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

FORM 10-Q

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

For the quarterly period ended September 30, 2024

OR

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

For the transition period from to

Commission File Number: 001-14649

Trex Company, Inc.

(Exact name of registrant as specified in its charter)

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

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

Not Applicable

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

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

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

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

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

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

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐ Emerging growth company ☐

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

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

The number of shares of the registrant's common stock, par value $0.01 per share, outstanding at October 14, 2024 was 107,143,783 shares.

TREX COMPANY, INC.

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PART I
FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

TREX COMPANY, INC.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net sales	$ 233,717	$ 303,836	$ 983,822	$ 899,092
Cost of sales	140,512	172,941	552,896	517,321
Gross profit	93,205	130,895	430,926	381,771
Selling, general and administrative expenses	38,901	44,532	140,708	133,694
Income from operations	54,304	86,363	290,218	248,077
Interest income (expense), net	(5)	(734)	(11)	2,555
Income before income taxes	54,309	87,097	290,229	245,522
Provision for income taxes	13,756	21,831	73,609	62,089
Net income	**$ 40,553**	**$ 65,266**	**$ 216,620**	**$ 183,433**
Basic earnings per common share	$ 0.37	$ 0.60	$ 2.00	$ 1.69
Basic weighted average common shares outstanding	108,258,401	108,583,009	108,529,825	108,707,699
Diluted earnings per common share	**$ 0.37**	**$ 0.60**	**$ 1.99**	**$ 1.69**
Diluted weighted average common shares outstanding	108,379,416	108,702,495	108,659,118	108,829,374
Comprehensive income	$ 40,553	$ 65,266	$ 216,620	$ 183,433

See Notes to Condensed Consolidated Financial Statements (Unaudited).

TREX COMPANY, INC.

Condensed Consolidated Balance Sheets
(In thousands, except share data)

	September 30, 2024	December 31, 2023
	(Unaudited)	
ASSETS		
Current assets		
Cash and cash equivalents	$ 12,838	$ 1,959
Accounts receivable, net	140,060	41,136
Inventories	187,935	107,089
Prepaid expenses and other assets	11,885	22,070
Total current assets	352,718	172,254
Property, plant and equipment, net	852,912	709,402
Operating lease assets	36,110	26,233
Goodwill and other intangible assets, net	19,386	18,163
Other assets	6,094	6,833
Total assets	**$ 1,267,220**	**$ 932,885**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 61,480	$ 23,963
Accrued expenses and other liabilities	113,634	56,734
Accrued warranty	6,104	4,865
Line of credit	70,000	5,500
Total current liabilities	251,218	91,062
Deferred income taxes	67,226	72,439
Operating lease liabilities	26,782	18,840
Non-current accrued warranty	17,530	17,313
Other long-term liabilities	16,560	16,560
Total liabilities	**379,316**	**216,214**
Commitments and contingencies	—	—
Stockholders' equity		
Preferred stock, $0.01 par value, 3,000,000 shares authorized; none issued and outstanding	—	—
Common stock, $0.01 par value, 360,000,000 shares authorized; 141,087,688 and 140,974,843 shares issued and 107,901,982 and 108,611,537 shares outstanding, at September 30, 2024 and December 31, 2023, respectively	1,411	1,410
Additional paid-in capital	145,198	140,157
Retained earnings	1,552,679	1,336,058
Treasury stock, at cost, 33,185,706 and 32,363,306 shares at September 30, 2024 and December 31, 2023	(811,384)	(760,954)
Total stockholders' equity	**887,904**	**716,671**
Total liabilities and stockholders' equity	**$ 1,267,220**	**$ 932,885**

See Notes to Condensed Consolidated Financial Statements (Unaudited).

TREX COMPANY, INC.

Condensed Consolidated Statements of Changes in Stockholders' Equity

(Unaudited)
(In thousands, except share data)

	Common Stock		Additional Paid-In	Retained	Treasury Stock		
	Shares	Amount	Capital	Earnings	Shares	Amount	Total
Balance, December 31, 2023	**108,611,537**	**$ 1,410**	**$ 140,157**	**$ 1,336,058**	**32,363,306**	**$ (760,954)**	**$ 716,671**
Net income	—	—	—	89,070	—	—	89,070
Employee stock plans	5,640	—	397	—	—	—	397
Shares withheld for taxes on awards	(55,103)	—	(5,146)	—	—	—	(5,146)
Stock-based compensation	130,683	1	3,153	—	—	—	3,154
Balance, March 31, 2024	**108,692,757**	**$ 1,411**	**$ 138,561**	**$ 1,425,128**	**32,363,306**	**$ (760,954)**	**$ 804,146**
Net income	—	—	—	86,998	—	—	86,998
Employee stock plans	5,408	—	341	—	—	—	341
Shares withheld for taxes on awards	(5,020)	—	(424)	—	—	—	(424)
Stock-based compensation	12,623	—	3,839	—	—	—	3,839
Balance, June 30, 2024	**108,705,768**	**$ 1,411**	**$ 142,317**	**$ 1,512,126**	**32,363,306**	**$ (760,954)**	**$ 894,900**
Net income	—	—	—	40,553	—	—	40,553
Employee stock plans	4,764	—	269	—	—	—	269
Shares withheld for taxes on awards	(739)	—	(59)	—	—	—	(59)
Stock-based compensation	14,589	—	2,671	—	—	—	2,671
Repurchases of common stock	(822,400)	—	—	—	822,400	(50,430)	(50,430)
Balance, September 30, 2024	**107,901,982**	**$ 1,411**	**$ 145,198**	**$ 1,552,679**	**33,185,706**	**$ (811,384)**	**$ 887,904**

	Common Stock		Additional Paid-In	Retained	Treasury Stock		
	Shares	Amount	Capital	Earnings	Shares	Amount	Total
Balance, December 31, 2022	**108,743,423**	**$ 1,408**	**$ 131,539**	**$ 1,130,674**	**32,098,410**	**$ (745,272)**	**$ 518,349**
Net income	—	—	—	41,131	—	—	41,131
Employee stock plans	8,504	—	316	—	—	—	316
Shares withheld for taxes on awards	(28,773)	—	(1,592)	—	—	—	(1,592)
Stock-based compensation	80,362	1	1,972	—	—	—	1,973
Balance, March 31, 2023	**108,803,516**	**$ 1,409**	**$ 132,235**	**$ 1,171,805**	**32,098,410**	**$ (745,272)**	**$ 560,177**
Net income	—	—	—	77,036	—	—	77,036
Employee stock plans	7,971	—	323	—	—	—	323
Shares withheld for taxes on awards	(15,663)		(855)				(855)
Stock-based compensation	36,888	—	2,590	—	—	—	2,590
Repurchases of common stock	(264,896)				264,896	(15,746)	(15,746)
Balance, June 30, 2023	**108,567,816**	**$ 1,409**	**$ 134,293**	**$ 1,248,841**	**32,363,306**	**$ (761,018)**	**$ 623,525**
Net income	—	—	—	65,266	—	—	65,266
Employee stock plans	5,448	—	286	—	—	—	286
Shares withheld for taxes on awards	(4,140)		(312)				(312)
Stock-based compensation	25,981	1	2,821	—	—	—	2,822
Repurchases of common stock	—				—	64	64
Balance, September 30, 2023	**108,595,105**	**$ 1,410**	**$ 137,088**	**$ 1,314,107**	**32,363,306**	**$ (760,954)**	**$ 691,651**

See Notes to Condensed Consolidated Financial Statements (Unaudited).

TREX COMPANY, INC.

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

	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
OPERATING ACTIVITIES		
Net income	$ 216,620	$ 183,433
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	41,218	37,194
Deferred Income Taxes	(5,212)	—
Stock-based compensation	9,663	7,384
Loss on disposal of property, plant and equipment	2,262	1,081
Other non-cash adjustments	46	(169)
Changes in operating assets and liabilities:		
Accounts receivable	(98,924)	(102,852)
Inventories	(80,847)	80,971
Prepaid expenses and other assets	1,266	4,376
Accounts payable	681	10,678
Accrued expenses and other liabilities	52,125	39,039
Income taxes receivable/payable	13,504	27,090
Net cash provided by operating activities	**152,402**	**288,225**
INVESTING ACTIVITIES		
Expenditures for property, plant and equipment	(151,481)	(112,920)
Proceeds from sales of property, plant and equipment	106	—
Net cash used in investing activities	**(151,375)**	**(112,920)**
FINANCING ACTIVITIES		
Borrowings under line of credit	608,300	509,500
Principal payments under line of credit	(543,800)	(675,000)
Repurchases of common stock	(55,655)	(18,441)
Proceeds from employee stock purchase and option plans	1,007	925
Financing costs	—	30
Net cash provided by (used in) financing activities	**9,852**	**(182,986)**
Net increase (decrease) in cash and cash equivalents	10,879	(7,681)
Cash and cash equivalents, beginning of period	1,959	12,325
Cash and cash equivalents, end of period	**$ 12,838**	**$ 4,644**
Supplemental Disclosure:		
Cash paid for interest, net of capitalized interest	$ —	$ 4,165
Cash paid for income taxes, net	$ 65,318	$ 35,106
Supplemental non-cash investing and financing disclosure:		
Capital expenditures in accounts payable and accrued expenses	$ 35,300	$ 1,183
Excise tax on repurchases of common stock	$ 402	$ —

See Notes to Condensed Consolidated Financial Statements (Unaudited).

TREX COMPANY, INC.

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

1. BUSINESS AND ORGANIZATION

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

2. BASIS OF PRESENTATION

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

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

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

3. RECENTLY ADOPTED ACCOUNTING STANDARDS

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

4. NEW ACCOUNTING STANDARDS NOT YET ADOPTED

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

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

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

5. INVENTORIES

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

	September 30, 2024	December 31, 2023
Finished goods	$ 149,312	$ 88,840
Raw materials	72,062	51,688
Total FIFO (first-in, first-out) inventories	221,374	140,528
Reserve to adjust inventories to LIFO value	(33,439)	(33,439)
Total LIFO inventories	$ 187,935	$ 107,089

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

6. PREPAID EXPENSES AND OTHER ASSETS

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

	September 30, 2024	December 31, 2023
Prepaid expenses	$ 11,256	$ 11,830
Income tax receivable	—	9,611
Other	629	629
Total prepaid expenses and other assets	$ 11,885	$ 22,070

7. GOODWILL AND OTHER INTANGIBLE ASSETS, NET

The carrying amount of goodwill at September 30, 2024, and December 31, 2023, was $14.2 million. The Company's intangible assets, purchased in 2018 and 2024, consist of domain names and internal use software. At September 30, 2024, and December 31, 2023, intangible assets were $7.9 million and $6.3 million and accumulated amortization was $2.7 million and $2.4 million, respectively. Intangible asset amounts were determined based on the estimated economics of the asset and are amortized over the estimated useful lives on a straight-line basis over 15 years, which approximates the pattern in which the economic benefits are expected to be received. The Company evaluates the recoverability of intangible assets periodically and considers events or circumstances that may warrant revised estimates of useful lives or that may indicate an impairment. Intangible asset amortization expense for the nine months ended September 30, 2024, and September 30, 2023, was $0.3 million and $0.3 million, respectively.

8. ACCRUED EXPENSES AND OTHER LIABILITIES

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

	September 30, 2024	December 31, 2023
Sales and marketing	$ 51,988	$ 15,496
Compensation and benefits	21,455	25,859
Capital Projects	16,383	—
Operating lease liabilities	9,555	7,663
Manufacturing costs	4,021	3,382
Income Taxes	3,893	—
Other	6,339	4,334
Total accrued expenses and other liabilities	$ 113,634	$ 56,734

9. DEBT

Revolving Credit Facility

Indebtedness prior to October 10, 2024. On May 18, 2022, the Company entered into a Credit Agreement (Credit Agreement) with certain lending parties thereto (Lenders) to amend and restate the Fourth Amended and Restated Credit Agreement dated as of November 5, 2019. Under the Credit Agreement, the Lenders agreed to provide the Company with one or more Revolving Loans in a collective maximum principal amount of $400,000,000 (Loan Limit) throughout the term, which ends May 18, 2027 (Term). Included within the Loan Limit are sublimits for a Letter of Credit facility in an amount not to exceed $60,000,000; and Swing Line Loans in an aggregate principal amount at any time outstanding not to exceed $20,000,000. The Revolving Loans, the Letter of Credit facility and the Swing Line Loans are for the purpose of raising working capital and supporting general business operations.

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

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

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

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

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

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

Indebtedness on and after October 10, 2024. On October 10, 2024, the Company, entered into a Second Amendment to the Credit Agreement (Second Amendment) with certain lending parties thereto (Lenders) to amend that Credit Agreement dated as of May 18, 2022, as amended by that certain First Amendment dated as of December 22, 2022.

The Second Amendment provides the Company with Revolving A Loans in the maximum principal amount of $400,000,000 (Revolving A Loans), Revolving B Loans in the maximum principal amount of $150,000,000 (Revolving B Loans), and Letters of Credit and Swing Line Loans (as defined in the Credit Agreement). The Second Amendment extends the maturity date of the Revolving B Loans from December 22, 2024 to December 22, 2026.

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

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

The Company had $70 million in borrowings outstanding under its revolving credit facility and available borrowing capacity of $480 million at September 30, 2024. The weighted average interest rate on the revolving credit facility was 5.75% as of September 30, 2024.

Compliance with Debt Covenants and Restrictions

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

10. LEASES

The Company leases manufacturing and training facilities, storage warehouses, office space, and certain plant equipment under various operating leases. The Company's operating leases have remaining lease terms of up to 9 years. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option.

For the nine months ended September 30, 2024 and September 30, 2023, total operating lease expense was $7.3 million and $6.1 million, respectively. The weighted average remaining lease term at September 30, 2024 and December 31, 2023 was 4.4 years. The weighted average discount rate at September 30, 2024 and December 31, 2023 was 3.89% and 2.32%, respectively.

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

	Nine Months Ended September 30,	
Supplemental cash flow information	**2024**	**2023**
Cash paid for amounts included in the measurement of operating lease liabilities	$ 7,346	$ 6,236
Operating ROU assets obtained in exchange for lease liabilities	$ 16,379	$ 1,882

Supplemental balance sheet information	September 30, 2024	December 31, 2023
Operating lease ROU assets	$ 36,110	$ 26,233
Operating lease liabilities:		
Accrued expenses and other current liabilities	$ 9,555	$ 7,663
Operating lease liabilities	26,782	18,840
Total operating lease liabilities	$ 36,337	$ 26,503

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

Maturities of operating lease liabilities	
2024	$ 2,655
2025	9,305
2026	8,631
2027	8,124
2028	7,175
Thereafter	4,076
Total lease payments	39,966
Less imputed interest	(3,629)
Total operating lease liabilities	$ 36,337

11. FINANCIAL INSTRUMENTS

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

12. STOCKHOLDERS' EQUITY

Earnings Per Share

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Numerator:				
Net income available to common shareholders	$ 40,553	$ 65,266	$ 216,620	$ 183,433
Denominator:				
Basic weighted average shares outstanding	108,258,401	108,583,009	108,529,825	108,707,699
Effect of dilutive securities:				
Stock appreciation rights and options	38,602	80,256	54,679	72,580
Restricted stock	82,413	39,230	74,614	49,095
Diluted weighted average shares outstanding	108,379,416	108,702,495	108,659,118	108,829,374
Basic earnings per share	$ 0.37	$ 0.60	$ 2.00	$ 1.69
Diluted earnings per share	$ 0.37	$ 0.60	$ 1.99	$ 1.69

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Stock appreciation rights	70,979	86,250	66,387	95,467
Restricted stock	51,001	—	33,199	69,764

Stock Repurchase Program

On February 16, 2018, the Board of Directors adopted the 2018 Stock Repurchase Program of up to 11.6 million shares of the Company’s outstanding common stock (Stock Repurchase Program). On May 4, 2023, the Trex Board of Directors adopted a new stock repurchase program (2023 Stock Repurchase Program) of up to 10.8 million shares of its outstanding common stock, and terminated the existing Stock Repurchase Program. The 2023 Stock Repurchase Program has no set expiration date. During the nine months ended September 30, 2024, Trex repurchased 822,400 shares of its outstanding common stock under the 2023 Stock Repurchase Program.

13. REVENUE FROM CONTRACTS WITH CUSTOMERS

The Company principally generates revenue from the manufacture and sale of its high-performance, low-maintenance, eco-friendly wood-alternative composite decking and railing products and accessories. Substantially all of its revenues are from contracts with customers, which are purchase orders of short-term duration of less than one year. Its customers, in turn, sell primarily to the residential market, which includes replacement, remodeling and new construction related to outdoor living products. The Company satisfies its performance obligations at a point in time. The shipment of each product is a separate performance obligation as the customer is able to derive benefit from each product shipped and no performance obligation remains after shipment. Upon shipment of the product, the customer obtains control over the distinct product and Trex satisfies its performance obligation. Any performance obligation that remains unsatisfied at the end of a reporting period is part of a contract that has an original expected duration of one year or less. Any variable consideration related to the unsatisfied performance obligation is allocated wholly to the unsatisfied performance obligation, is recognized when the product ships and the performance obligation is satisfied and is included in “Accrued expenses and other liabilities, Sales and marketing” in Note 8 to the Condensed Consolidated Financial Statements. For the three months ended September 30, 2024 and September 30, 2023, the Company’s net sales were $233,717 and $303,836, respectively. For the nine months ended September 30, 2024 and September 30, 2023, the Company's net sales were $983,822 and $899,092, respectively. During these periods, revenues were recognized at a point in time upon transfer of its outdoor living products under variable consideration contracts into the building products market.

14. STOCK-BASED COMPENSATION

At the annual meeting of stockholders of the Company held on May 4, 2023, the Company’s stockholders approved the Trex Company, Inc. 2023 Stock Incentive Plan (Plan). The Company’s board of directors unanimously approved the Plan on April 10, 2023, subject to stockholder approval. The Plan amends and restates in its entirety the Trex Company, Inc. 2014 Stock Incentive Plan (2014 Plan), which was last approved by the Company’s stockholders at the annual meeting held on April 30, 2014. The Plan, which will be administered by the compensation committee of the board of directors, provides for the grant of stock options, restricted stock, restricted stock units, stock appreciation rights and unrestricted stock, which are referred to collectively as “awards.” Awards may be granted under the Plan to officers, directors (including non-employee directors) and other employees of the Company or any subsidiary thereof, to any adviser, consultant, or other provider of services to the Company (and any employee thereof), and to any other individuals who are approved by the board of directors as eligible to participate in the Plan. Only employees of the Company or any subsidiary thereof are eligible to receive incentive stock options. Subject to certain adjustments as provided in the Plan, the total number of shares of common stock available for future grants under the Plan is 3,831,314 shares.

The following table summarizes the Company’s stock-based compensation grants for the nine months ended September 30, 2024:

	Stock Awards Granted	Weighted-Average Grant Price Per Share
Time-based restricted stock units	62,104	$ 87.57
Performance-based restricted stock units (a)	80,371	$ 81.01
Stock appreciation rights	33,277	$ 90.86

(a) Includes 55,834 of target performance-based restricted stock unit awards granted during the nine months ended September 30, 2024, and adjustments of 25,315, and (778) to grants due to the actual performance level achieved for restricted stock and restricted stock units awarded in 2023 and 2021, respectively.

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

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Stock appreciation rights	$ 307	$ 248	$ 987	$ 660
Time-based restricted stock and restricted stock units	1,206	1,098	3,731	2,904
Performance-based restricted stock and restricted stock units	1,110	1,425	4,671	3,470
Employee stock purchase plan	48	50	274	350
Total stock-based compensation	$ 2,671	$ 2,821	$ 9,663	$ 7,384

Total unrecognized compensation cost related to unvested awards as of September 30, 2024 was $13.9 million. The cost of these unvested awards is being recognized over the requisite vesting period of each award.

15. INCOME TAXES

The Company's effective tax rate for the nine months ended September 30, 2024 and September 30, 2023, was 25.4% and 25.3%, which resulted in income tax expense of $73.6 million and $62.1 million, respectively.

During the nine months ended September 30, 2024 and September 30, 2023, the Company realized $0.7 million and $0.4 million, respectively, of excess tax benefits from stock-based awards and recorded a corresponding benefit to income tax expense.

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

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

16. SEASONALITY

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

17. COMMITMENTS AND CONTINGENCIES

Product Warranty

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

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

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

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

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

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

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

The number of incoming claims received in the nine months ended September 30, 2024, was lower than the number of claims received in the nine months ended September 30, 2023, but higher than the Company's expectations for 2024. Average cost per claim experienced in the nine months ended September 30, 2024, was lower than that experienced in the nine months ended September 30, 2023 and significantly lower than the Company's expectations for 2024. After evaluating trends in incoming claims and closures in its actuarial analysis and combining these factors with future cost estimates, the Company recorded a reduction of $1.1 million to its warranty reserve for the future settlement of Surface Flaking claims. The Company believes the reserve at September 30, 2024 is sufficient to cover future surface flaking obligations.

The Company's analysis is based on currently known facts and a number of assumptions, as discussed above, and current expectations. Projecting future events such as the number of claims to be received, the number of claims that will require payment and the average cost of claims could cause the actual warranty liabilities to be higher or lower than those projected, which could materially affect the Company's financial condition, results of operations or cash flows. The Company estimates that the annual number of claims received will continue to decline over time and that the average cost per claim will increase slightly, primarily due to inflation. If the level of claims received or average cost per claim differs materially from expectations, it could result in additional increases or decreases to the warranty reserve and a decrease or increase in earnings and cash flows in future periods. The Company estimates that a 10% change in the expected number of remaining claims to be settled with payment or the expected cost to settle claims may result in approximately a $0.7 million change in the surface flaking warranty reserve.

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

	Nine Months Ended September 30, 2024		
	Product Warranty	Surface Flaking	Total
Beginning balance, January 1	$ 12,066	$ 10,112	$ 22,178
Provisions and changes in estimates	8,375	(1,077)	7,298
Settlements made during the period	(4,717)	(1,125)	(5,842)
Ending balance, September 30	$ 15,724	$ 7,910	$ 23,634

	Nine Months Ended September 30, 2023		
	Product Warranty	Surface Flaking	Total
Beginning balance, January 1	$ 9,694	$ 15,905	$ 25,599
Provisions and changes in estimates	6,528	(3,800)	2,728
Settlements made during the period	(3,839)	(1,522)	(5,361)
Ending balance, September 30	$ 12,383	$ 10,583	$ 22,966

Legal Matters

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

Arkansas Facility

In October 2021, the Company announced plans to add a third U.S.-based Trex 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 outdoor living products. Construction began on the new facility in 2022. The Company anticipates spending approximately $550 million on the facility, of which approximately $340 million has already been disbursed. Construction for the new facility will be funded primarily through the Company's ongoing cash generation or its line of credit.

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

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

NOTE ON FORWARD-LOOKING STATEMENTS

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

OVERVIEW

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

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

OPERATIONS AND PRODUCTS

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

Trex offers the following products:

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

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

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

HIGHLIGHTS AND FINANCIAL PERFORMANCE

Highlights:

- *Trex Launches National Drop Off Directory for Plastic Bag and Film Recycling.* The directory is the only online searchable platform dedicated to connecting Americans with Trex recycling partners in their local community.
- *Trex Adds Two New Enhance® Decking Hues* with heat mitigating technology.
- *Trex Launches New Trex Signature® X-Series™ Railing.* Trex has expanded its popular Trex Signature® Railing line with the introduction of X-Series™ Cable Rail and X-Series™ Frameless Glass Rail.
- *Trex Introduces New All In One Railing Post Kits* for Trex Select® and Trex Enhance® railing.

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

	Three Months Ended September 30,			
	2024	**2023**	**$ Change**	**% Change**
($ 000s omitted, except per share data)				
Net sales	$ 233,717	$ 303,836	$ (70,119)	(23.1)%
Gross profit	$ 93,205	$ 130,895	$ (37,690)	(28.8)%
Net income	$ 40,553	$ 65,266	$ (24,713)	(37.9)%
EBITDA*	$ 67,915	$ 99,359	$ (31,444)	(31.6)%
Diluted earnings per share	$ 0.37	$ 0.60	$ (0.23)	(38.3)%

	Nine Months Ended September 30,			
	2024	**2023**	**$ Change**	**% Change**
($ 000s omitted, except per share data)				
Net sales	$ 983,822	$ 899,092	$ 84,730	9.4%
Gross profit	$ 430,926	$ 381,771	$ 49,155	12.9%
Net income	$ 216,620	$ 183,433	$ 33,187	18.1%
EBITDA*	$ 331,436	$ 285,271	$ 46,165	16.2%
Diluted earnings per share	$ 1.99	$ 1.69	$ 0.30	17.8%

**A reconciliation of Net Income (GAAP) to EBITDA (non-GAAP) is presented on pages 20 and 21 of this document under "Net Income and Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)."*

Capital expenditures. During the nine months ended September 30, 2024, our capital expenditures were $151.5 million primarily related to $108.1 million for the Arkansas manufacturing facility, $16.0 million in capacity expansion in our existing facilities and safety, environmental and general support, and $12.0 million in cost reduction initiatives.

RESULTS OF OPERATIONS

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

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

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

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

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

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

Net Sales

	Three Months Ended September 30,			
	2024	2023	$ Change	% Change
		(dollars in thousands)		
Net sales	$ 233,717	$ 303,836	$ (70,119)	(23.1)%

Net sales decreased by $70.1 million, or 23.1%, in the 2024 quarter compared to the 2023 quarter. The decrease was driven by volume, predominantly in the entry level product category, as consumers reduce their discretionary spending during uncertain economic times and our channel partners normalize their inventories related to the consumer behaviors.

Gross Profit

	Three Months Ended September 30, 2024	2023	$ Change	% Change
	(dollars in thousands)			
Cost of sales	$ 140,512	$ 172,941	$ (32,429)	(18.8)%
% of total net sales	60.1%	56.9%		
Gross profit	$ 93,205	$ 130,895	$ (37,690)	(28.8)%
Gross margin	39.9%	43.1%		

Gross profit as a percentage of net sales, gross margin, was 39.9% in the quarter compared to 43.1% in the 2023 quarter. The 2024 and 2023 quarters included benefits of $1.1 million and $3.8 million, respectively, from a reduction of the surface flaking warranty reserve. Excluding the surface flaking benefit, gross margin in the 2024 quarter was 39.4% compared to 41.8% in the 2023 quarter. The decrease was primarily the result of lower sales volume, offset partially by favorable impacts from our continuous improvement programs.

Selling, General and Administrative Expenses

	Three Months Ended September 30, 2024	2023	$ Change	% Change
	(dollars in thousands)			
Selling, general and administrative expenses	$ 38,901	$ 44,532	$ (5,631)	(12.6)%
% of total net sales	16.6%	14.7%		

Selling, general and administrative expenses decreased $5.6 million in the 2024 quarter. The decrease primarily related to lower personnel costs and branding expenses resulting from timing of the spend, partially offset by increases in information technology expenditures and insurance costs.

Provision for Income Taxes

	Three Months Ended September 30, 2024	2023	$ Change	% Change
	(dollars in thousands)			
Provision for income taxes	$ 13,756	$ 21,831	$ (8,075)	(37.0)%
Effective tax rate	25.3%	25.1%		

The effective tax rate for the 2024 quarter was comparable to the 2023 quarter and was 25.3% and 25.1%, respectively.

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

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

	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023
Net Income	$ 40,553	$ 65,266
Interest income, net	(5)	(734)
Income tax expense	13,756	21,831
Depreciation and amortization	13,611	12,996
EBITDA	$ 67,915	$ 99,359

	Three Months Ended September 30,			
	2024	2023	$ Change	% Change
	(dollars in thousands)			
EBITDA	$ 67,915	$ 99,359	$ (31,444)	(31.6)%

EBITDA decreased 31.6% to $67.9 million for the 2024 quarter compared to $99.4 million for the 2023 quarter. The decrease in EBITDA was driven primarily by lower net sales and gross profit.

Nine Months Ended September 30, 2024 Compared To The Nine Months Ended September 30, 2023

Net Sales

	Nine Months Ended September 30,			
	2024	2023	$ Change	% Change
	(dollars in thousands)			
Net sales	$ 983,822	$ 899,092	$ 84,730	9.4%

Total net sales increased by $84.7 million, or 9.4%, in the 2024 nine-month period compared to the 2023 nine-month period. The increase was substantially all due to an increase in volume, driven primarily by changes to our early-buy program running January to March, rather than our historical December to March time frame. We estimate this change accounted for approximately $75 million, or 8.3%, of the growth in the 2024 nine month period.

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

Gross Profit

	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023	$ Change	% Change
	(dollars in thousands)			
Cost of sales	$ 552,896	$ 517,321	$ 35,575	6.9%
% of total net sales	56.2%	57.5%		
Gross profit	$ 430,926	$ 381,771	$ 49,155	12.9%
Gross margin	43.8%	42.5%		

Gross profit as a percentage of net sales, gross margin, was 43.8% in the 2024 nine-month period compared to 42.5% in the 2023 nine-month period. The increase in gross margin was primarily the result of higher absorption due to increased production levels and favorable impacts from our continuous improvement programs, offset partially by higher labor costs, utilities, and depreciation.

Selling, General and Administrative Expenses

	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023	$ Change	% Change
	(dollars in thousands)			
Selling, general and administrative expenses	$ 140,708	$ 133,694	$ 7,014	5.2%
% of total net sales	14.3%	14.9%		

Selling, general and administrative expenses increased $7.0 million in the 2024 nine-month period. The increase primarily related to increases of $2.5 million in branding, $2.4 million in personnel related expenses, $1.2 million in disposal of manufacturing equipment, and $0.9 million of depreciation.

Provision for Income Taxes

	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023	$ Change	% Change
	(dollars in thousands)			
Provision for income taxes	$ 73,609	$ 62,089	$ 11,520	18.6%
Effective tax rate	25.4%	25.3%		

The effective tax rate for the 2024 nine-month period and the 2023 nine month period was 25.4% and 25.3% respectively.

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

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

	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
Net Income	$ 216,620	$ 183,433
Interest income (expense), net	(11)	2,555
Income tax expense	73,609	62,089
Depreciation and amortization	41,218	37,194
EBITDA	$ 331,436	$ 285,271

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

	Nine Months Ended September 30,			
	2024	2023	$ Change	% Change
	(dollars in thousands)			
EBITDA	$ 331,436	$ 285,271	$ 46,165	16.2%

Total EBITDA increased 16.2% to $331.4 million for the 2024 nine-month period compared to $285.3 million for the 2023 nine-month period. The increase in EBITDA was driven primarily by higher net sales and gross profit.

LIQUIDITY AND CAPITAL RESOURCES

We finance operations and growth primarily with cash flows from operations, borrowings under our revolving credit facilities, operating leases and normal trade credit terms from operating activities. At September 30, 2024, we had $12.8 million of cash and cash equivalents.

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

	Nine Months Ended September 30,	
	2024	2023
Net cash provided by operating activities	$ 152,402	$ 288,225
Net cash used in investing activities	(151,375)	(112,920)
Net cash provided by (used in) financing activities	9,852	(182,986)
Net increase (decrease) in cash and cash equivalents	$ 10,879	$ (7,681)

Operating Activities

Cash provided by operations was $152.4 million during the 2024 nine-month period compared to cash provided by operations of $288.2 million during the 2023 nine-month period. The $135.8 million decrease in cash provided by operating activities was primarily related to an increase in inventories, as a result of increased production in the 2024 nine-month period compared to the 2023 nine-month period.

Investing Activities

Capital expenditures in the 2024 nine-month period were $151.5 million primarily related to $108.1 million for the Arkansas manufacturing facility, $16.0 million in capacity expansion in our existing facilities and safety, environmental and general support, and $12.0 million in cost reduction initiatives.

Financing Activities

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

Stock Repurchase Program. On February 16, 2018, the Trex Board of Directors adopted a stock repurchase program of up to 11.6 million shares of its outstanding common stock (Stock Repurchase Program). As of March 31, 2023, the Company had repurchased 10.1 million shares under the Stock Repurchase Program. On May 4, 2023, the Trex Board of Directors adopted a new stock repurchase program of up to 10.8 million shares of its outstanding common stock, and terminated the existing Stock Repurchase Program. This repurchase program has no set expiration date. During the nine months ended September 30, 2024, the Company repurchased 822,400 shares of its common stock under the 2023 Stock Repurchase Program.

Revolving Credit Facility

Indebtedness prior to October 10, 2024. On May 18, 2022, the Company entered into a Credit Agreement (Credit Agreement) with certain lending parties thereto (Lenders) to amend and restate the Fourth Amended and Restated Credit Agreement dated as of November 5, 2019. Under the Credit Agreement, the Lenders agreed to provide the Company with one or more Revolving Loans in a collective maximum principal amount of $400,000,000 (Loan Limit) throughout the term, which ends May 18, 2027 (Term). Included within the Loan Limit are sublimits for a Letter of Credit facility in an amount not to exceed $60,000,000; and Swing Line Loans in an aggregate principal amount at any time outstanding not to exceed $20,000,000. The Revolving Loans, the Letter of Credit facility and the Swing Line Loans are for the purpose of raising working capital and supporting general business operations.

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

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

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

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

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

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

<u>Indebtedness on and after October 10, 2024.</u> On October 10, 2024, Trex entered into a Second Amendment to the Credit Agreement (Second Amendment) with certain lending parties thereto (Lenders) to amend that Credit Agreement dated as of May 18, 2022, as amended by that certain First Amendment dated as of December 22, 2022.

The Second Amendment provides us with Revolving A Loans in the maximum principal amount of $400,000,000 (Revolving A Loans), Revolving B Loans in the maximum principal amount of $150,000,000 (Revolving B Loans), and Letters of Credit and Swing Line Loans (as defined in the Credit Agreement). The Second Amendment extends the maturity date of the Revolving B Loans from December 22, 2024 to December 22, 2026.

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

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

At September 30, 2024, we had $70 million in outstanding borrowings under the revolving credit facility and borrowing capacity under the facility of $480 million.

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

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

Capital Requirements. In October 2021, we announced plans to add a third U.S.-based Trex manufacturing facility located in Little Rock, Arkansas. The new campus will sit on approximately 300 acres of land and will address increased demand for Trex outdoor living products. The development approach for the new campus will be modular and calibrated to demand trends for Trex outdoor living products. Construction began on the new facility in 2022. The Company anticipates spending approximately $550 million on the facility, of which approximately $340 million has already been disbursed. 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 the construction of the Arkansas facility, our capital allocation priorities for 2024 include expenditures for internal growth opportunities, manufacturing cost reductions, upgrading equipment and support systems, and acquisitions which fit our long-term growth strategy as we continue to evaluate opportunities that would be a good strategic fit for Trex, and return of capital to shareholders.

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

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

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

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

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

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

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

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

The number of incoming claims received in the nine months ended September 30, 2024, was lower than the number of claims received in the nine months ended September 30, 2023, but higher than the Company's expectations for 2024. Average cost per claim experienced in the nine months ended September 30, 2024, was lower than that experienced in the nine months ended September 30, 2023 and significantly lower than the Company's expectations for 2024. After evaluating trends in incoming claims and closures in its actuarial analysis and combining these factors with future cost estimates, the Company recorded a reduction of $1.1 million to its warranty reserve for the future settlement of Surface Flaking claims. The Company believes the reserve at September 30, 2024 is sufficient to cover future surface flaking obligations.

Our analysis is based on currently known facts and a number of assumptions, as discussed above, and current expectations. Projecting future events such as the number of claims to be received, the number of claims that will require payment and the average cost of claims could cause the actual warranty liabilities to be higher or lower than those projected, which could materially affect our financial condition, results of operations or cash flows. We estimate that the annual number of claims received will continue to decline over time and that the average cost per claim will increase slightly, primarily due to inflation. If the level of claims received or average cost per claim differs materially from expectations, it could result in additional increases or decreases to the warranty reserve and a decrease or increase in earnings and cash flows in future periods. We estimate that a 10% change in the expected number of remaining claims to be settled with payment or the expected cost to settle claims may result in approximately a $0.7 million change in the surface flaking warranty reserve.

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

	Nine Months Ended September 30,	
	2024	**2023**
Claims open, beginning of period	1,695	1,729
Claims received (1)	385	451
Claims resolved (2)	(358)	(453)
Claims open, end of period	1,722	1,727
Average cost per claim (3)	$ 3,523	$ 3,977

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

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

Item 4. Controls and Procedures

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

PART II
OTHER INFORMATION

Item 1. Legal Proceedings

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

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

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

Period	(a) Total Number of Shares (or Units) Purchased (1)	(b) Average Price Paid per Share (or Unit) ($)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs (2)	(d) Maximum Number of Shares (or Units) that May Yet Be Purchased Under the Plan or Program
July 1, 2024 – July 31, 2024	558	83.76	—	10,535,104
August 1, 2024 – August 31, 2024	822,581	60.83	822,400	9,712,704
September 1, 2024 – September 30, 2024	—	—	—	9,712,704
Quarterly period ended September 30, 2024	823,139		822,400	

(1) During the three months ended September 30, 2024, 739 shares were withheld by, or delivered to, the Company pursuant to provisions in agreements with recipients of restricted stock granted under the Company's 2014 and 2023 Stock Incentive Plan allowing the Company to withhold, or the recipient to deliver to the Company, the number of shares having the fair value equal to tax withholding due.

(2) On May 4, 2023, the Trex Board of Directors adopted a new stock repurchase program of up to 10.8 million shares of its outstanding common stock, and terminated the existing Stock Repurchase Program. This repurchase program has no set expiration date and 822,400 shares were repurchased under the program during the three months ended September 30, 2024.

Item 5. Other Information

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

Form of Trex Company, Inc. 2023 Stock Incentive Plan Stock Appreciation Rights Agreement. The Company had previously filed a Form of Trex Company, Inc. 2023 Stock Incentive Plan Stock Appreciation Rights Agreement on July 31, 2023 (the Old SAR Form). On October 23, 2024, the Company approved a new Form of Trex Company, Inc. 2023 Stock Incentive Plan Stock Appreciation Rights Agreement (New SAR Form) which replaced the Old SAR Form. The New SAR Form amends the definition of "Cause" to remove the requirement that "willful or grossly negligent misconduct" be "materially" injurious to the Company and replace it with "willful or grossly negligent misconduct that is injurious to the Company or that violates Company Policy." There are no other differences between the Old SAR Form and the New SAR Form. The New SAR Form is filed as Exhibit 10.3 to this Quarterly Report on Form 10-Q.

Form of Trex Company, Inc. 2023 Stock Incentive Plan Stock Time-Based Restricted Stock Unit Agreement. The Company had previously filed a Form of Trex Company, Inc. 2023 Stock Incentive Plan Time-Based Restricted Stock Unit Agreement on July 31, 2023 (the Old Time-Based RSU Form). On October 23, 2024, the Company approved a new Form of Trex Company, Inc. 2023 Stock Incentive Plan Time-Based Restricted Stock Unit Agreement (New Time-Based RSU Form) which replaced the Old Time-Based RSU Form. The New Time-Based RSU Form amends the definition of "Cause" to remove the requirement that "willful or grossly negligent misconduct" be "materially" injurious to the Company and replace it with "willful or grossly negligent misconduct that is injurious to the Company or that violates Company Policy." There are no other differences between the Old Time-Based RSU Form and the New Time-Based RSU Form. The New Time-Based RSU Form is filed as Exhibit 10.4 to this Quarterly Report on Form 10-Q.

Form of Trex Company, Inc. 2023 Stock Incentive Plan Stock Performance-Based Restricted Stock Unit Agreement. The Company had previously filed a Form of Trex Company, Inc. 2023 Stock Incentive Plan Performance-Based Restricted Stock Unit Agreement on July 31, 2023 (the Old Performance-Based RSU Form). On October 23, 2024, the Company approved a new Form of Trex Company, Inc. 2023 Stock Incentive Plan Performance-Based Restricted Stock Unit Agreement (New Performance-Based RSU Form) which replaced the Old Performance-Based RSU Form. The New Performance-Based RSU Form amends the definition of "Cause" to remove the requirement that "willful or grossly negligent misconduct" be "materially" injurious to the Company and replace it with "willful or grossly negligent misconduct that is injurious to the Company or that violates Company Policy." There are no other differences between the Old Performance-Based RSU Form and the New Performance-Based RSU Form. The New Performance-Based RSU Form is filed as Exhibit 10.5 to this Quarterly Report on Form 10-Q.

Item 6. Exhibits

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

SIGNATURE

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

	TREX COMPANY, INC.
Date: October 28, 2024	By: /s/ Brenda K. Lovcik
	Brenda K. Lovcik
	Senior Vice President and Chief Financial Officer
	(*Duly Authorized Officer and Principal Financial Officer*)

EXHIBIT INDEX

Exhibit Number	Description	Incorporated by reference			
		Form	Exhibit	Filing Date	File No.
3.1	Restated Certificate of Incorporation of Trex Company, Inc. dated July 28, 2021.	10-Q	3.6	August 2, 2021	001-14649
3.2	First Certificate of Amendment to the Restated Certificate of Incorporation of Trex Company, Inc. dated May 5, 2022	10-Q	3.2	May 9, 2022	001-14649
3.3	Amended and Restated By-Laws of the Company dated February 21, 2024	10-K	3.3	February 26, 2024	001-14649
10.3*/**	Form of Trex Company, Inc. 2023 Stock Incentive Plan Stock Appreciation Rights Agreement.				
10.4*/**	Form of Trex Company, Inc. 2023 Stock Incentive Plan Stock Time-Based Restricted Stock Unit Agreement.				
10.5*/**	Form of Trex Company, Inc. 2023 Stock Incentive Plan Stock Performance-Based Restricted Stock Unit Agreement.				
31.1*	Certification of Chief Executive Officer of the Company pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.				
31.2*	Certification of Chief Financial Officer of the Company pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.				
32***	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1350).				
101.INS*	Inline XBRL Instance Document—the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.				
101.SCH*	Inline XBRL Taxonomy Extension Schema With Embedded Linkbase Documents.				
104.1	Cover Page Interactive Data File—The cover page interactive data file does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.				

* Filed herewith.
** Management contract or compensatory plan or agreement.

*** Furnished herewith.

Exhibit 10.3

TREX COMPANY, INC.
2023 STOCK INCENTIVE PLAN
STOCK APPRECIATION RIGHTS AGREEMENT

Trex Company, Inc., a Delaware corporation (the "Company"), hereby grants stock appreciation rights ("SARs") relating to its common stock, $.01 par value, (the "Stock") to the Grantee named below, subject to the vesting conditions set forth in the attachment. Additional terms and conditions of the grant are set forth in this cover sheet, in the attachment, and in the Company's 2023 Stock Incentive Plan (the "Plan").

Grant Date: _____________

Name of Grantee: ____

Number of SARs: ______________

SAR Grant Price per Share: $____

Vesting Schedule:	Vesting Date	Number of SARs
	Vest 1	#
	Vest 2	#
	Vest 3	#

Last Date to Exercise: ____________

By signing this cover sheet, you agree to all of the terms and conditions described in the attached Agreement and in the Plan. You acknowledge that you have carefully reviewed the Plan, and agree that unless otherwise specifically provided herein, the Plan will control in the event any provision of this Agreement should appear to be inconsistent.

Grantee: ____
(Signature)

Company: ____________________________________
Amy M. Fernandez, Senior Vice President, Chief Legal Officer and Secretary

-
This is not a stock certificate or a negotiable instrument.

TREX COMPANY, INC.
2023 STOCK INCENTIVE PLAN
STOCK APPRECIATION RIGHTS AGREEMENT

SARs

The SARS are only exercisable before the Last Date to Exercise (noted on the cover sheet) and then only with respect to the vested portion of the SARs. Subject to the preceding sentence, you may exercise the SARs, in whole or in part, by following the procedures set forth in the Plan and below in this Agreement. For the purpose of this Agreement, "Service" means service as an employee of the Company or any Affiliate or service as Service Provider.

Vesting

Your right to exercise the SARs vests as to thirty three and one-third percent ($33^{1/3}$%) of the total number of SARs on each anniversary of the grant, as shown on the cover sheet, provided that you then continue in Service on each such vesting date. The resulting aggregate number of vested SARs will be rounded to the nearest whole number, and you may not vest in more than the number of SARs shown on the cover sheet.

Except as otherwise provided herein, no SARs will vest after your Service has terminated for any reason.

Forfeiture; Early Vesting; Exercise

Upon the termination of your Services, other than by reason of your death, Disability, Retirement, or termination by the Company without "Cause" or at your election with "Good Reason," any SARs that have not vested hereunder shall immediately be deemed forfeited and your vested SARs will expire at the close of business at Company headquarters on the 90th day after your termination date (or, if such 90th day is a Saturday, Sunday or holiday, at the close of business on the next preceding day that is not a Saturday, Sunday or holiday); but in any event no later than the Last Date to Exercise.

In the event of the termination of your Services because of your death, Disability, or Retirement, any SARs that have not vested hereunder shall immediately become fully vested and will expire at the close of business on the Last Date to Exercise. Up to the Last Date to Exercise, your or your estate or heirs may exercise your SARs. As a condition to such SARs vesting upon your termination of employment by the Company without "Cause" or at your election with "Good Reason", you must first execute a written release and agreement provided by the Company and not revoke such release and agreement within the time permitted therein for such revocation.

In the event of the termination of your Services by the Company without "Cause" or at your election with "Good Reason", or in the event of a "Change in Control", any SARs that have not vested hereunder shall immediately become fully vested and will expire at the close of business at Company headquarters on the 90th day after your termination date or Change in Control, whichever is applicable, (or, if such 90th day is a Saturday, Sunday or holiday, at the close of business on the next preceding day that is not a Saturday, Sunday or holiday); but in any event no later than the Last Date to Exercise.

"Cause" means one of the following reasons for which your employment with the Company is terminated: (1) Your willful or grossly negligent misconduct that is injurious to the Company or that violates Company policy; (2) Your embezzlement or misappropriation of funds or property of the Company; (3) Your conviction of a felony or the entrance of a plea of guilty or nolo contendere to a felony; (4) Your conviction of any crime involving fraud, dishonesty, moral turpitude or breach of trust or the entrance of a plea of guilty or nolo contendere to such a crime; or (5) Your willful failure or refusal by you to devote your full business time (other than on account of disability or approved leave) and attention to the performance of your duties and responsibilities if such breach has not been cured within 15 days after written notice thereof is given to you by the Board of Directors.

"Good Reason" shall exist upon: (1) a material and adverse change in your status or position(s) as an officer or management employee of the Company, including, without limitation, any adverse change in your status or position as an employee of the Company as a result of a material diminution in your duties or responsibilities (other than, if applicable, any such change directly attributable to the fact that the Company is no longer publicly owned) or the assignment to you of any duties or responsibilities which are materially inconsistent with such status or position(s) (other than any isolated and inadvertent failure by the Company that is cured promptly upon your giving notice), or any removal of you from or any failure to reappoint or reelect you to such position(s) (except in connection with your termination other than for Good Reason); (2) a 10% or greater reduction in your aggregate base salary and targeted bonus, other than any such reduction proportionately consistent with a general reduction of pay across the executive staff as a group, as an economic or strategic measure due to poor financial performance by the Company; (3) the failure by the Company to continue in effect any material employee benefit plan (excluding any equity compensation plan) in which you are participating (or plans providing you with similar benefits that are not materially reduced in the aggregate) other than as a result of the normal expiration of any such plan in accordance with its terms; or the taking of any action, or the failure to act, by the Company or any successor which would adversely affect your continued participation in any of such plans on at least as favorable a basis to you or which would materially reduce your benefits under any of such plans; (4) Company's requiring you to be based at an office that is both more than 50 miles from where your office is located and further from your then current residence; or (5) a material breach by the Company of any agreement with you; provided, however, that if any of the conditions exists, you must provide written notice to the Company no more than ninety (90) calendar days following the initial existence of the condition and your intention to terminate your employment for Good Reason. Upon such notice, the Company shall have a period of thirty (30) calendar days during which it may remedy the condition and, if the Company fails to remedy such condition, you terminate your Services within ninety (90) calendar days following such failure.

"Change in Control" shall have the meaning given to such term in the Change in Control Severance Agreement between you and the Company, provided that in all cases such Change in Control constitutes a "change in control event" within the meaning of Treasury Regulation Section 1.409A-3(i)(5)(i).

Notwithstanding the foregoing or any other provision herein to the contrary, SARs shall also vest according to the terms and conditions, if so provided, in any separate agreement between you and the Company, including but not limited to any Employment Agreement, Severance Agreement or Change in Control Severance Agreement.

Notice of Exercise

When you wish to exercise this award of SARs, you must notify the Company by filing the proper "Notice of Exercise" form at the address given on the form. All exercises must take place before, and your SARs will expire on, the Last Date to Exercise (shown on the cover sheet), or such earlier date following termination of your service as otherwise provided herein or a Change in Control. Your notice must specify how many SARs you wish to exercise. Your notice must also specify how the shares of Stock received on the exercise of your SARs should be registered (in your name only or in your and your spouse's names as joint tenants with right of survivorship). The notice will be effective when it is received by the Company.

If someone else wants to exercise the SARs after your death, that person must prove to the Company's satisfaction that he or she is entitled to do so.

Payment for SARs

Upon your exercise of the SARs, the Company will pay you in shares of Stock an amount equal to the positive difference (if any) between the Fair Market Value of a share of Stock on the exercise date and the SAR Grant

Price, multiplied by the number of SARs being exercised. Any fractional shares of Stock will be paid to you in cash.

Withholding Taxes

You agree, as a condition of this grant, that you will make acceptable arrangements to pay any withholding or other taxes that may be due as a result of the exercise of SARs. In the event that the Company determines that any federal, state, local or foreign tax or withholding payment is required relating to the exercise of SARs, the Company shall have the right to require such payments from you, withhold shares that would otherwise have been issued to you under this Agreement or withhold such amounts from other payments due to you from the Company or any Affiliate.

Retention Rights

This Agreement does not give you the right to be retained by the Company in any capacity. The Company reserves the right to terminate your Service at any time and for any reason.

Shareholder Rights

You, or your estate or heirs, have no rights as a shareholder of the Company until a certificate for shares of Stock received pursuant to the exercise of your SARS has been issued (or an appropriate book entry has been made). No adjustments are made for dividends or other rights if the applicable record date occurs before your stock certificate is issued (or an appropriate book entry has been made), except as described in the Plan.

Adjustments

In the event of a stock split, a stock dividend or a similar change in the Stock, the number of SARs and the SAR Grant Price per share shall be adjusted (and rounded down to the nearest whole number) if required pursuant to the Plan. Your SARs shall be subject to the terms of the agreement of merger, liquidation or reorganization in the event the Company is subject to such corporate activity.

Applicable Law

This Agreement will be interpreted and enforced under the laws of the State of Delaware, other than any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of this Agreement to the substantive law of another jurisdiction.

The Plan

The text of the Plan is incorporated in this Agreement by reference. Certain capitalized terms used in this Agreement are defined in the Plan, and have the meaning set forth in the Plan.

This Agreement and the Plan constitute the entire understanding between you and the Company regarding the SARs. Any prior agreements, commitments or negotiations concerning the SARs are superseded.

Consent to Electronic Delivery

The Company may choose to deliver certain statutory materials relating to the Plan in electronic form. By accepting the SARs you agree that the Company may deliver the Plan prospectus and the Company's annual report to you in an electronic format. If at any time you would prefer to receive paper copies of these documents, as you are entitled to, the Company would be pleased to provide copies. Please contact Corporate Human Resources to request paper copies of these documents.

By signing the cover sheet of this Agreement, you agree to all of the terms and conditions described above and in the Plan.

Exhibit 10.4

TREX COMPANY, INC.
2023 STOCK INCENTIVE PLAN
RESTRICTED STOCK UNIT AGREEMENT
TIME-BASED VESTING

Trex Company, Inc., a Delaware corporation (the "Company"), hereby grants restricted stock units ("RSUs") relating to its common stock, $.01 par value (the "Stock"), to the Grantee named below, subject to the vesting conditions set forth in the attachment. Additional terms and conditions of the grant are set forth in this cover sheet, in the attachment and in the Company's 2023 Stock Incentive Plan (the "Plan").

Grant Date:

Name of Grantee:

Grant Date Value:

Number of RSUs Covered by Grant:

Vesting Schedule:

Vesting Date	Number of RSUs
_________, 20___	#
_________, 20___	#
_________, 20___	#

By signing this cover sheet, you agree to all of the terms and conditions described in the attached Agreement and in the Plan. You acknowledge that you have carefully reviewed the Plan, and agree that unless otherwise specifically provided herein, the Plan will control in the event any provision of this Agreement should appear to be inconsistent.

Grantee: ____
(Signature)

Company: ____
Amy M. Fernandez, Senior Vice President, Chief Legal Officer and Secretary

This is not a stock certificate or a negotiable instrument.

TREX COMPANY, INC.
2023 STOCK INCENTIVE PLAN
RESTRICTED STOCK UNIT AGREEMENT
TIME-BASED VESTING

Restricted Stock Units

This grant is an award of restricted stock units in the number of units set forth on the cover sheet, and subject to the vesting and other conditions described below (the "RSUs"). Each RSU represents the right to receive one share of Stock, subject to the terms and conditions set forth in this Agreement and the Plan. Your RSUs may not be transferred, assigned, pledged or hypothecated, whether by operation of law or otherwise, nor may the RSUs be made subject to execution, attachment or similar process.

Vesting

Your RSUs will vest as to thirty three and one-third percent ($33^{1/3}$%) of the total number of RSUs covered by this grant, on each anniversary of the grant, as shown on the cover sheet; provided, that you continue to provide services to the Company or a Subsidiary as an employee or a Service Provider (“Services”) on each such vesting date. The resulting aggregate number of vested RSUs will be rounded to the nearest whole number, and you may not vest in more than the number of RSUs covered by this grant.

Delivery

As soon as practicable following the vesting of the RSUs hereunder, the Company will issue to you a share certificate for the shares of Stock to which such vested RSUs relate. In the alternative, the Company may use the book-entry method of share recordation to indicate your share ownership. You will have no further rights with regard to a RSU once the share of Stock related to such RSU has been issued.

Early Vesting

Upon the termination of your Services, other than by reason of your death, Disability, Retirement, or termination by the Company without “Cause” or at your election with “Good Reason,” any RSUs that have not vested hereunder shall immediately be deemed forfeited.

In the event of the termination of your Services because of your death, Disability, Retirement or termination by the Company without “Cause” or at your election with “Good Reason”, any RSUs that have not vested hereunder shall immediately become fully vested. (For purposes of clarification, these vesting provisions apply notwithstanding any different vesting provision in the Plan.) As a condition to such RSUs vesting upon your termination of employment by the Company without “Cause” or at your election with “Good Reason”, you must first execute a written release and agreement provided by the Company and not revoke such release and agreement within the time permitted therein for such revocation.

“Cause” means one of the following reasons for which your employment with the Company is terminated: (1) Your willful or grossly negligent misconduct that is injurious to the Company or violates Company policy; (2) Your embezzlement or misappropriation of funds or property of the Company; (3) Your conviction of a felony or the entrance of a plea of guilty or nolo contendere to a felony; (4) Your conviction of any crime involving fraud, dishonesty, moral turpitude or breach of trust or the entrance of a plea of guilty or nolo contendere to such a crime; or (5) Your willful failure or refusal by you to devote your full business time (other than on account of disability or approved leave) and attention to the performance of your duties and responsibilities if such breach has not been cured within 15 days after written notice thereof is given to you by the Board of Directors.

“Good Reason” shall exist upon: (1) a material and adverse change in your status or position(s) as an officer or management employee of the Company, including, without limitation, any adverse change in your status or position as an employee of the Company as a result of a material diminution in your duties or responsibilities (other than, if applicable, any such change directly attributable to the fact that the Company is no longer publicly owned) or the assignment to you of any duties or responsibilities which are materially inconsistent with such status or position(s) (other than any isolated and inadvertent failure by the Company that is cured promptly upon your giving notice), or any removal of you from or any failure to reappoint or reelect you to such position(s) (except in connection with your termination other than for Good Reason); (2) a 10% or greater reduction in your aggregate base salary and targeted bonus, other than any such reduction proportionately consistent with a general reduction of pay across the executive staff as a group, as an economic or strategic measure due to poor financial performance by the Company; (3) the failure by the Company to continue in effect any material employee benefit plan (excluding any equity compensation plan) in which you are participating (or plans providing you with similar benefits that are not materially reduced in the aggregate) other than as a result of the normal expiration of any such plan in accordance with its terms; or the taking of any action, or the failure to act, by the Company or any successor which would adversely affect your continued participation in any of such plans on at least as favorable a basis to you or which would materially reduce your benefits under any of such plans; (4) Company’s requiring you to be based at an office that is both more than 50 miles from where your office is located and further from your then current residence; or (5) a material breach by the Company of any agreement with you; provided, however, that if any of the conditions exists, you must provide written notice to the Company no more than ninety (90) calendar days following the initial existence of the condition and your intention to terminate your employment for Good Reason. Upon such notice, the Company shall have a period of thirty (30) calendar days during which it may remedy the condition and, if the Company fails to remedy such condition, you terminate your Services within ninety (90) calendar days following such failure.

In the event of a Change in Control, any RSUs that have not vested hereunder shall immediately become fully vested. “Change in Control” shall have the meaning given to such term in the Change in Control Severance Agreement between you and the Company, provided that in all cases such Change in Control constitutes a “change in control event” within the meaning of Treasury Regulation Section 1.409A-3(i)(5)(i).

Notwithstanding the foregoing or any other provision herein to the contrary, RSUs shall also vest according to the terms and conditions, if so provided, in any separate agreement between you and the Company, including but not limited to any Employment Agreement, Severance Agreement or Change in Control Severance Agreement.

Withholding Taxes	You agree, as a condition of this grant, that you will make acceptable arrangements to pay any withholding or other taxes that may be due as a result of vesting in RSUs (including any employment taxes that may become payable if you become eligible for Retirement prior to the end of the performance period for the RSUs) or delivery of Stock acquired under this grant. In the event that the Company determines that any federal, state, local or foreign tax or withholding payment is required relating to the vesting in RSUs or delivery of shares arising from this grant, the Company shall have the right to require such payments from you, withhold shares that would otherwise have been issued to you under this Agreement or withhold such amounts from other payments due to you from the Company or any Affiliate.
Retention Rights	This Agreement does not give you the right to be retained by the Company in any capacity. The Company reserves the right to terminate your service with the Company at any time and for any reason.
Shareholder Rights	You do not have any of the rights of a shareholder with respect to the RSUs.
Adjustments	In the event of a stock split, a stock dividend or a similar change in the Stock, the number of RSUs covered by this grant shall be adjusted (and rounded down to the nearest whole number) pursuant to the Plan. Your RSUs shall be subject to the terms of the agreement of merger, liquidation or reorganization in the event the Company is subject to such corporate activity.

Applicable Law	This Agreement will be interpreted and enforced under the laws of the State of Delaware, other than any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of this Agreement to the substantive law of another jurisdiction.
Section 409A	To the extent applicable, the RSUs granted under this Agreement are intended to comply with Section 409A of the Internal Revenue Code and the regulations and other guidance promulgated thereunder (collectively, "Section 409A"). The provisions of this paragraph shall qualify and supersede all other provisions of this Agreement and the Plan as necessary to fulfill the foregoing intent. In furtherance of the foregoing, any RSUs that accelerate and vest upon a termination of Services hereunder and that are otherwise subject to Section 409A shall accelerate and vest upon such a termination of Services solely if such termination constitutes a "separation from service" within the meaning of Section 409A. Additionally, if at the time of any such separation from service you are entitled to accelerated vesting of any RSUs granted hereunder and are also a "specified employee" (within the meaning of Section 409A and as determined by the Company) and such RSUs granted hereunder may not be settled without subjecting you to additional tax, interest and/or penalties under Section 409A, then such RSUs shall accelerate and vest upon your separation from service but shall not settle until the earlier of (i) your death or (ii) the first business day of the seventh (7th) month immediately following your separation from service. For purposes of Section 409A, each tranche of RSUs granted hereunder shall be treated as a separate payment and not as one of a series of payments treated as a single payment for purposes of Treasury Regulation Section 1.409A-2(b)(2)(iii).
The Plan	The text of the Plan is incorporated in this Agreement by reference. ***Certain capitalized terms used in this Agreement are defined in the Plan, and have the meaning set forth in the Plan.*** This Agreement and the Plan constitute the entire understanding between you and the Company regarding this grant of RSUs. Any prior agreements, commitments or negotiations concerning this grant are superseded.
Consent to Electronic Delivery	The Company may choose to deliver certain statutory materials relating to the Plan in electronic form. By accepting this grant you agree that the Company may deliver the Plan prospectus and the Company's annual report to you in an electronic format. If at any time you would prefer to receive paper copies of these documents, as you are entitled to receive, the Company would be pleased to provide copies. Please contact the Director of Human Resources to request paper copies of these documents.

By signing the cover sheet of this Agreement, you agree to all of the terms and conditions described above and in the Plan.

Exhibit 10.5

TREX COMPANY, INC.
2023 STOCK INCENTIVE PLAN
RESTRICTED STOCK UNIT AGREEMENT
PERFORMANCE-BASED VESTING

Trex Company, Inc., a Delaware corporation (the “Company”), hereby grants restricted stock units (“RSUs”) relating to its common stock, $.01 par value (the “Stock”), to the Grantee named below, subject to the vesting conditions set forth in the attachment. Additional terms and conditions of the grant are set forth in this cover sheet, in the attachment and in the Company’s 2023 Stock Incentive Plan (the “Plan”).

Grant Date:

Name of Grantee:

Grant Date Target Value:

Target Number of RSUs Covered by Grant:

Maximum Number of RSUs Covered by Grant:

Vesting Schedule:

Vesting Date	Target # of RSUs	Maximum # of RSUs
20___	______	_______
20___	______	_______
20___	______	_______

The actual vesting date each year shall be the date of the first regularly scheduled Compensation Committee meeting held in that year.

By signing this cover sheet, you agree to all of the terms and conditions described in the attached Agreement and in the Plan. You acknowledge that you have carefully reviewed the Plan, and agree that unless otherwise specifically provided herein, the Plan will control in the event any provision of this Agreement should appear to be inconsistent.

Grantee: ____
(Signature)

Company: ____
Amy M. Fernandez, Senior Vice President, Chief Legal Officer and Secretary
-

This is not a stock certificate or a negotiable instrument.

TREX COMPANY, INC.
2023 STOCK INCENTIVE PLAN
RESTRICTED STOCK UNIT AGREEMENT
PERFORMANCE-BASED VESTING

Restricted Stock Units	This grant is an award of up to the maximum number of RSUs set forth on the cover sheet, and subject to the vesting and other conditions described below (the "RSUs"). Each RSU represents the right to receive one share of Stock, subject to the terms and conditions set forth in this Agreement and the Plan. Your RSUs may not be transferred, assigned, pledged or hypothecated, whether by operation of law or otherwise, nor may the RSUs be made subject to execution, attachment or similar process.
Vesting	The actual number of RSUs that will vest each year, if any, will be determined based on the Company's attainment of the performance goals set forth on Schedule A for the time periods indicated; provided that you continue to provide services to the Company or a Subsidiary as an employee or a Service Provider ("Services") on each such vesting date. Each year, on the vesting date referred to on the cover sheet, the actual performance multiple, as referred to on the attached Schedule A, shall be applied to the Target # of RSUs set forth on the cover sheet to determine the actual number of RSUs that shall vest (which in no event shall be more than the Maximum Number of RSUs set forth on the cover sheet), with any fractional RSUs being rounded to the nearest whole number.
Delivery	As soon as practicable following the vesting of the RSUs hereunder, the Company will issue to you a share certificate for the shares of Stock to which such vested RSUs relate. In the alternative, the Company may use the book-entry method of share recordation to indicate your share ownership. You will have no further rights with regard to a RSU once the share of Stock related to such RSU has been issued.

Early Vesting

Upon the termination of your Services, other than by reason of your death, Disability, Retirement, or termination by the Company without "Cause" or at your election with "Good Reason," any RSUs that have not vested hereunder shall immediately be deemed forfeited.

In the event of the termination of your Services because of your death, Disability, Retirement, or termination by the Company without "Cause" or at your election with "Good Reason", any RSUs that have not vested hereunder shall immediately become fully vested. (For purposes of clarification, these vesting provisions apply notwithstanding any different vesting provision in the Plan.) As a condition to such RSUs vesting upon your termination of employment by the Company without "Cause" or at your election with "Good Reason", you must first execute a written release and agreement provided by the Company and not revoke such release and agreement within the time permitted therein for such revocation.

"Cause" means one of the following reasons for which your employment with the Company is terminated: (1) Your willful or grossly negligent misconduct that is injurious to the Company or violates Company policy; (2) Your embezzlement or misappropriation of funds or property of the Company; (3) Your conviction of a felony or the entrance of a plea of guilty or nolo contendere to a felony; (4) Your conviction of any crime involving fraud, dishonesty, moral turpitude or breach of trust or the entrance of a plea of guilty or nolo contendere to such a crime; or (5) Your willful failure or refusal by you to devote your full business time (other than on account of disability or approved leave) and attention to the performance of your duties and responsibilities if such breach has not been cured within 15 days after written notice thereof is given to you by the Board of Directors.

"Good Reason" shall exist upon: (1) a material and adverse change in your status or position(s) as an officer or management employee of the Company, including, without limitation, any adverse change in your status or position as an employee of the Company as a result of a material diminution in your duties or responsibilities (other than, if applicable, any such change directly attributable to the fact that the Company is no longer publicly owned) or the assignment to you of any duties or responsibilities which are materially inconsistent with such status or position(s) (other than any isolated and inadvertent failure by the Company that is cured promptly upon your giving notice), or any removal of you from or any failure to reappoint or reelect you to such position(s) (except in connection with your termination other than for Good Reason); (2) a 10% or greater reduction in your aggregate base salary and targeted bonus, other than any such reduction proportionately consistent with a general reduction of pay across the executive staff as a group, as an economic or strategic measure due to poor financial performance by the Company; (3) the failure by the Company to continue in effect any material employee benefit plan (excluding any equity compensation plan) in which you are participating (or plans providing you with similar benefits that are not materially reduced in the aggregate) other than as a result of the normal expiration of any such plan in accordance with its terms; or the taking of any action, or the failure to act, by the Company or any successor which would adversely affect your continued participation in any of such plans on at least as favorable a basis to you or which would materially reduce your benefits under any of such plans; (4) Company's requiring you to be based at an office that is both more than 50 miles from where your office is located and further from your then current residence; or (5) a material breach by the Company of any agreement with you; provided, however, that if any of the conditions exists, you must provide written notice to the Company no more than ninety (90) calendar days following the initial existence of the condition and your intention to terminate your employment for Good Reason. Upon such notice, the Company shall have a period of thirty (30) calendar days during which it may remedy the condition and, if the Company fails to remedy such condition, you terminate your Services within ninety (90) calendar days following such failure.

In the event of a Change in Control, any RSUs that have not vested hereunder shall immediately become fully vested. "Change in Control" shall have the meaning given to such term in the Change in Control Severance Agreement between you and the Company, provided that in all cases such Change in Control constitutes a "change in control event" within the meaning of Treasury Regulation Section 1.409A-3(i)(5)(i).

Notwithstanding the foregoing or any other provision herein to the contrary, RSUs shall also vest according to the terms and conditions, if so provided, in any separate agreement between you and the Company, including but not limited to any Employment Agreement, Severance Agreement or Change in Control Severance Agreement.

In the event a RSU vests early (under any circumstance), it shall vest at the "Target" amount (and not the "Maximum" amount) (regardless of the amount of the relevant performance period that precedes such event or the level of performance to date).

Withholding Taxes

You agree, as a condition of this grant, that you will make acceptable arrangements to pay any withholding or other taxes that may be due as a result of vesting in RSUs (including any employment taxes that may become payable if you become eligible for Retirement prior to the end of the performance period for the RSUs) or delivery of Stock acquired under this grant. In the event that the Company determines that any federal, state, local or foreign tax or withholding payment is required relating to the vesting in RSUs or delivery of shares arising from this grant, the Company shall have the right to require such payments from you, withhold shares that would otherwise have been issued to you under this Agreement or withhold such amounts from other payments due to you from the Company or any Affiliate.

Retention Rights	This Agreement does not give you the right to be retained by the Company in any capacity. The Company reserves the right to terminate your service with the Company at any time and for any reason.
Shareholder Rights	You do not have any of the rights of a shareholder with respect to the RSUs.
Adjustments	In the event of a stock split, a stock dividend or a similar change in the Stock, the number of RSUs covered by this grant shall be adjusted (and rounded down to the nearest whole number) pursuant to the Plan. Your RSUs shall be subject to the terms of the agreement of merger, liquidation or reorganization in the event the Company is subject to such corporate activity.
Applicable Law	This Agreement will be interpreted and enforced under the laws of the State of Delaware, other than any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of this Agreement to the substantive law of another jurisdiction.
Section 409A	To the extent applicable, the RSUs granted under this Agreement are intended to comply with Section 409A of the Internal Revenue Code and the regulations and other guidance promulgated thereunder (collectively, “Section 409A”). The provisions of this paragraph shall qualify and supersede all other provisions of this Agreement and the Plan as necessary to fulfill the foregoing intent. In furtherance of the foregoing, any RSUs that accelerate and vest upon a termination of Services hereunder and that are otherwise subject to Section 409A shall accelerate and vest upon such a termination of Services solely if such termination constitutes a “separation from service” within the meaning of Section 409A. Additionally, if at the time of any such separation from service you are entitled to accelerated vesting of any RSUs granted hereunder and are also a “specified employee” (within the meaning of Section 409A and as determined by the Company) and such RSUs granted hereunder may not be settled without subjecting you to additional tax, interest and/or penalties under Section 409A, then such RSUs shall accelerate and vest upon your separation from service but shall not settle until the earlier of (i) your death or (ii) the first business day of the seventh (7th) month immediately following your separation from service. For purposes of Section 409A, each tranche of RSUs granted hereunder shall be treated as a separate payment and not as one of a series of payments treated as a single payment for purposes of Treasury Regulation Section 1.409A-2(b)(2)(iii).
The Plan	The text of the Plan is incorporated in this Agreement by reference. ***Certain capitalized terms used in this Agreement are defined in the Plan, and have the meaning set forth in the Plan.*** This Agreement and the Plan constitute the entire understanding between you and the Company regarding this grant of RSUs. Any prior

agreements, commitments or negotiations concerning this grant are superseded.

Consent to Electronic Delivery	The Company may choose to deliver certain statutory materials relating to the Plan in electronic form. By accepting this grant you agree that the Company may deliver the Plan prospectus and the Company's annual report to you in an electronic format. If at any time you would prefer to receive paper copies of these documents, as you are entitled to receive, the Company would be pleased to provide copies. Please contact the Director of Human Resources to request paper copies of these documents.

By signing the cover sheet of this Agreement, you agree to all of the terms and conditions described above and in the Plan.

Exhibit 31.1

CERTIFICATION

I, Bryan H. Fairbanks, certify that:

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

Date: October 28, 2024

/s/ Bryan H. Fairbanks

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

Exhibit 31.2

CERTIFICATION

I, Brenda K. Lovcik, certify that:

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

Date: October 28, 2024

/s/ Brenda K. Lovcik

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

Exhibit 32

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

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

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

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

Date: October 28, 2024	/s/ Bryan H. Fairbanks
	Bryan H. Fairbanks
	President and Chief Executive Officer
Date: October 28, 2024	/s/ Brenda K. Lovcik
	Brenda K. Lovcik
	Senior Vice President and Chief Financial Officer