specified key performance indicators (KPIs) with respect to certain environmental, social and governance targets of the Company and its subsidiaries. The sustainability coordinator and the Company may amend the Credit Agreement for the purpose of incorporating the KPIs and other related provisions, unless the Lenders object to such amendment on or prior to the date that is ten business days after the date on which such amendment is posted for review by the Lenders. Based on the performance of the Company and its subsidiaries against the KPIs, certain adjustments (increase, decrease or no adjustment) to otherwise applicable pricing will be made; provided that the amount of such adjustments shall not exceed certain aggregate caps as in the definitive loan documentation.

Under the terms of the Security and Pledge Agreement, the Company and Trex Commercial, 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 to BOA, as Administrative Agent for the Lenders, 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).

Indebtedness On and After December 22, 2022. As of December 22, 2022, the Company entered into a First Amendment to the Credit Agreement (First Amendment) by and among the Company, as borrower, the guarantors party thereto; BOA as a Lender, Administrative Agent, Swing Line Lender and L/C Issuer; TD as lender and Syndication Agent; Regions Bank, PNC, and Wells Fargo (each, a Lender and collectively, the Lenders), arranged by BofA Securities, Inc. as Sole Lead Arranger and Sole Bookrunner, amending that certain Credit Agreement dated as of May 18, 2022, by and among the Company, as borrower, the guarantors party thereto, BOA, as a Lender, Administrative Agent, Swing Line Lender and L/C Issuer and the other lenders identified therein (as so amended, the “Credit Agreement”). The First Amendment removes Trex Commercial as a guarantor to any and all indebtedness under the Credit Agreement. 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 would serve as Syndication Agent.

As of 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 Credit Agreement continues to include sublimits under the Revolving A Loan 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 under Revolving A Loan are for the purpose of raising working capital and supporting general business operations.

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. With respect to Revolving B Loans, 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 between1.20% 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%.

The Company had $5.5 million in borrowings outstanding under its revolving credit facility and available borrowing capacity of $544.5 million at December 31, 2023. The weighted average interest rate on the revolving credit facility was 6.25% as of December 31, 2023.

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 December 31, 2023. 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

For the years ended December 31, 2023, and December 31, 2022, total operating lease cost was $8.0 million and $8.4 million, respectively. The weighted average remaining lease term at December 31, 2023 and December 31, 2022 was 4.4 years and 5.2 years, respectively. The weighted average discount rate at December 31, 2023 and December 31, 2022 was 2.32% and 2.10%, respectively.

The following table includes supplemental cash flow information for the years ended December 31, 2023, December 31, 2022, and December 31, 2021 and supplemental balance sheet information at December 31, 2023 and December 31, 2022 related to operating leases (in thousands):

Supplemental Cash Flow Information	For the Year Ended December 31, 2023	2022	2021
Cash paid for amounts included in the measurement of operating lease liabilities	$8,176	$8,688	$8,280
Operating ROU assets obtained in exchange for lease liabilities	$2,559	$8,064	$7,295

Supplemental Balance Sheet Information	December 31, 2023	December 31, 2022
Operating lease ROU assets	$ 26,233	$ 30,991
Operating lease liabilities:		
Accrued expenses and other current liabilities	$ 7,663	$ 7,488
Operating lease liabilities	18,840	23,974
Total operating lease liabilities	$ 26,503	$ 31,462

The following table summarizes maturities of operating lease liabilities at December 31, 2023 (in thousands):

Maturities of operating lease liabilities	
2024	$ 7,763
2025	5,749
2026	4,891
2027	4,486
2028	3,948
Thereafter	933
Total lease payments	$27,770
Less imputed interest	(1,267)
Total operating liabilities	$26,503

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 and other current liabilities, and debt to approximate the fair value of the respective assets and liabilities on the Consolidated Balance Sheets at December 31, 2023 and 2022.

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):

	Year Ended December 31,		
	2023	2022	2021
Numerator:			
Net income	$ 205,384	$ 184,626	$ 208,737
Denominator:			
Basic weighted average shares outstanding	108,680,459	111,710,676	115,461,016
Effect of dilutive securities:			
Stock appreciation rights	71,406	94,859	180,875
Restricted stock	57,538	74,953	120,952
Diluted weighted average shares outstanding	108,809,403	111,880,488	115,762,843
Basic earnings per share	$ 1.89	$ 1.65	$ 1.81
Diluted earnings per share	$ 1.89	$ 1.65	$ 1.80

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:

	Year Ended December 31,		
	2023	2022	2021
Restricted stock	52,323	48,851	6,296
Stock appreciation rights	93,163	52,107	12,602

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). During 2023, the Company did not repurchase shares of its outstanding common stock under the 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. The Company repurchased 264,896 shares of its outstanding common stock under the 2023 Stock Repurchase Program during 2023.

13. REVENUE FROM CONTRACTS WITH CUSTOMERS

Topic 606 provides a single, comprehensive model for revenue recognition arising from contracts with customers. A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account in Topic 606. A contract's transaction price is allocated to each distinct performance obligation and revenue is recognized when or as the Company satisfies the performance obligation. Revenue is recognized at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring control of the goods or services to a customer.

Trex Residential Products

Trex Residential principally generates revenue from the manufacture and sale of its high-performance, low-maintenance, eco-friendly wood-alternative composite decking and residential 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. Trex Residential 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 Residential 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 and 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 Consolidated Financial Statements.

For each product shipped, the transaction price by product is specified in the purchase order. The Company recognizes revenue on the transaction price less any amount offered under a sales incentive program. The Company recognizes an account receivable for the amount of revenue recognized as it has an unconditional right to consideration at the time of shipment and payment from the customer is due based solely on the passage of time. The Company receives payments from its customers based on the payment terms applicable to each individual contract and the customer pays in accordance with the billing terms specified in the purchase order, which is less than one year. The related accounts receivables are included in "Accounts receivable, net" in the Consolidated Balance Sheets.

Trex Residential may offer various sales incentive programs throughout the year. It estimates the amount of sales incentive to allocate to each performance obligation, or product shipped, based on direct sales to the customer. The estimate is updated each reporting period and any changes are allocated to the performance obligations on the same basis as at inception. Changes in estimate allocated to a previously satisfied performance obligation are recognized as a reduction of revenue in the period in which the change occurs under the cumulative catch-up method. In addition to sales incentive programs, Trex Residential may offer payment discounts. It estimates the payment discount that it believes will be taken by the customer based on prior history using the most-likely-amount method of estimation.

Trex Residential pays commissions to certain employees. However, the sales commissions are not directly attributable to identifiable contracts, are discretionary in nature and are based on other factors not related to obtaining a contract, such as individual performance, profitability of the entity, annual sales targets, etc. These costs are included in selling, general and administrative expenses as incurred. Trex Residential does not grant contractual product return rights to customers other than pursuant to its assurance product warranty (see related disclosure on product warranties in Note 18, "Commitments and Contingencies". Trex Residential accounts for all shipping and handling fees invoiced to the customer in net sales and the related costs in cost of sales.

Trex Commercial Products

On December 30, 2022, the Company completed the sale of its wholly-owned subsidiary and reportable segment, Trex Commercial. Prior to December 30, 2022, Trex Commercial generated revenue from the manufacture and sale of its modular and architectural railing and staging systems. All of its revenues were from fixed-price contracts with customers. Trex Commercial contracts had a single performance obligation as the promise to transfer the individual goods or services was not separately identifiable from other promises in the contract and was, therefore, not distinct.

Trex Commercial satisfied its performance obligation over time as work progressed because control transferred continuously to its customers. Revenue and estimated profit was recognized over time based on the proportion of actual costs incurred to date relative to total estimated costs at completion to measure progress toward satisfying the performance obligation. Incurred costs represent work performed, which corresponds with, and thereby best depicts, the transfer of control to the customer. Incurred costs included all direct material, labor, subcontract and certain indirect costs. The Company reviewed and updated its estimates regularly and recognized adjustments in estimated profit on contracts under the cumulative catch-up method. Under this method, the impact of the adjustment on revenue and estimated profit to date on a contract is recognized in the period the adjustment is identified. Revenues and profits in future periods are recognized using the adjusted estimate. If at any time the estimate of contract profitability indicated an anticipated loss on the contract, the Company recognized the total loss in the period it is identified. During the year ended December 31, 2022, no adjustment to any one contract was material to the Company's Consolidated Financial Statements.

The Company recognized an account receivable for satisfied performance obligations as it had an unconditional right to consideration and payment from the customer was due based solely on the passage of time. The Company received payments from its customers on the accounts receivable based on the payment terms applicable to each individual contract and the customer paid in less than one year.

In addition, the timing of revenue recognition, billings and cash collections resulted in revenues in excess of billings and contract retainage (contract assets), and billings in excess of revenues and customer deposits (contract liabilities). These assets and liabilities were reported on a contract-by-contract basis at the end of each reporting period in prepaid expenses and other assets (contract assets) and accrued expenses and other liabilities (contract liabilities).

Trex Commercial paid sales commissions that were directly attributable to identifiable contracts to certain of its employees. If the amortization period of the commission was one year or less, then the Company recognized the commission expense as incurred. Otherwise, the Company capitalized the commission and amortized it on a straight-line basis over the life of the contract. Trex Commercial did not grant contractual product return rights to customers other than pursuant to its assurance product warranty. All shipping and handling fees invoiced to the customer were included in net sales and the related costs were included in cost of sales.

For each year in the three years ended December 31, 2023, net sales are disaggregated in the following tables by (1) market (2) timing of revenue recognition, and (3) type of contract. The tables also include a reconciliation of the respective disaggregated net sales with the Company's reportable segments (in thousands):

Year Ended December 31, 2023	*Trex Residential*	*Total*
Timing of Revenue Recognition and Type of Contract		
Products transferred at a point in time and variable consideration contracts	$ 1,094,837	$ 1,094,837
	$ 1,094,837	$ 1,094,837

Year Ended December 31, 2022	Reportable Segment		
	Trex Residential	*Trex Commercial*	*Total*
Timing of Revenue Recognition and Type of Contract			
Products transferred at a point in time and variable consideration contracts	$1,059,536	$ —	$1,059,536
Products transferred over time and fixed price contracts	—	46,507	46,507
	$1,059,536	$ 46,507	$1,106,043

Year Ended December 31, 2021	Reportable Segment		
	Trex Residential	*Trex Commercial*	*Total*
Timing of Revenue Recognition and Type of Contract			
Products transferred at a point in time and variable consideration contracts	$1,139,266	$ —	$1,139,266
Products transferred over time and fixed price contracts	—	57,686	57,686
	$1,139,266	$ 57,686	$1,196,952

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 aggregate number of shares of common stock that may be granted under the Plan is 4,000,000 shares. As of December 31, 2023, the total number of shares of available for future grants was 3,979,521.

The Company recognizes stock-based compensation expense ratably over the period from 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 probable 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. The following table summarizes the Company's stock-based compensation expense (in thousands):

	Year Ended December 31,		
	2023	2022	2021
Time-based restricted stock and restricted stock units	$ 3,897	$3,783	$2,892
Performance-based restricted stock and restricted stock units	4,836	540	4,681
Stock appreciation rights	908	792	485
Employee stock purchase plan	523	214	381
Total stock-based compensation	$10,164	$5,329	$8,439

Stock-based compensation expense is included in "Selling, general and administrative expenses" in the accompanying Consolidated Statements of Comprehensive Income.

Time-Based Restricted Stock and Time-Based Restricted Stock Units

The fair value of time-based restricted stock and time-based restricted stock units is determined based on the closing price of Trex shares on the grant date. Time-based restricted stock and time-based restricted stock units vest based on the terms of the awards. Unvested time-based restricted stock and unvested time-based restricted stock units are generally forfeitable upon the resignation of employment or termination of employment with cause. The total fair value of vested time-based restricted shares and vested time-based restricted stock units for the years ended December 31, 2023, 2022, and 2021 was $4.7 million, $3.7 million, and $8.2 million, respectively. At December 31, 2023, there was $5.0 million of total compensation expense related to unvested time-based restricted stock and unvested time-based restricted stock units remaining to be recognized over a weighted-average period of approximately 1.7 years.

Time-based restricted stock and restricted stock unit activity under the Plan and all predecessor stock incentive plans is as follows:

	Time-based Restricted Stock and Restricted Stock Unit	Weighted-Average Grant Price Per Share
Nonvested at December 31, 2020	160,722	$ 35.68
Granted	33,703	$ 100.50
Vested	(78,081)	$ 37.81
Forfeited	(4,798)	$ 66.00
Nonvested at December 31, 2021	111,546	$ 52.91
Granted	57,094	$ 75.06
Vested	(56,719)	$ 58.13
Forfeited	(1,286)	$ 86.84
Nonvested at December 31, 2022	110,635	$ 61.28
Granted	97,177	$ 58.50
Vested	(81,080)	$ 56.52
Forfeited	(10,228)	$ 66.19
Nonvested at December 31, 2023	116,504	$ 65.00

Performance-based Restricted Stock and Performance-Based Restricted Stock Units

The fair value of performance-based restricted stock and performance-based restricted stock units is determined based on the closing price of Trex shares on the grant date. Unvested performance-based restricted stock and unvested performance-based restricted stock units are generally forfeitable upon the resignation of employment or termination of employment with cause. The performance-based restricted shares and performance-based restricted stock units have a three-year vesting period, vesting one-third each year based on target earnings before interest, taxes, depreciation, and amortization (EBITDA) for 1 year, cumulative 2 years and cumulative 3 years, respectively. The number of shares that will vest, with respect to each vesting, will be between 0% and 200% of the target number of shares. At December 31, 2023, 2022, and 2021 there was $4.3 million, $0.3 million, $2.8 million, respectively, of total compensation expense related to unvested performance-based restricted stock and unvested performance-based restricted stock units remaining to be recognized over a weighted-average period of approximately one year.

Performance-based restricted stock activity under the Plan is as follows:

	Performance-based Restricted Stock and Performance-based Restricted Stock Units	Weighted-Average Grant Price Per Share
Nonvested at December 31, 2020	72,570	$ 43.42
Granted	36,522	$ 86.26
Vested	(45,051)	$ 39.41
Forfeited	(6,273)	$ 65.30
Nonvested at December 31, 2021	57,768	$ 71.21
Granted	72,152	$ 76.14
Vested	(57,875)	$ 64.43
Forfeited	(562)	$ 82.95
Nonvested at December 31, 2022	71,483	$ 81.57
Granted	96,103	$ 56.79
Vested	(30,038)	$ 66.26
Forfeited	(28,163)	$ 74.39
Nonvested at December 31, 2023	109,385	$ 65.92

Stock Appreciation Rights

SARs are granted with a grant price equal to the closing market price of the Company's common stock on the date of grant. These awards expire ten years after the date of grant and vest based on the terms of the individual awards. The SARs are generally forfeitable upon the resignation of employment or termination of employment with cause. The Company recognizes forfeitures as they occur. The Company recognizes compensation cost on a straight-line basis over the vesting period for the award.

As of December 31, 2023, there was $2.3 million of unrecognized compensation cost related to SARs. The fair value of each SAR is estimated on the date of grant using a Black-Scholes option-pricing model. For SARs issued in the years ended December 31, 2023, December 31, 2022, and December 31, 2021, respectively, the assumptions shown in the following table were used:

	Year Ended December 31,		
	2023	2022	2021
Dividend yield	0%	0%	0%
Average risk-free interest rate	4.0%	1.9%	0.6%
Expected term (years)	5	5	5
Expected volatility	49.5%	44.9%	58.7%

Dividend Yield. Trex has never paid cash dividends on its common stock.

Average Risk-Free Interest Rate. The Company uses the U.S. Treasury rate having a term that most closely resembles the expected term of the option.

Expected Term. The expected term is the period of time that the SARs granted are expected to remain unexercised. SARs granted during the years ended December 31, 2023, December 31, 2022, and December 31, 2021, had a maximum term of ten years. The Company used historical exercise behavior with further consideration given to the class of employees to whom the equity awards were granted to estimate the expected term of the SAR.

Expected Volatility. Volatility is a measure of the amount by which a financial variable such as a share price has fluctuated (historical volatility) or is expected to fluctuate (expected volatility) during a period. The Company has used the historical volatility over the average expected term of the options granted as the expected volatility.

The weighted-average grant date fair value of SARs granted during the years ended December 31, 2023, December 31, 2022, and December 31, 2021 was $27.19, $33.90, and $51.84, respectively.

SAR activity under the Plan and all predecessor stock incentive plans is as follows:

	SARs	Weighted-Average Grant Price Per Share	Weighted-Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value as of December 31, 2021
Outstanding at December 31, 2020	293,276	$ 22.15		
Granted	15,029	$ 104.56		
Exercised	(102,562)	$ 9.45		
Canceled	(4,745)	$ 61.66		
Outstanding at December 31, 2021	200,998	$ 33.86		
Granted	32,971	$ 82.01		
Exercised	—	$ —		
Canceled	—	$ —		
Outstanding at December 31, 2022	233,969	$ 40.64		
Granted	51,916	$ 56.80		
Exercised	(53,036)	$ 11.95		
Canceled	(12,969)	$ 75.25		
Outstanding at December 31, 2023	219,880	$ 49.34	6.3	$ 6,393,512
Vested at December 31, 2023	150,657	$ 41.54	5.0	$ 6,378,706
Exercisable at December 31, 2023	150,657	$ 41.54	5.0	$ 6,378,706

Employee Stock Purchase Plan

The Company has an employee stock purchase plan (ESPP) that permits eligible employees to purchase shares of common stock of the Company at a purchase price which is the lesser of 85% of the market price on either the first day of the calendar quarter or the last day of the calendar quarter. Eligible employees may elect to participate in the plan by authorizing payroll deductions of up to 15% of gross compensation for each payroll period. On the last day of each quarter, each participant's contribution account is used to purchase the maximum number of whole shares of common stock determined by dividing the contribution account balance by the purchase price. The aggregate number of shares of common stock that may be purchased under the plan is 2,400,000. Through December 31, 2023, employees had purchased approximately 1,897,771 shares under the plan.

15. EMPLOYEE BENEFIT PLANS

At December 31, 2023 the Company has a 401(k) Profit Sharing Plan for the benefit of its employees who meet certain eligibility requirements and it matches qualifying employee contributions. The Company's contributions to the plans totaled $6.8 million, $8.1 million, and $6.6 million, for the years ended December 31, 2023, 2022, and 2021, respectively.

16. INCOME TAXES

Income tax provision (benefit) consists of the following (in thousands):

	Year Ended December 31,		
	2023	2022	2021
Current income tax provision:			
Federal	$52,634	$28,830	$30,450
State	13,996	9,126	15,192
	66,600	37,956	45,642
Deferred income tax provision:			
Federal	2,869	20,000	21,607
State	1,346	4,256	(595)
	4,215	24,256	21,012
Total income tax provision	$70,815	$62,212	$66,654

The Company's effective tax rate for the year ended December 31, 2023, was 25.6% and was comparable to the effective tax rate for the year ended December 31, 2022, of 25.2%, which resulted in income tax expense of $70.8 million and $62.2 million, respectively.

The income tax provision differs from the amount of income tax determined by applying the U.S. Federal statutory rate to income before taxes as a result of the following (in thousands):

	Year Ended December 31,		
	2023	2022	2021
U.S. Federal statutory taxes	$58,002	$51,836	$57,832
State and local taxes, net of U.S. Federal benefit	12,296	10,608	12,174
Permanent items	1,320	(208)	1,208
Excess tax benefits from vesting or settlement of stock compensation awards	(656)	(11)	(2,868)
Federal credits	(755)	(598)	(686)
Other	608	585	(1,006)
Total income tax provision	$70,815	$62,212	$66,654

Deferred tax assets and liabilities consist of the following (in thousands):

	As of December 31, 2023	2022
Deferred tax assets:		
Operating lease liability	6,886	7,941
Product and surface flaking warranty reserves	5,645	6,469
State tax credit carryforwards	4,250	4,084
Deferred revenue	4,215	2,921
Tax Cut and Jobs Act capitalization of research and development costs	3,956	2,152
Stock-based compensation	2,361	1,146
Inventories	639	2,965
Accruals not currently deductible and other	—	373
Net Operating Losses	—	132
Gross deferred tax assets, before valuation allowance	27,952	28,183
Valuation allowance	(3,307)	(3,026)
Gross deferred tax assets, after valuation allowance	24,645	25,157
Deferred tax liabilities:		
Depreciation	(74,794)	(74,604)
Inventories	(10,627)	(6,749)
Operating lease right-of-use asset	(6,677)	(7,687)
Goodwill amortization	(3,536)	(2,879)
Other	(1,450)	(1,462)
Gross deferred tax liabilities	(97,084)	(93,381)
Net deferred tax liability	$(72,439)	$(68,224)

The Company recognizes deferred tax assets and liabilities based on the difference between the financial statement basis and tax basis of assets and liabilities using enacted tax laws and statutory tax rates. In accordance with accounting standards, the Company assesses the likelihood that its deferred tax assets will be realized. Deferred tax assets are reduced by a valuation allowance when, after considering all available positive and negative evidence, it is determined that it is more likely than not that some portion, or all, of the deferred tax asset will not be realized, primarily certain state income tax credits. As of December 31, 2023, the Company had a valuation allowance of $3.3 million against deferred tax assets it estimates will not be realized. The Company will analyze its position in subsequent reporting periods, considering all available positive and negative evidence, in determining the expected realization of its deferred tax assets.

The Company recognizes interest and penalties related to tax matters as a component of "Selling, general and administrative expenses" in the accompanying Consolidated Statements of Comprehensive Income. As of December 31, 2023, the Company has identified no uncertain tax position and, accordingly, has not recorded any unrecognized tax benefits or associated interest and penalties.

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 has accrued a liability when it believes that it is not more likely than not that it will realize the benefits of tax positions that it has taken or for the amount of any tax benefit that exceeds the cumulative probability threshold in accordance with accounting standards. As of December 31, 2023, for certain tax jurisdictions, tax years 2019 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 jurisdictions as the Company does not have a taxable presence.

Table of Contents

17. SEGMENT INFORMATION

Through December 30, 2022, the Company operated in two reportable segments. On December 30, 2022, the Company completed the sale of its wholly-owned subsidiary and reportable segment, Trex Commercial. Subsequent to the sale of Trex Commercial, the Company operates in one reportable segment, Trex Residential.

- Trex Residential manufactures composite decking and railing and related products marketed under the brand name Trex®. The products are sold to its distributors and two national retailers who, in turn, sell primarily to the residential market, which includes replacement, remodeling and new construction related to outdoor living products.
- Trex Commercial designed, engineered, and marketed modular and architectural railing and staging systems for the commercial and multi-family market, including sports stadiums and performing arts venues. The segment's products were sold through architects, specifiers, contractors, and others doing business within the segment's commercial market. On December 30, 2022, the Company completed the sale of Trex Commercial. Refer to Note 3 to these consolidated financial statements for additional information on the sale of Trex Commercial.

The Company's reportable segments are determined in accordance with its internal management structure, which, through December 30, 2022, was based on residential and commercial operations. The Company evaluates performance of each segment primarily based on net sales and earnings before interest, taxes, depreciation, and amortization (EBITDA). The Company uses net sales to assess performance and allocate resources as this measure represents the amount of business the segment engaged in during a given period of time, is an indicator of market growth and acceptance of segment products and represents the segment's customers' spending habits along with the amount of product the segment sells relative to its competitors. The Company uses EBITDA to assess performance and allocate resources because it believes that EBITDA facilitates performance comparison between the segments by eliminating interest, taxes, and depreciation and amortization charges to income.

Segment Data (in thousands):

	Net Sales	Net Income (Loss) (1)	EBITDA	Depreciation and Amortization	Income Tax Expense / (Benefit)	Capital Expenditures	Total Assets
December 31, 2023							
Trex Residential	$1,094,837	$ 205,384	$326,393	$ 50,189	$ 70,815	$ 166,089	$ 932,885
Consolidated	$1,094,837	$ 205,384	$326,393	$ 50,189	$ 70,815	$ 166,089	$ 932,885
December 31, 2022							
Trex Residential	$1,059,536	$ 200,876	$311,259	$ 43,173	$ 67,313	$ 175,904	$ 933,705
Trex Commercial	46,507	(16,250)	(20,226)	1,125	(5,101)	324	—
Consolidated	$1,106,043	$ 184,626	$291,033	$ 44,298	$ 62,212	$ 176,228	$ 933,705
December 31, 2021							
Trex Residential	$1,139,266	$ 247,059	$361,485	$ 34,941	$ 79,500	$ 157,568	$ 881,225
Trex Commercial	57,686	(38,322)	(50,163)	1,005	(12,846)	1,826	39,096
Consolidated	$1,196,952	$ 208,737	$311,322	$ 35,946	$ 66,654	$ 159,394	$ 920,321

(1) For the year ended December 31, 2022, consolidated net income and net loss at Trex Commercial includes a loss on sale of Trex Commercial on December 30, 2022, of $15.4 million. For the year ended December 31, 2021, consolidated net income and net loss at Trex Commercial includes a goodwill impairment charge of $54.2 million.

Reconciliation of Net Income (Loss) to EBITDA (in thousands):

	Net Income / (Loss)	Interest Expense / (Income), Net	Income Tax Expense / (Benefit)	Depreciation and Amortization	EBITDA
December 31, 2023					
Trex Residential	$ 205,384	$ 5	$ 70,815	$ 50,189	$326,393
Consolidated	$ 205,384	$ 5	$ 70,815	$ 50,189	$326,393
December 31, 2022					
Trex Residential	$ 200,876	$ (103)	$ 67,313	$ 43,173	$311,259
Trex Commercial	(16,250)	—	(5,101)	1,125	(20,226)
Consolidated	$ 184,626	$ (103)	$ 62,212	$ 44,298	$291,033
December 31, 2021					
Trex Residential	$ 247,059	$ (15)	$ 79,500	$ 34,941	$361,485
Trex Commercial	(38,322)	—	(12,846)	1,005	(50,163)
Consolidated	$ 208,737	$ (15)	$ 66,654	$ 35,946	$311,322

18. SEASONALITY

The operating results for Trex Residential have historically varied from quarter to quarter. Seasonal, erratic, or prolonged adverse weather conditions 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 Residential 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.

19. COMMITMENTS AND CONTINGENCIES

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.

Purchase Commitments

The Company fulfills requirements for raw materials under both purchase orders and supply contracts. In the year ended December 31, 2023, the Company purchased reclaimed wood fiber requirements under purchase orders and long-term supply commitments not exceeding four years. All of the Company's scrap polyethylene, aluminum and stainless-steel purchases are under short-term supply contracts that may average approximately one year, for which pricing is negotiated as needed, or under purchase orders that do not involve long-term supply commitments.

The wood and polyethylene supply contracts generally provide that the Company is obligated to purchase all wood or polyethylene a supplier provides, if the wood or polyethylene meets certain specifications. The amount of wood and polyethylene the Company is required to purchase under these contracts varies with the production of its suppliers and, accordingly, is not fixed or determinable. As of December 31, 2023, the Company has purchase commitments under material supply contracts of $42.6 million for the year ending December 31, 2024, and a total of $60 million for the years ending December 31, 2025 through 2027.

Product Warranty

The Company warrants that for the applicable warranty period its Trex Residential 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 future claims experience. 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.

Trex Residential 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.

Average cost per claim experienced in the year ended December 31, 2023, was lower than that experienced in the year ended December 31, 2022, which was elevated due to the closure of three large claims, and lower than the Company's expectations for 2023. The number of incoming claims received in the year ended December 31, 2023, was lower than the number of claims received in the year ended December 31, 2022, and lower than the Company's expectations for 2023. After evaluating the declining trend in incoming claims in its actuarial analysis, the Company decreased the estimate of the number of future claims to be settled with payment. As a result of the decrease in estimated future claims, in the three-month period ended September 30, 2023, the Company recorded a reduction of $3.8 million to its warranty reserve for the future settlement of surface flaking claims. The Company believes the reserve at December 31, 2023 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 $1.0 million change in the surface flaking warranty reserve.

The following is a reconciliation of the Trex Residential product warranty and surface flaking reserves (in thousands):

	Year Ended December 31, 2023		
	Product Warranty	Surface Flaking	Total
Beginning balance, January 1	$ 9,694	$15,905	$25,599
Provisions and changes in estimates	7,308	(3,800)	3,508
Settlements made during the period	(4,936)	(1,993)	(6,929)
Ending balance, December 31	$12,066	$10,112	$22,178

	Year Ended December 31, 2022		
	Product Warranty	Surface Flaking	Total
Beginning balance, January 1	$10,053	$18,542	$28,595
Provisions and changes in estimates	1,914	—	1,914
Settlements made during the period	(2,273)	(2,637)	(4,910)
Ending balance, December 31	$ 9,694	$15,905	$25,599

Trex Residential Arkansas Manufacturing Facility

In October 2021, the Company announced plans to add a third U.S.-based Trex Residential manufacturing facility located in Little Rock, Arkansas, that will sit on approximately 300 acres of land. The development approach for the new campus will be modular and calibrated to demand trends for Trex Residential 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. The Company anticipates spending approximately $450 million on the facility and the budget for the design-build agreement is contained within this amount. Construction for the new facility will be funded primarily through the Company's ongoing cash generation or its line of credit.

TREX COMPANY, INC.

SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

(In thousands)

Descriptions	Balance at Beginning of Period	Additions Charged to Cost and Expenses	Deductions	Balance at End of Period
Year ended December 31, 2023:				
Trex Residential product warranty reserve	$ 25,599	$ 3,508	$ (6,929)	$22,178
Income tax valuation allowance	$ 3,026	$ 281	$ —	$ 3,307
Year ended December 31, 2022:				
Trex Residential product warranty reserve	$ 28,595	$ 1,914	$ (4,910)	$25,599
Income tax valuation allowance	$ 2,232	$ 794	$ —	$ 3,026
Year ended December 31, 2021:				
Trex Residential product warranty reserve	$ 29,473	$ 3,846	$ (4,724)	$28,595
Income tax valuation allowance	$ 2,775	$ —	$ (543)	$ 2,232

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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: February 26, 2024

By: /S/ BRYAN H. FAIRBANKS
Bryan H. Fairbanks
President and Chief Executive Officer
(Duly Authorized Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed as of February 26, 2024 by the following persons on behalf of the registrant and in the capacities indicated.

Signature	Title
/S/ BRYAN H. FAIRBANKS **Bryan H. Fairbanks**	President and Chief Executive Officer (Principal Executive Officer); Director
/S/ BRENDA K. LOVCIK **Brenda K. Lovcik**	Senior Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)
/S/ JAMES E. CLINE **James E. Cline**	Chairman
/S/ RONALD W. KAPLAN **Ronald W. Kaplan**	Vice Chairman
/S/ JAY M. GRATZ **Jay M. Gratz**	Director
/S/ KRISTINE L. JUSTER **Kristine L. Juster**	Director
/S/ GENA C. LOVETT **Gena C. Lovett**	Director
/S/ MELKEYA MCDUFFIE **Melkeya McDuffie**	Director
/S/ PATRICIA B. ROBINSON **Patricia B. Robinson**	Director
/S/ GERALD VOLAS **Gerald Volas**	Director

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.				
4.1	Specimen certificate representing the Company's common stock.	S-1/A	4.1	March 24, 1999	333-63287
4.2	First Amendment to Credit Agreement dated as of December 22, 2022 to the Credit Agreement dated May 18, 2022 by and among the Company, as borrower; the guarantors party thereto; Bank of America, N.A. (BOA), as a Lender, Administrative Agent, Swing Line Lender and L/C Issuer; TD Bank, N.A. as lender and Syndication Agent; Regions Bank, PNC Bank, National Association, and Wells Fargo Bank, National Association (each, a Lender and collectively, the Lenders), arranged by BofA Securities, Inc. as Sole Lead Arranger and Sole Bookrunner.	8-K	4.1	December 23, 2022	001-14649
4.3	Credit Agreement dated as of May 18, 2022 between the Company, as borrower; Trex Commercial Products, Inc., as guarantor, Bank of America, N.A., as a Lender, Administrative Agent, Swing Line Lender and L/C Issuer; Wells Fargo Bank, National Association, as lender and Syndication Agent, Regions Bank, PNC Bank, National Association, and TD Bank, N.A., arranged by BofA Securities, Inc. as Sole Lead Arranger and Sole Bookrunner.	8-K	4.1	May 20, 2022	001-14649
4.4	Note dated May 18, 2022 payable by the Company to Bank of America, N.A. in the amount of the lesser of $180,000,000 or the outstanding revolver advances made by Bank of America, N.A.	8-K	4.2	May 20, 2022	001-14649
4.5	Note dated May 18, 2022 payable by the Company to Wells Fargo Bank, National Association in the amount of the lesser of $120,000,000 or the outstanding revolver advances made by Wells Fargo Bank, N.A.	8-K	4.3	May 20, 2022	001-14649
4.6	Note dated May 18, 2022 payable by the Company to Regions Bank in the amount of the lesser of $40,000,000 or the outstanding revolver advances made by Regions Bank.	8-K	4.4	May 20, 2022	001-14649
4.7	Note dated May 18, 2022 payable by the Company to PNC Bank, National Association in the amount of the lesser of $30,000,000 or the outstanding revolver advances made by PNC Bank, National Association.	8-K	4.5	May 20, 2022	001-14649
4.8	Note dated May 18, 2022 payable by the Company to TD Bank, N.A. in the amount of the lesser of $30,000,000 or the outstanding revolver advances made by TD Bank, N.A.	8-K	4.6	May 20, 2022	001-14649
4.9	Security and Pledge Agreement dated as of May 18, 2022 between the Company, as debtor, Trex Commercial Products, Inc., as additional obligor; and Bank of America, N.A. as Administrative Agent (including Notices of Grant of Security Interest in Copyrights and Trademarks).	8-K	4.7	May 20, 2022	001-14649

Exhibit Number	Description	Incorporated by reference Form	Exhibit	Filing Date	File No.
4.10	Fourth Amended and Restated Credit Agreement dated as of November 5, 2019 between the Company, as borrower; Trex Commercial Products, Inc., as guarantor, Bank of America, N.A., as a Lender, Administrative Agent, Swing Line Lender and L/C Issuer; and certain other lenders including Wells Fargo Bank, N.A., who is also Syndication Agent, SunTrust Bank, and Branch Banking and Trust Company arranged by BofA Securities, Inc. as Sole Lead Arranger and Sole Bookrunner.	8-K	4.1	November 6, 2019	001-14649
4.11	First Amendment to the Credit Agreement by and among Trex Company, Inc. as borrower; Trex Commercial Products, Inc. as guarantor; Bank of America, N.A. as a Lender, Administrative Agent, Swing Line Lender and L/C Issuer; and certain other lenders including Wells Fargo Bank, N.A., who is also Syndication Agent; Truist Bank; and Regions Bank, arranged by BofA Securities, Inc. as Sole Lead Arranger and Sole Bookrunner dated May 26, 2020.	8-K	4.1	May 28, 2020	001-14649
4.12	Fourth Amended and Restated Credit Agreement between the Company, as borrower; Trex Commercial Products, Inc., as guarantor, Bank of America, N.A., as a Lender, Administrative Agent, Swing Line Lender and L/C Issuer; and certain other lenders including Wells Fargo Bank, N.A., who is also Syndication Agent, Truist Bank; and Regions Bank, arranged by BofA Securities, Inc. as Sole Lead Arranger and Sole Bookrunner, dated May 26, 2020.	8-K	4.2	May 28, 2020	001-14649
4.13	Note dated November 5, 2019 payable by the Company to Bank of America, N.A. in the amount of the lesser of $125,000,000 or the outstanding revolver advances made by Bank of America, N.A.	8-K	4.2	November 6, 2019	001-14649
4.14	Note dated November 5, 2019 payable by the Company to Wells Fargo Bank, N.A. in the amount of the lesser of $70,000,000 or the outstanding revolver advances made by Wells Fargo Bank, N.A.	8-K	4.3	November 6, 2019	001-14649
4.15	Note dated November 5, 2019 payable by the Company to SunTrust Bank in the amount of the lesser of $30,000,000 or the outstanding revolver advances made by SunTrust Bank.	8-K	4.4	November 6, 2019	001-14649
4.16	Note dated November 5, 2019 payable by the Company to Branch Banking and Trust Company in the amount of the lesser of $25,000,000 or the outstanding revolver advances made by Branch Banking and Trust Company.	8-K	4.5	November 6, 2019	001-14649
4.17	Note dated May 26, 2020 payable by the Company to Regions Bank.	8-K	4.6	May 28, 2020	001-14649
4.18	Fourth Amended and Restated Security and Pledge Agreement dated as of November 5, 2019 between the Company, as debtor, Trex Commercial Products, Inc., as additional obligor; and Bank of America, N.A. as Administrative Agent (including Notices of Grant of Security Interest in Copyrights and Trademarks).	8-K	4.6	November 6, 2019	001-14649

Exhibit Number	Description	Incorporated by reference Form	Exhibit	Filing Date	File No.
4.19	Description of Securities registered pursuant to Section 12 of the Securities Exchange Act of 1934.	10-K	4.19	February 22, 2021	001-14649
10.1**	Trex Company, Inc. 2023 Stock Incentive Plan.	10-Q	10.1	May 8, 2023	001-14649
10.2**	Trex Company, Inc. Amended and Restated 1999 Incentive Plan for Outside Directors as amended on July 26, 2023.	10-Q	10.2	July 31, 2023	001-14649
10.3**	Form of Trex Company, Inc. 2023 Stock Incentive Plan Stock Appreciation Rights Agreement.	10-Q	10.3	July 31, 2023	001-14649
10.4**	Form of Trex Company, Inc. 2023 Stock Incentive Plan Time-Based Restricted Stock Unit Agreement.	10-Q	10.4	July 31, 2023	001-14649
10.5**	Form of Trex Company, Inc. 2023 Stock Incentive Plan Performance-Based Restricted Stock Unit Agreement.	10-Q	10.5	July 31, 2023	001-14649
10.6**	Form of Trex Company, Inc. Amended and Restated 1999 Incentive Plan for Outside Directors Restricted Stock Unit Agreement.	10-Q	10.6	July 31, 2023	001-14649
10.7**	Amended and Restated Severance Agreement dated July 31, 2023 by and between Trex Company, Inc. and Bryan H. Fairbanks.	10-Q	10.7	July 31, 2023	001-14649
10.8**	Form of Severance Agreement between Trex Company, Inc. and Officers other than the Chief Executive Officer.	10-Q	10.8	July 31, 2023	001-14649
10.9	AIA document A141 – 2014 Agreement dated July 7, 2022 by and between Trex Company, Inc. and Gray Construction, Inc.	8-K	10.1	July 12, 2022	001-14649
10.10	Form of Indemnity Agreement for Directors.	10-K	10.19	March 12, 2009	001-14649
10.11	Form of Indemnity Agreement for Officers.	10-K	10.20	March 12, 2009	001-14649
10.12	Form of Indemnity Agreement for Director/Officers.	10-K	10.21	March 12, 2009	001.14649
10.13	Form of Distributor Agreement of Trex Company, Inc.	10-K	10.23	March 12, 2009	001-14649
10.14	Form of Trex Company, Inc. Fencing Agreement for Installers/Retailers.	10-Q	10.4	November 9, 2006	001-14649
10.15	Asset Purchase Agreement dated as of December 30, 2022 by and between Trex Commercial Products, Inc., Trex Company, Inc. and Sightline Commercial Solutions, LLC.	8-K	10.1	December 30, 2022	001-14649

Table of Contents

Exhibit Number	Description	Incorporated by reference Form	Exhibit	Filing Date	File No.
19.1*	Insider Trading Policy				
21*	Subsidiaries of the Company.				
23*	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm.				
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).				
97.1*	Recovery of Compensation for Accounting Restatements Policy				
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 Document.				
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document.				
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document.				
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document.				
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document.				
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.
** Management contract or compensatory plan or agreement.
*** Furnished herewith.

TREX COMPANY, INC.

**AMENDED AND RESTATED
BY-LAWS**

ARTICLE I
OFFICES

Section 1. Registered Office. The registered office of the Corporation in the State of Delaware is 2711 Centerville Road, Suite 400, Wilmington, Delaware 19808, located in the county of New Castle. The name of its registered agent at such address is Corporation Service Company.

Section 2. Other Offices. The Corporation may also have offices at such other places both within and without the State of Delaware as the Board of Directors may from time to time determine or the business of the Corporation may require.

ARTICLE II
STOCKHOLDERS MEETINGS

Section 1. Places of Meetings. All meetings of stockholders shall be held at such place or places in or outside of the State of Delaware as shall be designated from time to time by the Board of Directors and stated in the notice of meeting or waiver of notice thereof, subject to any provisions of the laws of the State of Delaware. The Board of Directors may, in its sole discretion, determine that a meeting shall not be held at any place, but shall instead be held solely by means of remote communication in accordance with Section 211(a) of the General Corporation Law of the State of Delaware, as amended (the "DGCL").

Section 2. Annual Meetings. Unless otherwise determined from time to time by the Board of Directors, the annual meeting of stockholders shall be held each year for the election of directors and the transaction of such other business as may properly come before the meeting at such date and time as may be designated by the Board of Directors. Written notice of the time and place of the annual meeting shall be given by mail to each stockholder entitled to vote at such meeting, at the stockholder's address as it appears on the records of the Corporation, not less than ten (10) nor more than sixty (60) days prior to the scheduled date thereof. An affidavit of the secretary or an assistant secretary of the Corporation or of the transfer agent or other agent of the Corporation that notice has been given shall, in the absence of fraud, be prima facie evidence of the facts stated therein. The Board of Directors may postpone, reschedule or cancel any annual meeting of stockholders previously scheduled by the Board of Directors. For purposes of these By-laws the term "Whole Board" shall mean the total number of authorized directors whether or not there exist any vacancies or unfilled seats in previously authorized directorships.

Section 3. Special Meetings. A special meeting of the stockholders of the Corporation may be called at any time by the Chairman of the Board or by the Board of Directors pursuant to a resolution adopted by a majority of the total number of directors which the Corporation would have if there were no vacancies, but such special meeting may not be called by any other person or persons. Written notice of the date, time, place and specific purpose or purposes for which such meeting is called shall be given by mail to each stockholder entitled to vote thereat at such stockholder's address as it appears on the records of the Corporation not less than ten (10) nor more than sixty (60) days prior to the scheduled date thereof. Business transacted at any special meeting of stockholders shall be limited to the purposes stated in the notice.

Section 4. Voting and Proxies.

(a) At all meetings of stockholders, each stockholder entitled to vote on the record date as determined under these By-Laws or, if not so determined, as prescribed under the laws of the State of Delaware, shall be entitled to one vote for each share of stock standing on record in such stockholder's name, subject to any voting powers, restrictions or qualifications set forth in the Restated Certificate of Incorporation of the Corporation or any amendment thereto (the "Restated Certificate of Incorporation").

(b) Any stockholder directly or indirectly soliciting proxies from other stockholders must use a proxy card color other than white, which shall be reserved for the exclusive use by the Board of Directors.

Section 5. Quorum; Voting. At any stockholders meeting, a majority of the voting power of the shares of stock outstanding and entitled to vote thereat, present in person or by proxy, shall constitute a quorum, but a smaller interest may adjourn any meeting from time to time, and the meeting may be held as adjourned without further notice, subject to such limitations as may be imposed under the laws of the State of Delaware. When a quorum is present at any meeting, the affirmative vote of the holders of a majority of the voting power of the shares of stock entitled to vote thereon, present in person or by proxy, shall decide any question brought before such meeting unless such question is one upon which a different vote is required by express provision of the Restated Certificate of Incorporation, these By-Laws, the rules or regulations of the New York Stock Exchange, Inc. or any law or other rule or regulation applicable to the Corporation, in which case such express provision shall govern.

Section 6. Inspectors of Election; Opening and Closing the Polls. The Board of Directors may, by resolution, appoint one or more inspectors, which inspector or inspectors may include individuals who serve the Corporation in other capacities, including, without limitation, as officers, employees, agents or representatives of the Corporation, to act at a meeting of stockholders and make a written report thereof. One or more persons may be designated as alternative inspectors to replace any inspector who fails to act. If no inspector or alternate has been appointed to act, or if all inspectors or alternates who have been appointed are unable to act at a meeting of stockholders, the chairman of the meeting shall appoint one or more inspectors to act at the meeting. Each inspector, before discharging his or her duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his or her ability. The inspectors shall have the duties prescribed by the General Corporation Law of the State of Delaware.

The chairman of the meeting shall fix and announce at the meeting the date and time of the opening and the closing of the polls for each matter upon which the stockholders will vote at the meeting.

Section 7. List of Stockholders. No later than the tenth day before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order and showing the address and the number of shares registered in the name of each stockholder, shall be prepared by the Secretary or the transfer agent in charge of the stock ledger of the Corporation. Such list shall be open for examination by any stockholder for a period of at least ten (10) days ending on the day before the meeting date as required by the laws of the State of Delaware. The stock ledger shall be the only evidence as to who are the stockholders entitled to examine such list or the books of the Corporation or to vote in person or by proxy at such meeting.

Section 8. Written Consent in Lieu of Meeting. Except as otherwise provided for or fixed pursuant to the provisions of the Restated Certificate of Incorporation relating to the rights of the holders of any series of preferred stock, no action that is required or permitted to be taken by the stockholders of the Corporation at any annual or special meeting of stockholders may be effected by written consent of stockholders in lieu of a meeting of stockholders, unless the action to be effected by written consent of the stockholders and the taking of such action by written consent have been expressly approved in advance by the Board of Directors.

Section 9. Conduct of Meetings. The date and time of the opening and the closing of the polls for each matter upon which the stockholders will vote at a meeting shall be announced at the meeting by the person presiding over the meeting. The Board of Directors may, to the extent not prohibited by law, adopt by resolution such rules and regulations for the conduct of the meeting of stockholders as it shall deem appropriate. Except to the extent inconsistent with such rules and regulations as adopted by the Board of Directors, the chairman of any meeting of stockholders shall have the right and authority to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such chairman, are appropriate for the proper conduct of the meeting. Such rules, regulations or procedures, whether adopted by the Board of Directors or prescribed by the chairman of the meeting, may to the extent not prohibited by law include, without limitation, the following: (i) the establishment of an agenda or order of business for the meeting; (ii) rules and procedures for maintaining order at the meeting and the safety of those present; (iii) limitations on attendance at or participation in the meeting to stockholders of record of the Corporation, their duly authorized and constituted proxies or such other persons as the chairman of the meeting shall determine; (iv) restrictions on entry to the meeting after the time fixed for the commencement thereof; and (v) limitations on the time allotted to questions or comments by participants. Unless and to the extent determined by the Board of Directors or the chairman of the meeting, meetings of stockholders shall not be required to be held in accordance with the rules of parliamentary procedure.

Section 10. Notice of Stockholder Business to Be Brought Before a Meeting.

This Section 10 sets forth the advance notice requirements for proposals of business, other than the nomination of directors, to be properly brought before a meeting of stockholders. The advanced notice provisions with respect to nomination of directors are addressed in Section 11 of this Article II below.

(a) At an annual meeting of stockholders, only such business shall be conducted as shall have been properly brought before the meeting. To be properly brought before an annual meeting, business must be (i) specified in the Corporation's notice of meeting (or any supplement thereto), (ii) if not specified in a notice of meeting, otherwise brought before the meeting by or at the direction of the Board of Directors or (iii) otherwise properly brought before the meeting by a stockholder of the Corporation present in person who (A) (1) was a stockholder of record of the Corporation both at the time the notice provided for in this Section 10 is delivered to the Secretary of the Corporation and at the time of the meeting, (2) is entitled to vote at the meeting, and (3) has complied with this Section 10 in all applicable respects or (B) properly made such proposal in accordance with Rule 14a-8 under the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder (as so amended and inclusive of such rules and regulations, the "Exchange Act").

The foregoing sub clause (iii) of paragraph (a) of this Section 10 shall be the exclusive means for a stockholder to propose business to be brought before an annual meeting of the stockholders. The only matters that may be brought before a special meeting are the matters specified in the notice of meeting given by or at the direction of the person calling the meeting pursuant to Section 3 of this Article II, and stockholders shall not be permitted to propose business to be brought before a special meeting of the stockholders.

For purposes of this Section 10, "present in person" shall mean that the stockholder proposing that the business be brought before the annual meeting of the Corporation, or, if the proposing stockholder is not an individual, a qualified representative of such proposing stockholder, appear at such annual meeting. A "qualified representative" of such proposing stockholder shall be, if such proposing stockholder is (i) a general or limited partnership, any general partner or person who functions as a general partner of the general or limited partnership or who controls the general or limited partnership, (ii) a corporation or a limited liability company, any officer or person who functions as an officer of the corporation or limited liability company or any officer, director, general partner or person who functions as an officer, director or general partner of any entity ultimately in control of the corporation or limited liability company or (iii) a trust, any trustee of such trust. Stockholders seeking to nominate persons for election to the Board of Directors must comply with Sections 11 and 12 of this Article II and this Section 10 shall not be applicable to nominations except as expressly provided in Sections 11 and 12 of this Article II.

(b) Without qualification, for business to be properly brought before an annual meeting by a stockholder pursuant to clause (iii) of paragraph (a) of this Section 10, the stockholder must (i) have given Timely Notice (as defined below) thereof in writing and in proper form to the Secretary of the Corporation ("Secretary"), and (ii) provide any updates or supplements to such notice at the times and in the forms required by this Section 10, and (iii) such other business must otherwise be a proper matter for stockholder action. To be timely, a stockholder's notice must be delivered to the Secretary, or mailed and received, at the principal executive offices of the Corporation not later than 5 p.m. Eastern Time on the ninetieth (90th) day nor earlier than 5 p.m. Eastern Time on the one hundred twentieth (120th) day prior to the one-year anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is more than thirty (30) days before or more than sixty (60) days after such anniversary date, notice by the stockholder to be timely must be so delivered, or mailed and received, not earlier than 5 p.m. Eastern Time on the one hundred twentieth (120th) day prior to such annual meeting and not later than 5 p.m. Eastern Time on the later of the ninetieth (90th) day prior to such annual meeting or the tenth (10th) date of public disclosure of the date of such meeting is first made by the Corporation (such notice within such time periods, "Timely Notice"). In no event shall an adjournment or postponement of an annual meeting, or the public announcement thereof, commence a new time period (or extend any time period) for the giving of a stockholder's Timely Notice as described above.

(c) To be in proper form for purposes of this Section 10, a stockholder's notice shall set forth:

(1) As to each Proposing Person (as defined below):

(i) the name and address of such Proposing Person (including, if applicable, the name and address that appear on the Corporation's books and records);

(ii) the class or series and number of shares of the Corporation that are, directly or indirectly, owned of record or beneficially owned (within the meaning of Rule 13d-3 under the Exchange Act) by such Proposing Person, except that such Proposing Person shall in all events be deemed to beneficially own any shares of any class or series of the Corporation as to which such Proposing Person has a right to acquire beneficial ownership at any time in the future (the disclosures to be made pursuant to the foregoing clauses (i) and (ii) are referred to as "Stockholder Information");

(iii) the full notional amount of any securities that, directly or indirectly, underlie any "derivative securities" (as such term is defined in Rule 16a-1(c) under the Exchange Act) that constitutes a "call equivalent position" (as such term is defined in Rule 16a-1(b) under the Exchange Act) ("Synthetic Equity Position") and that is, directly or indirectly, held or maintained by such Proposing Person with respect to any shares of any class or series of shares of the Corporation; provided that, for the purposes of the definition of "Synthetic Equity Position," the term "derivative securities" shall also include any security or instrument that would not otherwise constitute a "derivative security" as a result of any feature that would make any conversion, exercise or similar right or privilege of such security or instrument becoming determinable only at some future date or upon the happening of a future occurrence, in which case the determination of the amount of securities into which such security or instrument would be convertible or exercisable shall be made assuming that such security or instrument is immediately convertible or exercisable at the time of such determination; and, provided, further, that any Proposing Person satisfying the requirements of Rule 13d-1(b)(1) under the Exchange Act (other than a Proposing Person that so satisfies Rule 13d-1(b)(1) under the Exchange Act solely by reason of Rule 13d-1(b)(1)(ii)(E)) shall not be deemed to hold or maintain the notional amount of any securities that underlie a Synthetic Equity Position held by such Proposing Person as a hedge with respect to a bona fide derivatives trade or position of such Proposing Person arising in the ordinary course of such Proposing Person's business as a derivatives dealer;

(iv) any pending or threatened legal proceeding in which such Proposing Person is a party or material participant involving the Corporation or any of its officers or directors, or any affiliate of the Corporation;

(v) any other relationship between such Proposing Person, on the one hand, and the Corporation, any affiliate of the Corporation or any principal competitor of the Corporation, on the other hand;

(vi) any direct or indirect interest in any contract or agreement of such Proposing Person with the Corporation, any affiliate of the Corporation or any principal competitor of the Corporation (including, in any such case, any employment agreement, collective bargaining agreement or consulting agreement);

(vii) a representation whether the Proposing Person intends, or is part of a group which intends (A) to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the Corporation's outstanding stock required to approve or adopt the proposal or (B) otherwise to solicit proxies from stockholders in support of such proposal; and

(viii) any other information relating to such Proposing Person that would be required to be disclosed in a proxy statement or other filing required to be made in connection with solicitations of proxies or consents by such Proposing Person in support of the business proposed to be brought before the meeting pursuant to Section 14(a) of the Exchange Act (the disclosures to be made pursuant to the foregoing clauses (i) through (viii) are referred to as "**Disclosable Interests**"); provided, however, that Disclosable Interests shall not include any such disclosures with respect to the ordinary course business activities of any broker, dealer, commercial bank, trust company or other nominee who is a Proposing Person solely as a result of being the stockholder directed to prepare and submit the notice required by these Bylaws on behalf of a beneficial owner.

(2) As to each item of business that the stockholder proposes to bring before the annual meeting:

(i) a brief description of the business desired to be brought before the annual meeting, the reasons for conducting such business at the annual meeting and any material interest in such business of each Proposing Person;

(ii) the text of the proposal or business (including the text of any resolutions proposed for consideration and in the event such business includes a proposal to amend the Bylaws, the language of the proposed amendment);

(iii) a reasonably detailed description of all agreements, arrangements and understandings (x) between or among any of the Proposing Persons or (y) between or among any Proposing Person and any other record or beneficial holder(s) or persons(s) who have a right to acquire beneficial ownership at any time in the future of the shares of any class or series of the Corporation or any other person or entity (including their names) in connection with the proposal of such business by such stockholder; and

(iv) any other information relating to such item of business that would be required to be disclosed in a proxy statement or other filing required to be made in connection with solicitations of proxies in support of the business proposed to be brought before the meeting pursuant to Section 14(a) of the Exchange Act; provided, however, that the disclosures required by this paragraph (2) shall not include any disclosures with respect to any broker, dealer, commercial bank, trust company or other nominee who is a Proposing Person solely as a result of being the stockholder directed to prepare and submit the notice required by these Bylaws on behalf of a beneficial owner.

For purposes of this Section 10, the term “Proposing Person” shall mean (i) the stockholder providing the notice of business proposed to be brought before an annual meeting, (ii) the beneficial owner or beneficial owners, if different, on whose behalf the notice of the business proposed to be brought before the annual meeting is made, and (iii) any participant (as defined in paragraphs (a)(ii)-(vi) of Instruction 3 to Item 4 of Schedule 14A) with such stockholder in such solicitation or affiliate or associate (within the meaning of Rule 12b-2 under the Exchange Act for purposes of these Bylaws) of such stockholder or beneficial owner.

(d) A Proposing Person shall update and supplement its notice to the Corporation of its intent to propose business at an annual meeting, if necessary, so that the information provided or required to be provided in such notice pursuant to this Section 10 shall be true and correct as of the record date for notice of the meeting and as of the date that is ten (10) business days prior to the meeting or any adjournment or postponement thereof, and such update and supplement shall be delivered to, or mailed and received by, the Secretary at the principal executive offices of the Corporation not later than five (5) business days after the record date for notice of the meeting (in the case of the update and supplement required to be made as of such record date), and not later than eight (8) business days prior to the date for the meeting or, if practicable, any adjournment or postponement thereof (and, if not practicable, on the first practicable date prior to the date to which the meeting has been adjourned or postponed) (in the case of the update and supplement required to be made as of ten (10) business days prior to the meeting or any adjournment or postponement thereof). For the avoidance of doubt, the obligation to update and supplement as set forth in this Section 10 or any other Section of these Bylaws shall not limit the Corporation's rights with respect to any deficiencies in any notice provided by a stockholder, extend any applicable deadlines hereunder or enable or be deemed to permit a stockholder who has previously submitted notice hereunder to amend or update any proposal or to submit any new proposal, including by changing or adding matters, business or resolutions proposed to be brought before a meeting of the stockholders.

(e) Notwithstanding anything in these Bylaws to the contrary, no business shall be conducted at an annual meeting that is not properly brought before the meeting in accordance with this Section 10. The presiding officer of the meeting shall, if the facts warrant, determine that the business was not properly brought before the meeting in accordance with this Section 10, and if he or she should so determine, he or she shall so declare to the meeting and any such business not properly brought before the meeting shall not be transacted.

(f) This Section 10 is expressly intended to apply to any business proposed to be brought before an annual meeting of stockholders other than any proposal made in accordance with Rule 14a-8 under the Exchange Act and included in the Corporation's proxy statement. In addition to the requirements of this Section 10 with respect to any business proposed to be brought before an annual meeting, each Proposing Person shall comply with all applicable requirements of the Exchange Act with respect to any such business. Nothing in this Section 10 shall be deemed to affect the rights of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act.

(g) For the avoidance of doubt, and notwithstanding any other provision of these Bylaws, the Corporation may, in its sole discretion, solicit against, and include in the proxy statement its own statements or other information relating to, any stockholder proposal or Proposing Person, including any information provided to the Corporation with respect to the foregoing notice to the Corporation.

Section 11. Notice of Nominations for Election of Directors to the Board of Directors.

(a) Nominations of any person for election to the Board of Directors at an annual meeting or at a special meeting (but only if the election of directors is a matter specified in the notice of meeting given by or at the direction of the person calling such special meeting) may be made at such meeting only (i) by or at the direction of the Board of Directors, including by any committee or persons authorized to do so by the Board of Directors or these Bylaws, or (ii) by a stockholder present in person (A) who was a record owner of shares of the Corporation both at the time of giving the notice provided for in this Section 11 and at the time of the meeting, (B) is entitled to vote at the meeting, and (C) has complied with this Section 11 and Section 12 of this Article II as to such notice and nomination.

For purposes of this Section 11, "present in person" shall mean that the stockholder nominating any person for election to the Board of Directors at the meeting of the Corporation, or, if the proposing stockholder is not an individual, a qualified representative of such stockholder, appear at such meeting.

The foregoing clause (a)(ii) of this Section 11 shall be the exclusive means for a stockholder to make any nomination of a person or persons for election to the Board of Directors at an annual meeting or special meeting.

(b)

(1) Without qualification, for a stockholder to make any nomination of a person or persons for election to the Board of Directors at an annual meeting, the stockholder must (A) provide Timely Notice (as defined in Section 10 of this Article II) thereof in writing and in proper form to the Secretary, (B) provide the information, agreements and questionnaires with respect to such stockholder and its candidate for nomination as required to be set forth by this Section 11 and Section 12 of this Article II and (C) provide any updates or supplements to such notice at the times and in the forms required by this Section 11 and Section 12 of this Article II.

(2) In no event shall any adjournment or postponement of an annual meeting or special meeting or the announcement thereof commence a new time period for the giving of a stockholder's notice as described above.

(3) In no event may a Nominating Person (as defined below) provide Timely Notice with respect to a greater number of director candidates than are subject to election by stockholders at the applicable meeting. If the Corporation shall, subsequent to such notice, increase the number of directors subject to election at the meeting, such notice as to any additional nominees shall be due on the later of (1) the conclusion of the time period for Timely Notice or (2) the tenth day following the date of public disclosure.

(c) To be in proper form for purposes of this Section 11, a stockholder's notice to the Secretary shall set forth:

(1) As to each Nominating Person (as defined below), the Stockholder Information (as defined in Section 10(c)(1) of this Article II, except that for purposes of this Section 11 the term "Nominating Person" shall be substituted for the term "Proposing Person" in all places it appears in Section 10(c)(1));

(2) As to each Nominating Person, any Disclosable Interests (as defined in Section 10(c)(1)(viii) of this Article II, except that for purposes of this Section 11 the term "Nominating Person" shall be substituted for the term "Proposing Person" in all places it appears in Section 10(c)(1) of this Article II and the disclosure with respect to the business to be brought before the meeting in Section 10(c)(2) of this Article II

shall be made with respect to the election of directors at the meeting); and provided that, in lieu of including the information set forth in Section 10(c)(1)(vii), the Nominating Person's notice for purposes of this Section 11(b) shall include a representation as to whether the Nominating Person or the proposed nominee, intends, or is part of a group which intends, (x) to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the Corporation's outstanding capital stock required to elect such nominee(s), (y) otherwise to solicit proxies from stockholders in support of such proposal or nomination or nominations or (z) to solicit proxies in support of any proposed nominee in accordance with Rule 14a-19 promulgated under the Exchange Act; and

(3) As to each candidate whom a Nominating Person proposes to nominate for election as a director, (A) all information with respect to such candidate for nomination that would be required to be set forth in a stockholder's notice pursuant to this Section 11 and Section 12 of this Article II if such candidate for nomination were a Nominating Person, (B) all information relating to such candidate for nomination that is required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors in an election contest or is otherwise required, in each case pursuant to Regulation 14A under the Exchange Act (including such person's written consent to being named in the proxy statement and accompanying proxy cards as a nominee and to serving as a director if elected); (C) a description of any direct or indirect material interest in any material contract or agreement between or among any Nominating Person, on the one hand, and each candidate for nomination or his or her respective affiliates, associates or any other participants in such solicitation, on the other hand, including, without limitation, all information that would be required to be disclosed pursuant to Item 404 under Regulation S-K if such Nominating Person were the "registrant" for purposes of such rule and the candidate for nomination were a director or executive officer of such registrant (the disclosures to be made pursuant to the foregoing clauses (A) through (C) are referred to as "Nominee Information"), and (D) a completed and signed questionnaire, representation and agreement as provided in Section 12(a) of this Article II.

For purposes of this Section 11, the term "Nominating Person" shall mean (i) the stockholder providing the notice of the nomination proposed to be made at the meeting, (ii) the beneficial owner or beneficial owners, if different, on whose behalf the notice of the nomination proposed to be made at the meeting is made, and (iii) any affiliate or associate of such stockholder or beneficial owner or any other participant in such solicitation.

(d) A stockholder providing notice of any nomination proposed to be made at a meeting shall further update and supplement such notice, if necessary, so that the information provided or required to be provided in such notice pursuant to this Section 11 shall be true and correct as of the record date for notice of the meeting and as of the date that is ten (10) business days prior to the meeting or any adjournment or postponement thereof, and such update and supplement shall be delivered to, or mailed and received by, the Secretary at the principal executive offices of the Corporation not later than five (5) business days after the record date for notice of the meeting (in the case of the update and supplement required to be made as of such record date), and not later than eight (8) business days prior to the date for the meeting or, if practicable, any adjournment or postponement thereof (and, if not practicable, on the first practicable date prior to the date to which the meeting has been adjourned or postponed) (in the case of the update and supplement required to be made as of ten (10) business days prior to the meeting or any adjournment or postponement thereof). For the avoidance of doubt, the obligation to update and supplement as set forth in this Section 11 or any other Section of these Bylaws shall not limit the Corporation's rights with respect to any deficiencies in any notice provided by a stockholder, extend any applicable deadlines hereunder or enable or be deemed to permit a stockholder who has previously submitted notice hereunder to amend or update any nomination or to submit any new nomination.

(e) In addition to the requirements of this Section 11 with respect to any nomination proposed to be made at a meeting, each Nominating Person shall comply with all applicable requirements of the Exchange Act with respect to any such nominations. Notwithstanding the foregoing provisions of this Section 11, unless otherwise required by law, (i) no Nominating Person shall solicit proxies in support of director nominees other than the Corporation's nominees unless such Nominating Person has complied with Rule 14a-19 promulgated under the Exchange Act in connection with the solicitation of such proxies, including the provision to the Corporation of notices required thereunder in a timely manner and (ii) if any Nominating Person (1) provides notice pursuant to Rule 14a-19(b) promulgated under the Exchange Act and (2) subsequently fails to comply with the requirements of Rule 14a-19(a)(2) and Rule 14a-19(a)(3) promulgated under the Exchange Act, including the provision to the Corporation of notices required thereunder in a timely manner, or fails to timely provide reasonable evidence sufficient to satisfy the Corporation that such Nominating Person has met the requirements of Rule 14a-19(a)(3) promulgated under the Exchange Act in accordance with the following sentence, then the Corporation shall disregard any proxies or votes solicited for the Nominating Person's candidates. If any Nominating Person provides notice pursuant to Rule 14a-19(b) promulgated under the Exchange Act, such Nominating Person shall deliver to the Corporation, no later than seven (7) business days prior to the applicable meeting, reasonable evidence that it has met the requirements of Rule 14a-19(a)(3) promulgated under the Exchange Act.

(f) Nothing in this Section 11 of Article II shall limit the Corporation's ability to solicit against and include in its proxy materials its own statements relating to any Nominating Person or stockholder nomination or director nominee.

Section 12. Additional Requirements for Valid Nomination to Serve as Directors.

(a) To be eligible to be a candidate for election as a director of the Corporation at an annual or special meeting, a candidate must be nominated in the manner prescribed in Section 11 of this Article II and the candidate for nomination, whether nominated by the Board of Directors or by a stockholder of record, must have previously delivered (in accordance with the time period prescribed for delivery in a notice to such candidate given by or on behalf of the Board of Directors), to the Secretary at the principal executive offices of the Corporation, (x) a completed written questionnaire (in a form provided by the Corporation) with respect to the background, qualifications, stock ownership and independence of such proposed nominee and such additional information with respect to such proposed nominee as would be required to be provided by the Corporation pursuant to Schedule 14A if such proposed nominee were a participant in the solicitation of proxies by the Corporation in connection with such annual or special meeting, and (y) a written representation and agreement (in form provided by the Corporation) that such candidate for nomination (A) is not and, if elected as a director during his or her term of office, will not become a party to (1) any agreement, arrangement or understanding with, and has not given and will not give any commitment or assurance to, any person or entity as to how such proposed nominee, if elected as a director of the Corporation, will act or vote on any issue or question (a "Voting Commitment") or (2) any Voting Commitment that could limit or interfere with such proposed nominee's ability to comply, if elected as a director of the Corporation, with such proposed nominee's fiduciary duties under applicable law, (B) is not, and will not become a party to, any agreement, arrangement or understanding with any person or entity other than the Corporation with respect to any direct or indirect compensation or reimbursement for service as a director, (C) if elected as a director of the Corporation, will comply with all applicable corporate governance, conflict of interest, confidentiality, stock ownership and trading and other policies and guidelines of the Corporation applicable to directors and in effect during such person's term in office as a director (and, if requested by any candidate for nomination, the Secretary shall provide to such candidate for nomination all such policies and guidelines then in effect), and (D) if elected as director of the Corporation, intends to serve the entire term until the next meeting at which such candidate would face re-election.

(b) The Corporation may require any proposed candidate for nomination as a Director to furnish such other information as it may reasonably require in writing prior to the meeting of stockholders at which such candidate's nomination is to be acted upon in order for the Corporation to determine the eligibility of such candidate for nomination to serve as an independent director of the Corporation.

(c) Nominations of persons for election to the Board of Directors may be made at a special meeting of stockholders at which directors are to be elected pursuant to the Corporation's notice of meeting (i) by or at the direction of the Board of Directors or (ii) provided that the Board of Directors has determined that directors shall be elected at such meeting, by any stockholder of the Corporation who is a stockholder of record at the time the notice provided for in this Section 12 is delivered to the Secretary of the Corporation, who shall be entitled to vote at the meeting and upon such election, and who (i) provides timely notice thereof in writing and in proper form to the Secretary at the principal offices of the Corporation, (ii) provides the information with respect to such stockholder and its candidate for nomination as required by this Section 12 and Section 11 of this Article II and (iii) provides any updates or supplements to such notice at the times and in the forms required by Section 11. To be timely, in the event the Corporation calls a special meeting of stockholders for the purpose of electing one or more directors to the Board of Directors, a stockholder's notice for nominations to be made at such special meeting must be delivered to the Secretary at the principal executive offices of the Corporation not earlier than 5 p.m. Eastern Time on the one hundred twentieth (120th) day prior to such special meeting and not later than 5 p.m. Eastern Time on the later of the ninetieth (90th) day prior to such special meeting, or the tenth (10th) day following the date of public disclosure of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting. In no event shall the public announcement of an adjournment or postponement of a special meeting commence a new time period (or extend any time period) for the giving of a stockholder's notice as described above.

(d) Except as otherwise provided by law, only such persons who are nominated in accordance with the procedures set forth in Section 11 and Section 12 of this Article II shall be eligible to be elected at an annual or special meeting of stockholders of the Corporation to serve as directors. Except as otherwise provided by law or the Restated Certificate of Incorporation, the chairman of the meeting shall have the power and duty to (i) determine whether a nomination brought before the meeting was made, as the case may be, in accordance with the procedures set forth in Section 11 and Section 12 of this Article II and (ii) if any proposed nomination is not in compliance with Section 11 and 12 of this Article II (including whether the stockholder or beneficial owner, if any, on whose behalf the nomination is made solicits (or is part of a group which solicits), or fails to so solicit (as the case may be), proxies in compliance with such stockholder's representation as required by clause (2) of paragraph (c) of Section 11 of this Article II, to declare that such defective nomination shall be disregarded.

(e) Notwithstanding the foregoing provisions of this Section 12, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Section 12. Nothing in this Section 12 shall be deemed to affect any rights (i) of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act or (ii) of the holders of any series of Preferred Stock to elect directors pursuant to any applicable provisions of the Restated Certificate of Incorporation.

ARTICLE III
BOARD OF DIRECTORS

Section 1. Number and Qualification. The authorized number of directors that shall constitute the full Board of Directors of the Corporation shall be fixed from time to time as provided in the Restated Certificate of Incorporation. Directors need not be stockholders of the Corporation, provided, however, that notwithstanding the foregoing, if the Corporation has in effect at any time any Stock Ownership Guidelines applicable to Directors, Directors shall comply with such Guidelines.

Section 2. Powers. The business and affairs of the Corporation shall be carried on by or under the direction of the Board of Directors, which shall have all the powers authorized by the laws of the State of Delaware, subject to such limitations as may be provided by the Restated Certificate of Incorporation or these By-Laws. Except as otherwise expressly provided herein or in the Restated Certificate of Incorporation, the vote of the majority of directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

The Chairman of the Board, when present, shall preside at all meetings of the stockholders and of the Board of Directors.

Section 3. Compensation. The Board of Directors may from time to time by resolution authorize the payment of fees or other compensation to the directors for services as such to the Corporation, including, but not limited to, fees for attendance at all meetings of the Board or of the executive or other committees, and determine the amount of such fees and compensation. Nothing herein contained shall be construed to preclude any director from serving the Corporation in any other capacity and receiving compensation therefor in amounts authorized or otherwise approved from time to time by the Board.

Section 4. Meetings and Quorum. Meetings of the Board of Directors may be held either in or outside of the State of Delaware. At all meetings of the Board, a majority of the then authorized number of directors shall constitute a quorum. If a quorum shall not be present at any meeting of the Board of Directors, the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

The first meeting of the Board of Directors after the election of a new class of directors shall be held immediately after the annual meeting of stockholders and at the same place, and no notice of such meeting shall be necessary to the newly elected directors in order legally to constitute the meeting, provided a quorum shall be present. In the event such meeting is not held at such time and place, the meeting may be held at such time and place as shall be specified in a notice given as hereinafter provided for special meetings of the Board of Directors, or as shall be specified in a written waiver signed by all the directors.

Regular meetings of the Board of Directors may be held without notice at such time and at such place as shall from time to time be determined by the Board. Notice of special meetings shall be given to each director on 24 hours notice to each director, either personally, by mail, telegram, facsimile, personal delivery or similar means. Special meetings may be called by the President or the Chairman of the Board of Directors and shall be called by the President or Secretary in the manner and on the notice set forth above upon the written request of a majority of the total number of directors which the Corporation would have if there were no vacancies.

Notice of any meeting shall state the time and place of such meeting, but need not state the purposes thereof unless otherwise required by the laws of the State of Delaware, the Restated Certificate of Incorporation, these By-Laws or the Board of Directors.

Section 5. Executive Committee. The Board of Directors may designate an Executive Committee to exercise, subject to applicable provisions of law, all the powers of the Board in the management of the business and affairs of the Corporation when the Board is not in session, including without limitation the power to declare dividends and to authorize the issuance of the Corporation's capital stock, and may, by resolution similarly adopted, designate one or more other committees, including such committees specified in Section 6 of this Article III. The Executive Committee shall consist of two or more directors of the Corporation. The Board may designate one or more directors as alternate members of the Executive Committee, who may replace any absent member at any meeting of the Executive Committee. The members of the Executive Committee present at any meeting, whether or not constituting a quorum, may unanimously appoint another member of the Board to act at the meeting in the place of any such absent member. The Executive Committee shall keep written minutes of its proceedings and shall report such proceedings to the Board when required.

A majority of the Executive Committee may determine its action and fix the time and place of its meetings, unless the Board shall otherwise provide. Notice of such meetings shall be given to each member of the Executive Committee in the manner provided for in Section 4 of this Article III. The Board shall have power at any time to fill vacancies in, to change the membership of, or to dissolve the Executive Committee.

Section 6. Other Committees.

(a) The Board may appoint the following standing committees, the members of which shall serve at the pleasure of the Board: a Nominating / Corporate Governance Committee, a Compensation Committee and an Audit Committee. The Board may appoint such other committees among the directors of the Corporation as it deems necessary and appropriate for the proper conduct of the Corporation's business and may appoint such officers, agents or employees of the Corporation to assist the committees of the Board as it deems necessary and appropriate. Meetings of committees may be called by the chairman of the committee on 24 hours notice to each committee member, either personally, by mail, telegram, facsimile or similar means and shall be called by the chairman of the committee in like manner and on like notice on the written request of a committee member. Each committee shall keep regular minutes of its meetings and report the same to the Board of Directors when required.

(b) The Nominating / Corporate Governance Committee shall consist of no fewer than three members of the Board, all of whom shall meet the independence requirements of the New York Stock Exchange. The Nominating / Corporate Governance Committee shall be responsible for proposing to the Board nominees for election as directors and shall possess and may exercise such additional powers and authority as may be delegated to it by the Board from time to time. The Nominating / Corporate Governance Committee shall report its actions to the Board at the next meeting of the Board following such actions. Vacancies in the membership of the Nominating / Corporate Governance Committee shall be filled by the Board of Directors.

(c) The Compensation Committee shall consist of no fewer than three members of the Board. The members of the Compensation Committee shall meet the independence requirements of the New York Stock Exchange and any legal requirements relevant to the proper administration of the Company's executive compensation program, including requirements under the federal securities laws and the Internal Revenue Code of 1986. The Compensation Committee shall be responsible for establishing salaries, bonuses and other compensation for the executive officers of the Corporation and for administering the Corporation's benefit plans, and shall possess and may exercise such additional powers and authority as may be delegated to it by the Board from time to time. The Compensation Committee shall report its actions to the Board at the next meeting of the Board following such actions. Vacancies in the membership of the Compensation Committee shall be filled by the Board of Directors.

(d) The Audit Committee shall consist of no fewer than three members of the Board. The members of the Audit Committee shall meet the independence requirements of the New York Stock Exchange, and any legal requirements relevant to the proper administration of the Company's financial reporting. The Audit Committee shall have general oversight responsibility with respect to the Corporation's financial reporting, shall engage the independent auditors and oversee, evaluate and, where appropriate, replace the independent auditors. Any engagement of the independent auditors by the Audit Committee may be subject to stockholder approval or ratification, as determined by the Board of Directors. The Audit Committee shall review with the independent auditors the scope of their examination and other matters (relating to both audit and non-audit activities), and review generally the internal auditing procedures of the Corporation. In undertaking the foregoing responsibilities, the Audit Committee shall have unrestricted access, if necessary, to personnel of the Corporation and documents and shall be provided with the resources and assistance necessary to discharge its responsibilities, including periodic reports from management assessing the impact of regulation, accounting, and reporting of other significant matters that may affect the Corporation. The Audit Committee shall review the financial reporting and adequacy of internal controls of the Corporation, consult with the internal auditors and certified public accountants, and from time to time, but not less than annually, report to the Board. Vacancies in the membership of the Audit Committee shall be filled by the Board of Directors.

Section 7. Conference Telephone Meetings. Any one or more members of the Board of Directors or any committee thereof may participate in meetings by means of a conference telephone or similar communications equipment and such participation in a meeting shall constitute presence in person at the meeting.

Section 8. Action Without Meetings. Any action required or permitted to be taken at any meeting of the Board of Directors or any committee thereof may be taken by unanimous written consent without a meeting to the extent and in the manner authorized by the laws of the State of Delaware.

ARTICLE IV
OFFICERS

Section 1. Titles and Election. The officers of the Corporation may consist of a Chairman, a Chief Executive Officer, a President, one or more Vice Presidents (who may be designated as corporate Vice Presidents, Senior Vice Presidents, Executive Vice Presidents or Group Vice Presidents), a Secretary, a Treasurer, and such other officers as may be deemed necessary or advisable to carry on the business of the Corporation. Any two or more offices may be held by the same person.

The officers of the Corporation shall be appointed annually by the Board of Directors at the first meeting of the Board held after each annual meeting of the stockholders. If officers are not appointed at such meeting, such appointment shall occur as soon as possible thereafter, or may be left vacant. In addition, the Chief Executive Officer may, from time to time, appoint additional officers at the level of Vice-President or below. The action of the Chief Executive Officer in appointing officers shall be reported to the Board of Directors no later than the next regular meeting of the Board of Directors after it is taken. Each officer shall hold office until a successor shall have been appointed and qualified or until said officer's earlier death, resignation, or removal.

If a director has not been designated as Chairman, or if the designated Chairman is not present at a meeting, the Board of Directors shall elect a Chairman from amongst its members to serve as Chairman of the Board of Directors for such meeting. Notwithstanding the foregoing, if there is a Vice Chairman and/or a Lead Independent Director serving at the time of such meeting, the Vice Chairman or the Lead independent Director, in that order, shall serve as Chairman of the Board of Directors for such meeting. The Chairman shall preside at all meetings of the Board of Directors and shall have such other powers as the Board may determine.

Section 2. Duties. Subject to such extension, limitations, and other provisions as the Board of Directors or these By-Laws may from time to time prescribe or determine, the following officers shall have the following powers and duties:

(a) Chief Executive Officer. The Chief Executive Officer shall have general charge and supervision of the business of the Corporation, shall see that all orders, actions and resolutions of the Board of Directors are carried out, and shall have such other authority and shall perform such other duties as set forth in these By-Laws or, to the extent consistent with the By-Laws, such other authorities and duties as prescribed by the Board.

(b) Authority and Duties of Other Officers. Each officer other than the Chief Executive Officer shall have the authority and shall perform the duties prescribed by the Board of Directors, by the Chief Executive Officer, or by an officer authorized by the Board to prescribe the duties of such officer. Any designation of duties by the Chief Executive Officer or other officer shall be subject to review by the Board of Directors but shall be in full force and effect in the absence of such review.

In the absence or disability of the President, the Vice Presidents in order of seniority may, unless otherwise determined by the Board, exercise the powers and perform the duties pertaining to the office of President, except that if one or more executive Vice Presidents has been elected or appointed, the person holding such office in order of seniority shall exercise the powers and perform the duties of the office of President.

(c) Delegation of Authority. The Board of Directors may at any time delegate the powers and duties of any officer for the time being to any other officer, director or employee.

ARTICLE V
RESIGNATIONS AND VACANCIES

Section 1. Resignations. Any director or officer may resign at any time by giving written notice thereof to the Board of Directors, the President or the Secretary. Any such resignation shall take effect at the time specified therein or, if the time be not specified, upon receipt thereof; and unless otherwise specified therein, the acceptance of any resignation shall not be necessary to make it effective.

Section 2. Vacancies.

(a) Directors. Except for the rights of the holders of any series of preferred stock to elect additional directors, newly created directorships resulting from any increase in the authorized number of directors and any vacancies on the Board of Directors resulting from death, resignation, disqualification, removal, or other cause shall be filled only by the affirmative vote of a majority of the remaining directors then in office, even though less than a quorum of the Board of Directors. Any director elected in accordance with the preceding sentence shall hold office for the remainder of the full term of the class of directors in which the new directorship was created or in which the vacancy occurred and until such director's successor is duly elected and has been qualified. The directors also may reduce the authorized number of directors by the number of vacancies on the Board. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

(b) Officers. The Board of Directors or the Chief Executive Officer (as the case may be depending on who appointed the officer) may at any time or from time to time fill any vacancy among the officers of the Corporation.

Section 3. Director Resignation Policy. Pursuant to Section A of Article IX of the Corporation's Restated Certificate of Incorporation, as amended, the Corporation has a majority voting standard in uncontested elections of directors, and plurality voting in contested elections. Any director who is not elected by a majority of the votes cast in an uncontested election shall immediately tender his or her resignation to the Chairman of the Nominating/Corporate Governance Committee ("NCG Committee"). Within 60 days after certification of the election results, the NCG Committee will recommend to the Board of Directors whether to accept or reject the resignation, or whether other action should be taken. In determining whether to recommend that the Board accept any resignation, the NCG Committee may consider all factors that such Committee's members believe are relevant. The Board shall act on the NCG Committee's recommendation within 90 days after certification of the election results. In deciding whether to accept the resignation, the Board will consider the factors considered by the NCG Committee and any additional information and factors that the Board believes to be relevant. If the Board accepts a director's resignation pursuant to this process, the NCG Committee will recommend to the Board and the Board will thereafter determine whether to fill the vacancy or reduce the size of the Board. Any director who tenders his or her resignation pursuant to this provision will not participate in the proceedings of either the NCG Committee or the Board with respect to his or her own resignation.

ARTICLE VI
CAPITAL STOCK

Section 1. Certificate of Stock. Every stockholder shall be entitled to a certificate or certificates for shares of the capital stock of the Corporation in such form as may be prescribed or authorized by the Board of Directors, duly numbered and setting forth the number and kind of shares represented thereby. Such certificates shall be signed by the Chairman of the Board, the President or a Vice President and by the Treasurer or an assistant Treasurer or by the Secretary or an assistant Secretary. Any or all of such signatures may be in facsimile if and to the extent authorized under the laws of the State of Delaware. Notwithstanding the foregoing, the Board of Directors may provide by resolution that some or all of any or all classes or series of the Corporation's capital stock shall be uncertificated shares.

In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed on a certificate has ceased to be such officer, transfer agent or registrar before the certificate has been issued, such certificate may nevertheless be issued and delivered by the Corporation with the same effect as if such person were such officer, transfer agent or registrar at the date of issue.

Section 2. Transfer of Stock. Shares of the capital stock of the Corporation shall be transferable only upon the books of the Corporation upon the surrender of the certificate or certificates properly assigned and endorsed for transfer. If the Corporation has a transfer agent or agents or transfer clerk and registrar of transfers acting on its behalf, the signature of any officer or representative thereof may be in facsimile.

The Board of Directors may appoint a transfer agent and one or more co-transfer agents and a registrar and one or more co-registrars of transfer and may make or authorize the transfer agents to make all such rules and regulations deemed expedient concerning the issue, transfer and registration of shares of stock.

Section 3. Record Dates.

(a) In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix in advance a record date which, in the case of a meeting, shall not be less than ten (10) nor more than sixty (60) days prior to the scheduled date of such meeting and which, in the case of any other action, shall be not more than the maximum or less than the minimum number of days prior to any such action permitted by the laws of the State of Delaware.

(b) If no such record date is fixed by the Board, the record date shall be that prescribed by the laws of the State of Delaware.

(c) A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

Section 4. Lost Certificates. In case of loss or mutilation or destruction of a stock certificate, a duplicate certificate may be issued upon such terms as may be determined or authorized by the Board of Directors or by the President if the Board does not do so.

ARTICLE VII
FISCAL YEAR, BANK DEPOSITS, CHECK, ETC.

Section 1. Fiscal Year. The fiscal year of the Corporation shall commence or end at such time as the Board of Directors may designate.

Section 2. Bank Deposits, Checks, etc. The funds of the Corporation shall be deposited in the name of the Corporation or of any division thereof in such banks or trust companies in the United States or elsewhere as may be designated from time to time by the Board of Directors, or by such officer or officers as the Board may authorize to make such designations.

All checks, drafts or other orders for the withdrawal of funds from any bank account shall be signed by such person or persons as may be designated from time to time by the Board of Directors. The signatures on checks, drafts or other orders for the withdrawal of funds may be in facsimile if authorized in the designation.

ARTICLE VIII
BOOKS AND RECORDS

Section 1. Place of Keeping Books. Unless otherwise expressly required by the laws of the State of Delaware, the books and records of the Corporation may be kept outside of the State of Delaware.

Section 2. Examination of Books. Except as may otherwise be provided by the laws of the State of Delaware, the Restated Certificate of Incorporation or these By-Laws, the Board of Directors shall have power to determine from time to time whether and to what extent and at what times and places and under what conditions any of the accounts, records and books of the Corporation are to be open to the inspection of any stockholder. No stockholder shall have any right to inspect any account or book or document of the Corporation except as prescribed by the laws of the State of Delaware or authorized by express resolution of the Board of Directors.

ARTICLE IX
NOTICES

Section 1. Requirements of Notice. Whenever notice is required to be given by the laws of the State of Delaware, the Restated Certificate of Incorporation or these By-Laws, it shall not mean personal notice unless so specified, but such notice may be given in writing by depositing the same in a post office, letter box, or mail chute postpaid and addressed to the person to whom such notice is directed at the address of such person on the records of the Corporation, and such notice shall be deemed given at the time when the same shall be thus mailed.

Section 2. Waivers. Any stockholder, director or officer may, in writing or by telegram or cable, at any time waive any notice or other formality required by statute, the Restated Certificate of Incorporation or these By-Laws. Such waiver of notice, whether given before or after any meeting or action, shall be deemed equivalent to notice. Presence of a stockholder either in person or by proxy at any stockholders meeting and presence of any director at any meeting of the Board of Directors shall constitute a waiver of such notice as may be required by any statute, the Restated Certificate of Incorporation or these By-Laws.

ARTICLE X
SEAL

The corporate seal of the Corporation shall consist of two concentric circles between which shall be the name of the Corporation and the date of its incorporation, and in the center of which shall be inscribed "Corporate Seal, Delaware."

ARTICLE XI
POWERS OF ATTORNEY

The Board of Directors may authorize one or more of the officers of the Corporation to execute powers of attorney delegating to named representatives or agents power to represent or act on behalf of the Corporation, with or without power of substitution.

In the absence of any action by the Board, the President, any Vice President, the Secretary or the Treasurer of the Corporation may execute for and on behalf of the Corporation waivers of notice of stockholders meetings and proxies for such meetings in any company in which the Corporation may hold voting securities.

ARTICLE XII
INDEMNIFICATION OF DIRECTORS AND OFFICERS

Section 1. Definitions. As used in this article, the term “person” means any past, present or future director or officer of the Corporation or any subsidiary or operating division thereof.

Section 2. Indemnification Granted. The Corporation shall indemnify, to the full extent and under the circumstances permitted by the General Corporation Law of the State of Delaware in effect from time to time, any person as defined above, made or threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that such person is or was a director or officer of the Corporation or a subsidiary or operating division thereof, or is or was serving at the specific request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, or by reason of any action alleged to have been taken or omitted in such capacity, against costs, charges, expenses (including attorneys’ fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person or on such person’s behalf in connection with such action, suit or proceeding and any appeal therefrom, if such person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe that his or her conduct was unlawful. The termination of any action, suit, or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that such conduct was unlawful.

Section 3. Requirements for Indemnification Relating to an Action or Suit by or in the Right of the Corporation. The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that such person is or was a director or officer of the Corporation, or a subsidiary thereof or a designated officer of an operating division of the Corporation, or is or was serving at the specific request of the Corporation as a director or officer of another corporation, partnership, joint venture, trust or other enterprise, or by reason of any action alleged to have been taken or omitted in such capacity, against costs, charges and expenses (including attorneys' fees) actually and reasonably incurred by such person or on such person's behalf in connection with the defense or settlement of such action or suit and any appeal therefrom, if such person acted in good faith and in a manner that such person reasonably believed to be in or not opposed to the best interest of the Corporation except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the Court of Chancery of Delaware or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of such liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such costs, charges and expenses which the Court of Chancery or such other court shall deem proper.

Section 4. Success on Merits of Any Action. Notwithstanding any other provision of this Article XII, to the extent that a director or officer of the Corporation or any subsidiary or operating division thereof has been successful on the merits or otherwise, including, without limitation, the dismissal of an action without prejudice, in defense of any action, suit or proceeding referred to in this Article XII, or in defense of any claim, issue or matter therein, such person shall be indemnified against all costs, charges and expenses (including attorneys' fees) actually and reasonably incurred by such person or on such person's behalf in connection therewith.

Section 5. Determination of Standard of Conduct. Any indemnification under Sections 2 and 3 of this Article XII (unless ordered by a court) shall be paid by the Corporation only after a determination has been made (1) by a majority vote of the directors who are not parties to such action, suit or proceeding, even though less than a quorum, or (2) by a committee of such directors designated by majority vote of such directors, even though less than a quorum, or (3) if there are no such directors, or if such directors so direct, by independent legal counsel in a written opinion, or (4) by the stockholders, that indemnification of the director or officer is proper in the circumstances of the specific case because such person has met the applicable standard of conduct set forth in Sections 2 and 3 of this Article XII.

Section 6. Advance Payment; Representation by Corporation. Costs, charges and expenses (including attorneys' fees) incurred by a person referred to in Sections 2 and 3 of this Article XII in defending a civil or criminal action, suit or proceeding shall be paid by the Corporation in advance of the final disposition of such action, suit or proceeding; provided, however, that the payment of such costs, charges and expenses incurred by a director or officer in such capacity as officer or director (and not in any other capacity and which service was or is rendered by such person while a director or officer) in advance of the final disposition of such action, suit or proceeding shall be made only upon receipt of an undertaking by or on behalf of the director or officer to repay all amounts so advanced in the event that it shall ultimately be determined that such director or officer is not entitled to be indemnified by the Corporation as authorized in this Article XII. Such costs, charges and expenses incurred by other employees and agents may be so paid upon such terms and conditions, if any, as the Board of Directors deems appropriate. The Corporation may, in the manner set forth above, and upon approval of such director or officer, authorize the Corporation's counsel to represent such person, in any action, suit or proceeding, whether or not the Corporation is a party to such action, suit or proceeding.

Section 7. Procedure for Obtaining Indemnity. Any indemnification under Sections 2, 3 and 4, or advance of costs, charges and expenses under Section 6, of this Article XII shall be made promptly, and in any event within sixty (60) days, of the written notice of the director or officer. The right to indemnification or advances as granted by this Article XII shall be enforceable by the director or officer in any court of competent jurisdiction if the Corporation denies such request, in whole or in part, or if no disposition thereof is made within sixty (60) days. Such person's costs and expenses incurred in connection with successfully establishing a right to indemnification or advancement of expenses, in whole or in part, in any action shall also be indemnified by the Corporation. It shall be a defense to any such action (other than an action brought to enforce a claim for the advance of costs, charges and expenses under Section 6 of this Article XII where the required undertaking, if any, has been received by the Corporation) that the claimant has not met the standard of conduct set forth in Section 2 or 3 of this Article XII, but the burden of proving such defense shall be on the Corporation. Neither failure of the Corporation (including its Board of Directors, a committee thereof, its independent legal counsel, and its stockholders) to have made a determination that indemnification of the claimant is proper in the circumstances because such person has met the applicable standard of conduct set forth in Section 2 or 3 of this Article XII, nor the fact that there has been an actual determination by the Corporation (including its directors, a committee thereof, its independent legal counsel and its stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

Section 8. Indemnification Not Exclusive. This right of indemnification shall not be deemed exclusive of any other rights to which a person indemnified herein may be entitled by law, agreement, vote of stockholders or disinterested directors or otherwise, and shall continue as to a person who has ceased to be a director, officer, designated officer, employee or agent and shall inure to the benefit of the heirs, executors, administrators and other legal representatives of such person. It is not intended that the provisions of this Article XII be applicable to, and they are not to be construed as granting indemnity with respect to, matters as to which indemnification would be in contravention of the laws of Delaware or of the United States of America, whether as a matter of public policy or pursuant to statutory provision.

Section 9. Invalidity of Certain Provisions. If this Article XII or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Corporation shall nevertheless indemnify each director, officer, employee and agent of the Corporation or any subsidiary or operating division thereof as to costs, charges and expenses (including attorneys' fees), judgments, fines and amounts paid in settlement with respect to any action, suit or proceeding, whether civil, criminal, administrative or investigative, including any action by or in the right of the Corporation, to the full extent permitted by any applicable portion of this Article XII that shall not have been invalidated and to the full extent permitted by applicable law.

Section 10. Miscellaneous. The Board of Directors may also on behalf of the Corporation grant indemnification to any individual other than a person defined herein to such extent and in such manner as the Board in its sole discretion may from time to time and at any time determine.

ARTICLE XIII
AMENDMENTS

These By-Laws may be altered, amended or repealed, and new By-Laws may be made, by the affirmative vote of a majority of the directors then in office.

Adopted by the Board of Directors on March 22, 1999, and amended and restated on November 20, 2003, April 27, 2004, July 21, 2005, February 22, 2007, January 8, 2008, May 1, 2019, July 26, 2023, October 25, 2023, and February 21, 2024.

2500 Trex Way
Winchester, VA 22601

POLICY – INSIDER TRADING
EFFECTIVE: May 6, 1999. Amended August 15, 2001, October 23, 2003 and February 8, 2006.

The Need for a Policy Statement

The purchase or sale by any person while in the possession of material, nonpublic (“inside”) information or the selective disclosure of such information to others who may trade in securities is prohibited by federal and state laws. As an essential part of your work, many of you have access to material, nonpublic information about the Company or about the Company’s business, including information about other companies with which the Company does or may do business.

The Company has adopted this Policy Statement to avoid even the appearance of improper conduct on the part of any Company employee (not just so-called “insiders”). All Company employees have worked hard over the years to establish a reputation for integrity and ethical conduct. Compliance with this Policy Statement is an important part of each employee’s duty of good corporate citizenship. By adopting this Policy Statement, the Company does not intend to create legal liability that otherwise would not exist.

Any person who has any questions about the application of this Policy Statement is urged to consult the Company’s General Counsel, who is the designated Administrator of the Policy Statement, at telephone number (540) 542-6801. Remember, however, that the ultimate responsibility for adhering to this Policy Statement and avoiding improper transactions rests with each director, officer and employee.

Policy on Insider Trading

No director, officer or other employee who has material, nonpublic information relating to the Company may (1) buy or sell securities of the Company, directly or indirectly, or (2) “tip” such information to others who may trade. This policy of “don’t trade and don’t tip” also applies to material, nonpublic information relating to any other company, including customers or suppliers of Trex.

Even the appearance of an improper transaction must be avoided to preserve the Company’s reputation for adhering to the highest standards of conduct.

If material, nonpublic information is inadvertently disclosed, no matter what the circumstances, by any Company director, officer or employee, the person making or discovering that disclosure should immediately report the facts to the Administrator.

Liability and Sanctions for Violations of Policy

Violations of the insider trading law will subject the violator to severe civil and criminal claims and penalties. If you or anyone in your household buys or sells securities while you are in possession of material, nonpublic information, you may be subject to (1) civil penalties equal to 3 times the profits you gained or losses you avoided, (2) criminal money penalties of up to $1 million and (3) a prison term of up to 10 years. In addition, if someone else purchases or sells securities on a "tip" from you based on material, nonpublic information, you may be subject to the same penalties, even if you received none of the benefit from the trades.

These penalties are not restricted to the persons actually engaging in insider trading or "tipping." If an employee under your supervision engages in either of these activities, you may face the same monetary penalties discussed above (even if you received no benefit) if you knew or recklessly disregarded the fact that the employee was likely to violate the insider trading laws and you did nothing to prevent the violations. Civil and criminal penalties may also be assessed against the Company in such circumstances. These penalties could damage the Company's financial condition and its reputation and status in the business community.

The Company believes that a violation of this Policy Statement is potentially so damaging to the Company that the appropriate sanction for the violation may include suspension or termination of the violator's employment.

Definition of Material, Nonpublic Information

This Policy Statement prohibits trading in securities while in the possession of information which is "material" and "nonpublic."

"Material" information is any information that a reasonable investor would likely consider important in a decision to buy, hold or sell a security. **As a rule, material information about the Company is any information which could reasonably affect the price of the Company's stock.** Common examples of information that will frequently be regarded as material are the following:

- actual earnings or losses, or projections of future earnings or losses;
- major marketing changes;
- proposals, plans or agreements (even if preliminary) involving mergers or acquisitions;

- a significant sale of assets or the disposition of a subsidiary;
- changes in dividend policy or the declaration of a stock split;
- the planned sale of Trex stock by the Company or a major stockholder;
- significant changes in management;
- significant new products or programs;
- significant litigation or government investigations; or
- the gain or loss of a substantial distributor or supplier.

Information may be material whether its disclosure could affect the price of a security negatively or positively.

"Nonpublic" information is any information about Trex or another company which has not been disclosed generally to the marketplace. All information that you learn about the Company or its business plans in connection with your employment is potentially "inside" information until publicly disclosed by the Company. Information is considered to be public only when it is released in a manner making it available to investors generally (such as by means of a press release) and enough time has passed to permit the marketplace to absorb the previously nonpublic information (24 hours in most circumstances).

You must be aware that, if your securities transactions become the subject of scrutiny, they will be viewed after the fact with the benefit of hindsight. As a result, before engaging in any securities transaction, you should carefully consider how regulators and others might later view that transaction. For example, if you are in doubt about whether particular nonpublic information is material, assume the information is material unless you seek and receive advice to the contrary from the Administrator.

Non-Disclosure and Preservation of Material Nonpublic Information

Employees are required to take the following specific steps to protect the confidentiality of material nonpublic information.

- You should not disclose material nonpublic information to any internal Trex employee or outside consultant engaged by the Company unless such person needs to know such information for legitimate business purposes. **You should *never* disclose material nonpublic information to any other person, including your spouse, other relatives, friends, business or social acquaintances, etc.**

- Keep confidential or sensitive materials appropriately concealed and securely stored, particularly when you are in areas accessible to the public, or when you are not on Trex premises.
- Avoid conversations involving confidential or sensitive information in public places (such as elevators, airplanes, public transportation or restaurants) or at home. When such conversations are necessary, take all appropriate steps to prevent accidental disclosures.
- Do not respond to requests from the press, stock analysts or others for information concerning confidential or sensitive matters. Refer such inquiries to the Chief Executive Officer or the Chief Financial Officer at the Company's headquarters.
- Be aware that communications by mobile or cellular telephone or telecopy ("fax") machines are subject to unintended breaches of confidence. When communicating by mobile or cellular phone or sending (or receiving) a fax to an unmonitored machine (for example at a hotel or other public location), omit or alter information which could result in the disclosure of confidential or sensitive matters.

Compliance Guidelines Applicable to All Employees

To assist employees in complying with this Policy Statement, the following guidelines apply to market transactions by employees in Trex stock and to the preservation of confidentiality of proprietary information about the Company.

Trades During Window Periods. The most appropriate period to buy or sell Trex stock is the period beginning at least 24 hours following the Company's release of its operating results for the prior quarter and ending on the 45th calendar day after the first day of this period or, if it occurs earlier, on the 11th calendar day before the end of the current quarter (the so-called "window period"). This period is the time during which there should be the least amount of inside information about the Company unavailable to the investing public. **However, you may not buy or sell Trex stock even during window periods if you are in possession of material nonpublic information.**

Although the window periods are the preferred periods for trades in Trex stock, they are not exclusive. If you are not subject to additional limitations that apply to directors, executive officers and certain other Trex employees as described below, you may buy or sell Trex stock outside of the window periods so long as you do not possess material, nonpublic information when you trade.

Employee Stock Purchase Plan. The only exception to the restrictions on trading in Trex stock contained in this Policy Statement relate to the Company's Employee Stock Purchase Plan. Trex stock may be purchased in accordance with the terms of such Plan at any time without restriction, regardless of whether the employee is in possession of material nonpublic information or not. However, any shares purchased pursuant to such Plan may not be sold unless in compliance with this Policy Statement.

Compliance Procedures for Directors, Executive Officers and Other Designated Employees

Directors, executive officers and certain other employees of the Company designated in writing by the Administrator ("Designated Employees") frequently acquire confidential information about the Company that may be considered material as defined in this Policy Statement. Accordingly, these persons must comply with the following procedures applicable to trades in Trex common stock and must certify their compliance with this Policy Statement.

Advance Notification. Before engaging in any transaction in Trex common stock, or options or other related derivative securities, each director, executive officer and Designated Employee should contact the General Counsel, who will review the proposed transaction to ensure it complies with this Policy Statement.

Timing Restrictions on Trades in Trex Common Stock. Any director, executive officer or Designated Employee may buy or sell Trex common stock, or engage in market transactions involving options or other related derivative securities, in any quarter only during the period beginning at least 24 hours after Trex issues its earnings release for the prior quarter and ending on the 30^{th} calendar day after the first day of this period or, if it occurs earlier, on the 25^{th} calendar day before the end of the current quarter. For example, if Trex issues an earnings release for the June 30 quarter after the close of market on July 28, a director, executive officer or Designated Employee may buy or sell Trex common stock during the period beginning at the opening of market on July 30 and ending on August 28. This restriction may be waived by the Company in individual cases upon a showing of hardship or other circumstances warranting a waiver. **However, you may not buy or sell Trex stock even during window periods if you are in possession of material nonpublic information.**

Employee Stock Purchase Plan. As with the Compliance Procedures for all employees in general, there is an exception to the restrictions on trading in Trex stock contained in this Policy Statement relating to the Company's Employee Stock Purchase Plan. Trex stock may be purchased in accordance with the terms of such Plan at any time without restriction, regardless of whether the director, executive officer or other Designated Employee is in possession of material nonpublic information or not. However, any shares purchased pursuant to such Plan may not be sold unless in compliance with this Policy Statement.

Written Trading Plans. Notwithstanding the foregoing prohibitions in this Policy Statement, any director, executive officer or Designated Employee may buy or sell Trex common stock, or engage in market transactions involving options or other related derivative securities, while in possession of material, nonpublic information about the Company or outside of the specified window periods if any such transaction is made pursuant to a written plan. The written plan must be executed at a time when such individual may otherwise trade Trex common stock pursuant to the terms of this Policy Statement, and must be approved in advance in writing by the Administrator and either the Company's Chief Executive Officer or Chief Financial Officer and must meet all of the requirements specified by the Administrator and either the Chief Executive Officer or Chief Financial Officer and applicable Securities and Exchange Commission rules and regulations, including Rule 10b5-1 under the Securities Exchange Act of 1934.

Annual Compliance Certification. Each director, executive officer and Designated Employee will be required to certify annually to the Administrator that he or she has re-read this Policy Statement and will comply with its provisions.

Amended as of February 8, 2006

Exhibit 21

Subsidiaries of Trex Company, Inc.

Name of the Subsidiary	Jurisdiction of Formation
Trex Commercial Products, Inc.	Delaware

Exhibit 23

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

- Registration Statements (Form S-8, No. 333-76847, 333-83998, 333-124685, and 333-150690) pertaining to the amended and restated 2023 Stock Option and Incentive Plan of Trex Company, Inc., and

of our reports dated February 26, 2024, with respect to the consolidated financial statements of Trex Company, Inc. and the effectiveness of internal control over financial reporting of Trex Company, Inc. included in this Annual Report (Form 10-K) of Trex Company, Inc. for the year ended December 31, 2023.

/s/ Ernst & Young LLP

Tysons, Virginia
February 26, 2024

Exhibit 31.1

CERTIFICATION

I, Bryan H. Fairbanks, certify that:

1. I have reviewed this annual report on Form 10-K 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: February 26, 2024

/s/ BRYAN H. FAIRBANKS

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

Exhibit 31.2

CERTIFICATION

I, Benda K. Lovcik, certify that:

1. I have reviewed this annual report on Form 10-K 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: February 26, 2024

/s/ Brenda K. Lovcik

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

Written Statement 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. (Company), each hereby certifies that, on the date hereof:

(a) the Annual Report on Form 10-K of the Company for the Period Ended December 31, 2023 filed on the date hereof with the U. S. Securities and Exchange Commission (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: February 26, 2024	/s/ BRYAN H. FAIRBANKS **Bryan H. Fairbanks** **President and Chief Executive Officer**
Date: February 26, 2024	/s/ Brenda K. Lovcik **Brenda K. Lovcik** **Senior Vice President and Chief Financial Officer**

2500 Trex Way
Winchester, VA 22601

POLICY – RECOVERY OF COMPENSATION FOR ACCOUNTING RESTATEMENTS

EFFECTIVE: October 23, 2013; Amended and Restated October 24, 2023

---

1. Purpose and Scope. Trex Company, Inc. (the “Company”) has adopted this compensation clawback policy (the “Policy”) to comply with Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (“Dodd-Frank”), as codified by Section 10D and Rule 10D-1 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and Section 303A.14 of the New York Stock Exchange Listed Company Manual (the “NYSE rules”), which require the recovery of certain forms of executive compensation in the case of accounting restatements resulting from a material error in an issuer’s financial statements. This policy shall be administered by the Compensation Committee (“Committee”) of the Board of Directors of the Company (the “Board”).

2. Covered Executives. This Policy applies to all the Company’s current and former officers, as defined by Rule 16a-1(f) under the Exchange Act, and such other employees who may from time to time be deemed subject to this Policy by the Committee (each, a “Covered Executive”). For the avoidance of doubt, a Covered Executive for purposes of this Policy shall include each executive officer who is or was identified pursuant to Item 401(b) of Regulation S-K. Subsequent changes in a Covered Executive’s employment status, including retirement or termination of employment, do not affect the Company’s rights to recover Incentive-Based Compensation pursuant to this Policy. For purposes of this Policy, Incentive-Based Compensation shall be deemed to have been received during the fiscal period in which the financial reporting measure specified in the award is attained, even if such Incentive-Based Compensation is paid or granted after the end of such fiscal period.

3. **Incentive-Based Compensation.** For purposes of this policy, the term “Incentive-Based Compensation” means any compensation, including annual cash incentive awards and both the grant and the vesting of long-term equity incentive awards, that is granted earned or vested based wholly or in part upon the attainment of a financial reporting measure. “Financial reporting measures” are measures that are determined and presented in accordance with accounting principles used in preparing the Company’s financial statements, and any

measures that are derived wholly or in part from such measures, including stock price and total shareholder return. "Excess Incentive-Based Compensation" means any Incentive-Based Compensation paid or payable to a Covered Executive based on the erroneous data in the original financial statements in excess of the Incentive-Based Compensation that would have been paid or payable to the Covered Executive had it been based on the financial statements, without respect to any taxes paid, after giving effect to the Restatement as defined below. For Incentive-Based Compensation based on stock price or total shareholder return, where the amount of Excess Incentive-Based Compensation is not subject to mathematical recalculation directly from the information in a Restatement: (a) the amount must be based on a reasonable estimate of the effect of the Restatement on the stock price or total shareholder return upon which the Incentive-Based Compensation was received; and (b) the Company must maintain documentation of the determination of that reasonable estimate and provide such documentation to NYSE.

4. Recovery; Accounting Restatement. In the event the Company prepares an accounting restatement of its financial statements due to material noncompliance with any financial reporting requirement under the federal securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements, or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period (a "Restatement"), the Company shall, as promptly as it reasonably can, take such actions as it deems necessary or appropriate, to recover (including through obtaining a repayment or implementing a forfeiture) any Excess Incentive-Based Compensation from any Covered Executive who received Incentive-Based Compensation during the three completed fiscal years immediately preceding the date on which the Company is required to prepare such Restatement (the "Restatement Date"). The Restatement Date shall be the earlier of (i) the date the Company's board of directors, a board committee, or officer(s) are authorized to take such action if board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare an accounting restatement as described in paragraph (c)(1) of Section 303A.14 of the NYSE rules or (ii) the date a court, regulator, or other legally authorized body directs the Company to prepare an accounting restatement as described in paragraph (c)(1) of Section 303A.14 of the NYSE rules.

The Committee will consider all factors it deems relevant and exercise business judgment in determining whether there was any Excess Incentive-Based Compensation, and if so, the amount of such Excess Incentive-Based Compensation. No recovery shall be required in the case of a Committee determination that the direct expense paid to a third party to assist in enforcing this Policy would exceed the amount to be recovered. Such determination shall be made after a reasonable and documented attempt to recover the Incentive-Based Compensation, which documentation shall be provided to NYSE. The Committee shall determine, in its sole discretion, the method of recovering any Incentive-Based Compensation pursuant to this Policy.

5. No Indemnification. The Company shall not indemnify any current or former Covered Executive against the loss of erroneously awarded compensation, and shall not pay, or reimburse any Covered Executives for premiums, for any insurance policy to fund such executive's potential recovery obligations.

6. Notice. Before the Committee determines to seek recovery pursuant to this Policy, it shall provide the Covered Executive with written notice and the opportunity to be heard at a meeting of the Committee (either in person or via telephone).

7. Effective Date. This Amended and Restated Policy applies to Incentive-Based Compensation awarded on or after October 2, 2023. The Policy adopted on October 23, 2013, prior to this amendment and restatement applies to Incentive-Based Compensation awarded before October 2, 2023.

8. Amendment and Interpretation. The Board may amend this Policy from time to time in its discretion and shall amend this Policy as it deems necessary to reflect the regulations adopted by the SEC and to comply with any rules or standards adopted by a national securities exchange on which the Company's securities are then listed. This Policy is intended to be administered and interpreted in a manner consistent with the requirements of Section 10D of the Exchange Act and any applicable rules, regulations or listing standards adopted by the Securities and Exchange Commission or the New York Stock Exchange. If and to the extent that any modifications to this policy are determined to be necessary to comply with such rules, regulations or listing standards, such revisions shall be deemed to be effective as of the date so required.