

**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, 2023

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  
(State or other jurisdiction of  
incorporation or organization)

2500 Trex Way  
Winchester, Virginia  
(Address of principal executive offices)

54-1910453  
(I.R.S. Employer  
Identification No.)

22601  
(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:**

<b>Title of each class</b>	<b>Trading Symbol(s)</b>	<b>Name of each exchange on which registered</b>
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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

Indicate by check mark whether the registrant is a shell company (as defined 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 16, 2023 was 108,595,381 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,	
	2023	2022	2023	2022
Net sales	\$ 303,836	\$ 188,472	\$ 899,092	\$ 913,950
Cost of sales	172,941	142,264	517,321	575,452
Gross profit	130,895	46,208	381,771	338,498
Selling, general and administrative expenses	44,532	26,857	133,694	106,387
Income from operations	86,363	19,351	248,077	232,111
Interest (income) expense, net	(734)	—	2,555	(103)
Income before income taxes	87,097	19,351	245,522	232,214
Provision for income taxes	21,831	4,928	62,089	57,665
Net income	\$ 65,266	\$ 14,423	\$ 183,433	\$ 174,549
Basic earnings per common share	\$ 0.60	\$ 0.13	\$ 1.69	\$ 1.55
Basic weighted average common shares outstanding	108,583,009	110,140,496	108,707,699	112,609,684
Diluted earnings per common share	\$ 0.60	\$ 0.13	\$ 1.69	\$ 1.55
Diluted weighted average common shares outstanding	108,702,495	110,300,017	108,829,374	112,787,994
Comprehensive income	\$ 65,266	\$ 14,423	\$ 183,433	\$ 174,549

See Notes to Condensed Consolidated Financial Statements (Unaudited).

TREX COMPANY, INC.

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

	September 30, 2023	December 31, 2022
	(Unaudited)	
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 4,644	\$ 12,325
Accounts receivable, net	200,909	98,057
Inventories	60,384	141,355
Prepaid expenses and other assets	7,130	35,105
<b>Total current assets</b>	<b>273,067</b>	<b>286,842</b>
Property, plant and equipment, net	671,035	589,892
Operating lease assets	27,286	30,991
Goodwill and other intangible assets, net	18,267	18,582
Other assets	7,157	7,398
<b>Total assets</b>	<b>\$ 996,812</b>	<b>\$ 933,705</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 31,795	\$ 19,935
Accrued expenses and other liabilities	88,919	44,064
Accrued warranty	5,092	4,600
Line of credit	56,500	222,000
<b>Total current liabilities</b>	<b>182,306</b>	<b>290,599</b>
Deferred income taxes	68,224	68,224
Operating lease liabilities	20,197	23,974
Non-current accrued warranty	17,874	20,999
Other long-term liabilities	16,560	11,560
<b>Total liabilities</b>	<b>305,161</b>	<b>415,356</b>
Commitments and contingencies	—	—
<b>Stockholders' equity</b>		
Preferred stock, \$0.01 par value, 3,000,000 shares authorized; none issued and outstanding	—	—
Common stock, \$0.01 par value, 360,000,000 shares authorized; 140,958,411 and 140,841,833 shares issued and 108,595,105 and 108,743,423 share outstanding, at September 30, 2023 and December 31, 2022, respectively	1,410	1,408
Additional paid-in capital	137,088	131,539
Retained earnings	1,314,107	1,130,674
Treasury stock, at cost, 32,363,306 shares at September 30, 2023 and 32,098,410 shares at December 31, 2022	(760,954)	(745,272)
<b>Total stockholders' equity</b>	<b>691,651</b>	<b>518,349</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 996,812</b>	<b>\$ 933,705</b>

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 Capital	Retained Earnings	Treasury Stock		Total
	Shares	Amount			Shares	Amount	
<b>Balance, December 31, 2022</b>	<b>108,743,423</b>	<b>\$ 1,408</b>	<b>\$ 131,539</b>	<b>\$ 1,130,674</b>	<b>32,098,410</b>	<b>\$(745,272)</b>	<b>\$ 518,349</b>
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
<b>Balance, March 31, 2023</b>	<b>108,803,516</b>	<b>\$ 1,409</b>	<b>\$ 132,235</b>	<b>\$ 1,171,805</b>	<b>32,098,410</b>	<b>\$(745,272)</b>	<b>\$ 560,177</b>
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)
<b>Balance, June 30, 2023</b>	<b>108,567,816</b>	<b>\$ 1,409</b>	<b>\$ 134,293</b>	<b>\$ 1,248,841</b>	<b>32,363,306</b>	<b>\$(761,018)</b>	<b>\$ 623,525</b>
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
<b>Balance, September 30, 2023</b>	<b>108,595,105</b>	<b>\$ 1,410</b>	<b>\$ 137,088</b>	<b>\$ 1,314,107</b>	<b>32,363,306</b>	<b>\$(760,954)</b>	<b>\$ 691,651</b>

  

	Common Stock		Additional Paid-In Capital	Retained Earnings	Treasury Stock		Total
	Shares	Amount			Shares	Amount	
<b>Balance, December 31, 2021</b>	<b>115,148,152</b>	<b>\$ 1,407</b>	<b>\$ 127,787</b>	<b>\$ 946,048</b>	<b>25,586,601</b>	<b>\$(350,208)</b>	<b>\$ 725,034</b>
Net income	—	—	—	71,211	—	—	71,211
Employee stock plans	9,081	—	523	—	—	—	523
Shares withheld for taxes on awards	(35,856)	—	(2,912)	—	—	—	(2,912)
Stock-based compensation	79,926	1	2,225	—	—	—	2,226
Repurchases of common stock	(833,963)	—	—	—	833,963	(75,017)	(75,017)
<b>Balance, March 31, 2022</b>	<b>114,367,340</b>	<b>\$ 1,408</b>	<b>\$ 127,623</b>	<b>\$ 1,017,259</b>	<b>26,420,564</b>	<b>\$(425,225)</b>	<b>\$ 721,065</b>
Net income	—	—	—	88,916	—	—	88,916
Employee stock plans	8,834	—	429	—	—	—	429
Stock-based compensation	2,024	—	1,057	—	—	—	1,057
Repurchases of common stock	(2,814,817)	—	—	—	2,814,817	(169,992)	(169,992)
<b>Balance, June 30, 2022</b>	<b>111,563,381</b>	<b>\$ 1,408</b>	<b>\$ 129,109</b>	<b>\$ 1,106,175</b>	<b>29,235,381</b>	<b>\$(595,217)</b>	<b>\$ 641,475</b>
Net income	—	—	—	14,423	—	—	14,423
Employee stock plans	11,003	—	429	—	—	—	429
Shares withheld for taxes on awards	(57)	—	(3)	—	—	—	(3)
Stock-based compensation	10,520	—	249	—	—	—	249
Repurchases of common stock	(1,710,676)	—	—	—	1,710,676	(100,035)	(100,035)
<b>Balance, September 30, 2022</b>	<b>109,874,171</b>	<b>\$ 1,408</b>	<b>\$ 129,784</b>	<b>\$ 1,120,598</b>	<b>30,946,057</b>	<b>\$(695,252)</b>	<b>\$ 556,538</b>

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,	
	2023	2022
<b>OPERATING ACTIVITIES</b>		
Net income	\$ 183,433	\$ 174,549
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	37,194	33,269
Stock-based compensation	7,384	3,531
Loss (gain) on disposal of property, plant and equipment	1,081	(43)
Other non-cash adjustments	(169)	(171)
Changes in operating assets and liabilities:		
Accounts receivable	(102,852)	62,343
Inventories	80,971	(48,362)
Prepaid expenses and other assets	4,376	7,125
Accounts payable	10,678	(3,769)
Accrued expenses and other liabilities	39,039	8,842
Income taxes receivable/payable	27,090	7,079
<b>Net cash provided by operating activities</b>	<b>288,225</b>	<b>244,393</b>
<b>INVESTING ACTIVITIES</b>		
Expenditures for property, plant and equipment	(112,920)	(108,163)
Proceeds from sales of property, plant and equipment	—	45
<b>Net cash used in investing activities</b>	<b>(112,920)</b>	<b>(108,118)</b>
<b>FINANCING ACTIVITIES</b>		
Borrowings under line of credit	509,500	156,000
Principal payments under line of credit	(675,000)	(80,000)
Repurchases of common stock	(18,441)	(347,957)
Proceeds from employee stock purchase and option plans	925	1,381
Financing costs	30	(867)
<b>Net cash used in financing activities</b>	<b>(182,986)</b>	<b>(271,443)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(7,681)</b>	<b>(135,168)</b>
Cash and cash equivalents, beginning of period	12,325	141,053
<b>Cash and cash equivalents, end of period</b>	<b>\$ 4,644</b>	<b>\$ 5,885</b>
Supplemental Disclosure:		
Cash paid for interest, net of capitalized interest	\$ 4,165	\$ —
Cash paid for income taxes, net	\$ 35,106	\$ 50,585
Supplemental non-cash investing and financing disclosure:		
Capital expenditures in accounts payable	\$ 1,183	\$ 787

See Notes to Condensed Consolidated Financial Statements (Unaudited).

**TREX COMPANY, INC.**

**Notes to Condensed Consolidated Financial Statements  
For the Nine Months Ended September 30, 2023 and September 30, 2022  
(Unaudited)**

**1. BUSINESS AND ORGANIZATION**

Trex Company, Inc. (Trex, Company), a Delaware corporation, was incorporated on September 4, 1998. As of December 30, 2022, the Company operates in one reportable segment, Trex Residential Products (Trex Residential). Through December 30, 2022, Trex had one wholly-owned subsidiary, Trex Commercial Products, Inc. (Trex Commercial) and operated in two reportable segments, Trex Residential and Trex Commercial.

Trex Residential, the Company's principal business based on net sales, 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 principal executive offices are located at 2500 Trex Way, Winchester, Virginia 22601, and the telephone number at that address is (540) 542-6300.

**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 the 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. Intercompany accounts and transactions have been eliminated in consolidation.

The unaudited consolidated results of operations for the three and nine months ended September 30, 2023, are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2023. The Company's results of operations are affected by a number of factors, including, but not limited to, the cost to manufacture and distribute products, cost of raw materials, inflation, consumer spending and preferences, interest rates, the impact of any supply chain disruptions, economic conditions, and/or any adverse effects from global health pandemics and geopolitical conflicts. Towards the end of June 2022, the Company experienced a reduction in demand from its distribution partners, which the Company believed was primarily spurred by concerns over a potential easing in consumer demand due to rising interest rates, declining consumer sentiment and expectations of a general slowing in the economy. As a result, beginning in the third quarter of 2022 the Company's channel partners met demand partially through inventory drawdown rather than reordering products and maintaining current inventories. This inventory recalibration was completed by year end.

These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements as of December 31, 2022, and December 31, 2021, and for each of the three years in the period ended December 31, 2022, included in the Annual Report of Trex Company, Inc. on Form 10-K, as filed with the U.S. Securities and Exchange Commission.

**3. SALE OF TREX COMMERCIAL PRODUCTS, INC.**

On December 30, 2022, the Company completed the sale of substantially all of the assets of its wholly-owned subsidiary and reportable segment, Trex Commercial. The divestiture reflected the Company's decision to focus on driving the most profitable growth strategy for the Company and its shareholders through the execution of its outdoor living strategy. The divestiture did not represent a strategic shift with a major effect on the Company's operations. The results of operations of Trex Commercial are consolidated in the Company's results of operations for the three months and nine months ended September 30, 2022.

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### 4. 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.

### 5. INVENTORIES

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

	September 30, 2023	December 31, 2022
Finished goods	\$ 43,180	\$ 107,114
Raw materials	52,255	69,292
Total FIFO (first-in, first-out) inventories	95,435	176,406
Reserve to adjust inventories to LIFO value	(35,051)	(35,051)
Total LIFO inventories	<u>\$ 60,384</u>	<u>\$ 141,355</u>

The Company utilizes the LIFO method of accounting related to its Trex Residential wood-alternative decking and residential railing products, which generally provides for the matching of current costs with current revenues. However, under the LIFO method, reductions in annual inventory balances 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.

In the nine months ended September 30, 2023, the Company had a reduction in inventory that it does not expect will be replenished by year end. However, the Company estimates that the LIFO liquidation will not have a material impact on cost of sales for the year ended December 31, 2023 and, accordingly, it did not impact the cost of sales for the nine months ended September 30, 2023.

### 6. PREPAID EXPENSES AND OTHER ASSETS

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

	September 30, 2023	December 31, 2022
Prepaid expenses	\$ 6,859	\$ 10,787
Income tax receivable	—	23,979
Other	271	339
Total prepaid expenses and other assets	<u>\$ 7,130</u>	<u>\$ 35,105</u>

### 7. GOODWILL AND OTHER INTANGIBLE ASSETS, NET

The carrying amount of goodwill at September 30, 2023, and December 31, 2022, was \$14.2 million for Trex Residential. The Company’s intangible assets, purchased in 2018, consist of domain names for Trex Residential. At September 30, 2023, and December 31, 2022, intangible assets were \$6.3 million and accumulated amortization was \$2.2 million and \$1.9 million, respectively. Intangible asset amounts were determined based on the



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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, 2023, and September 30, 2022, 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, 2023	December 31, 2022
Sales and marketing	\$ 45,374	\$ 19,194
Compensation and benefits	24,470	8,646
Operating lease liabilities	7,409	7,488
Manufacturing costs	3,507	3,425
Income taxes	3,111	—
Other	5,048	5,311
Total accrued expenses and other liabilities	<u>\$ 88,919</u>	<u>\$ 44,064</u>

### 9. DEBT

#### *Revolving Credit Facility*

Indebtedness on and after May 18, 2022 and prior to December 22, 2022. On May 18, 2022, the Company, as borrower; Trex Commercial, as guarantor; BOA, as a Lender, Administrative Agent, Swing Line Lender and L/C Issuer; Wells Fargo, as lender and Syndication Agent; Regions Bank, PNC Bank, National Association (PNC), and TD Bank, N.A. (TD)(each, a Lender and collectively, the Lenders), arranged by BofA Securities, Inc. as Sole Lead Arranger and Sole Bookrunner, entered into a Credit Agreement (Credit Agreement) to amend and restate the Fourth Amended and Restated Credit Agreement dated as of November 5, 2019.

Under the Credit Agreement, the Lenders agreed to provide the Company with one or more Revolving Loans in a collective maximum principal amount of \$400,000,000 (Loan Limit) throughout the term, which ends May 18, 2027 (Term). Included within the Loan Limit are sublimits for a Letter of Credit facility in an amount not to exceed \$60,000,000; and Swing Line Loans in an aggregate principal amount at any time outstanding not to exceed \$20,000,000. The Revolving Loans, the Letter of Credit facility and the Swing Line Loans are for the purpose of raising working capital and supporting general business operations.

The Credit Agreement provides the Company, in the aggregate, the ability to borrow an amount up to the Loan Limit during the Term. The Company is not obligated to borrow any amount under the Loan Limit. Within the Loan Limit, the Company may borrow, repay and reborrow at any time or from time to time while the Notes are in effect. Base Rate Loans (as defined in the Credit Agreement) under the Revolving Loans and the Swing Line Loans accrue interest at the Base Rate plus the Applicable Rate (as defined in the Credit Agreement) and Term SOFR Loans for the Revolving Loans accrue interest at the rate per annum equal to the sum of Term SOFR for such interest period plus the Applicable Rate (as defined in the Credit Agreement). The Base Rate for any day is a fluctuating rate per annum equal to the highest of (a) the Federal Funds Rate plus 0.50%, (b) the rate of interest in effect for such day as publicly announced from time to time by BOA as its prime rate, and (c) the Term SOFR plus 1.0% subject to certain interest rate floors. Repayment of all then outstanding principal, interest, fees and costs is due at the end of the Term.

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

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

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

Under the First Amendment, the Lenders agreed to provide the Company with a Revolving B Loan consisting of one or more revolving loans in a collective maximum principal amount of \$150,000,000 (Revolving B Loan Limit) throughout the term, which ends December 22, 2024 (Revolving B Loan Term). Previously, under the Credit Agreement, there was no Revolving B Loan. The First Amendment also provided that TD would serve as Syndication Agent.

As of December 22, 2022, the Credit Agreement was amended and restated to refer to this loan as the Revolving A Loan. The amended and restated Credit Agreement was made an Exhibit A to the First Amendment. All of the terms of the Credit Agreement apply to the Revolving B Loan. The Credit Agreement continues to include sublimits under the Revolving A Loan for a Letter of Credit facility in an amount not to exceed \$60,000,000; and Swing Line Loans in an aggregate principal amount at any time outstanding not to exceed \$20,000,000. The Revolving Loans, the Letter of Credit facility and the Swing Line Loans under Revolving A Loan are for the purpose of raising working capital and supporting general business operations.

The Notes provide the Company, in the aggregate, the ability to borrow an amount up to the Revolving A Loan Limit during the Revolving A Loan Term and Revolving B Loan Limit during the Revolving B Loan Term. The Company is not obligated to borrow any amount under the revolving loans. Within the respective loan limit, the Company may borrow, repay and reborrow at any time or from time to time while the Notes are in effect. With respect to Revolving B Loans, for any day, the rate per annum is a tiered pricing based upon the Consolidated Debt to Consolidated EBITDA Ratio. The applicable rate for Revolving B Loans that are Base Rate Loans range 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%.

The Company had \$56.5 million in borrowings outstanding under its revolving credit facility and available borrowing capacity of \$493.5 million at September 30, 2023. The weighted average interest rate on the revolving credit facility was 6.11% as of September 30, 2023.

### *Compliance with Debt Covenants and Restrictions*

Pursuant to the terms of the Credit Agreement, the Company is subject to certain loan compliance covenants. The Company was in compliance with all covenants as of September 30, 2023. Failure to comply with the financial covenants could be considered a default of repayment obligations and, among other remedies, could accelerate payment of any amounts outstanding.

## **10. LEASES**

The Company leases office space, storage warehouses, training and manufacturing facilities, and certain plant equipment under various operating leases. The Company’s operating leases have remaining lease terms of 1 year to 6 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, 2023, and September 30, 2022, total operating lease expense was \$6.1 million and \$6.3 million, respectively. The weighted average remaining lease term at September 30, 2023 and December 31, 2022 was 4.6 years and 5.2 years, respectively. The weighted average discount rate at September 30, 2023 and December 31, 2022 was 2.25% and 2.10%, respectively.

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The following table includes supplemental cash flow information for the nine months ended September 30, 2023, and September 30, 2022, and supplemental balance sheet information at September 30, 2023 and December 31, 2022 related to operating leases (in thousands):

<b>Supplemental cash flow information</b>	<b>Nine months Ended September 30,</b>	
	<b>2023</b>	<b>2022</b>
Cash paid for amounts included in the measurement of operating lease liabilities	\$ 6,236	\$ 6,532
Operating ROU assets obtained in exchange for lease liabilities	\$ 1,882	\$ 7,332

  

<b>Supplemental balance sheet information</b>	<b>September 30,</b>	<b>December 31,</b>
	<b>2023</b>	<b>2022</b>
Operating lease ROU assets	\$ 27,286	\$ 30,991
Operating lease liabilities:		
Accrued expenses and other current liabilities	\$ 7,409	\$ 7,488
Operating lease liabilities	20,197	23,974
<b>Total operating lease liabilities</b>	<b>\$ 27,606</b>	<b>\$ 31,462</b>

The following table summarizes maturities of operating lease liabilities at September 30, 2023 (in thousands):

<b>Maturities of operating lease liabilities</b>	
2023	\$ 1,893
2024	7,386
2025	5,552
2026	4,851
2027	4,446
Thereafter	4,845
Total lease payments	28,973
Less imputed interest	(1,367)
<b>Total operating lease liabilities</b>	<b>\$27,606</b>

## 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, 2023 and December 31, 2022.

## 12. STOCKHOLDERS' EQUITY

### *Earnings Per Share*

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

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
<b>Numerator:</b>				
Net income available to common shareholders	\$ 65,266	\$ 14,423	\$ 183,433	\$ 174,549
<b>Denominator:</b>				
Basic weighted average shares outstanding	108,583,009	110,140,496	108,707,699	112,609,684
Effect of dilutive securities:				
Stock appreciation rights and options	80,256	85,396	72,580	101,967
Restricted stock	39,230	74,125	49,095	76,343
Diluted weighted average shares outstanding	108,702,495	110,300,017	108,829,374	112,787,994
Basic earnings per share	\$ 0.60	\$ 0.13	\$ 1.69	\$ 1.55
Diluted earnings per share	\$ 0.60	\$ 0.13	\$ 1.69	\$ 1.55

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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		Nine Months Ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Stock appreciation rights	86,250	47,303	95,467	41,627
Restricted stock	—	68,008	69,764	48,552

### *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). From January 1, 2023 through May 3, 2023, Trex did not repurchase shares of its outstanding common stock under the Stock Repurchase Program. On May 4, 2023, the Trex Board of Directors adopted a new stock repurchase program (2023 Stock Repurchase Program) of up to 10.8 million shares of its outstanding common stock, and terminated the existing Stock Repurchase Program. This repurchase program has no set expiration date. During the quarterly period ended September 30, 2023, Trex did not repurchase shares of its outstanding common stock under the 2023 Stock Repurchase Program.

## **13. REVENUE FROM CONTRACTS WITH CUSTOMERS**

### *Trex Residential Products*

Trex Residential principally generates revenue from the manufacture and sale of its high-performance, low-maintenance, eco-friendly wood-alternative composite decking and residential railing products and accessories. Substantially all of its revenues are from contracts with customers, which are purchase orders of short-term duration of less than one year. Its customers, in turn, sell primarily to the residential market, which includes replacement, remodeling and new construction related to outdoor living products. Trex Residential satisfies its performance obligations at a point in time. The shipment of each product is a separate performance obligation as the customer is able to derive benefit from each product shipped and no performance obligation remains after shipment. Upon shipment of the product, the customer obtains control over the distinct product and Trex Residential satisfies its performance obligation. Any performance obligation that remains unsatisfied at the end of a reporting period is part of a contract that has an original expected duration of one year or less. Any variable consideration related to the unsatisfied performance obligation is allocated wholly to the unsatisfied performance obligation, 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.

### *Trex Commercial Products*

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

For the three months and nine months ended September 30, 2023, and September 30, 2022, net sales were disaggregated in the following tables by (1) market, (2) timing of revenue recognition, and (3) type of contract. The tables also include a reconciliation of the respective disaggregated net sales with the Company's reportable segments (in thousands).

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Three Months Ended September 30, 2023

	<i>Trex Residential and Consolidated</i>
<b>Timing of Revenue Recognition and Type of Contract</b>	
Products transferred at a point in time and variable consideration contracts	\$ 303,836
	<u>\$ 303,836</u>

Three Months Ended September 30, 2022

	<u>Reportable Segment</u>		
	<i>Trex Residential</i>	<i>Trex Commercial</i>	<i>Total</i>
<b>Timing of Revenue Recognition and Type of Contract</b>			
Products transferred at a point in time and variable consideration contracts	\$ 177,776	\$ —	\$177,776
Products transferred over time and fixed price contracts	—	10,696	10,696
	<u>\$ 177,776</u>	<u>\$ 10,696</u>	<u>\$188,472</u>

Nine months Ended September 30, 2023

	<i>Trex Residential and Consolidated</i>
<b>Timing of Revenue and Type of Contract</b>	
Products transferred at a point in time and variable consideration contracts	\$ 899,092
	<u>\$ 899,092</u>

Nine Months Ended September 30, 2022

	<u>Reportable Segment</u>		
	<i>Trex Residential</i>	<i>Trex Commercial</i>	<i>Total</i>
<b>Timing of Revenue Recognition and Type of Contract</b>			
Products transferred at a point in time and variable consideration contracts	\$ 878,892	\$ —	\$878,892
Products transferred over time and fixed price contracts	—	35,058	35,058
	<u>\$ 878,892</u>	<u>\$ 35,058</u>	<u>\$913,950</u>

**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 permitted to be granted under the Plan was 4,000,000 shares at the time of adoption, and as of September 30, 2023, the total number of shares available for future grants was 3,984,956.

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The following table summarizes the Company's stock-based compensation grants for the nine months ended September 30, 2023:

	<b>Stock Awards Granted</b>	<b>Weighted-Average Grant Price Per Share</b>
Time-based restricted stock units	91,742	\$ 58.67
Performance-based restricted stock units (a)	96,103	\$ 56.79
Stock appreciation rights	51,916	\$ 56.80

- (a) Includes 85,044 of target performance-based restricted stock unit awards granted during the nine months ended September 30, 2023, and adjustments of 1,413 and 9,646 to grants due to the actual performance level achieved for restricted stock and restricted stock units awarded in 2021 and 2020, 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, 2023, and September 30, 2022, the data and assumptions shown in the following table were used:

	<b>Nine Months Ended September 30, 2023</b>	<b>Nine Months Ended September 30, 2022</b>
Weighted-average fair value of grants	\$ 27.19	\$ 33.9
Dividend yield	0%	0%
Average risk-free interest rate	4.0%	1.9%
Expected term (years)	5	5
Expected volatility	49.50%	44.85%

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):

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Stock appreciation rights	\$ 248	\$ 196	\$ 660	\$ 547
Time-based restricted stock and restricted stock units	1,098	1,012	2,904	2,818
Performance-based restricted stock and restricted stock units	1,425	(1,012)	3,470	(5)
Employee stock purchase plan	50	52	350	171
Total stock-based compensation	<u>\$ 2,821</u>	<u>\$ 248</u>	<u>\$ 7,384</u>	<u>\$ 3,531</u>

Total unrecognized compensation cost related to unvested awards as of September 30, 2023, was \$12.5 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, 2023, was 25.3% and was comparable to the effective tax rate for the nine months ended September 30, 2022, of 24.8%, which resulted in income tax expense of \$62.1 million and \$57.7 million, respectively.

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During the nine months ended September 30, 2023 and September 30, 2022, the Company realized \$0.4 million and \$0.1 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, 2023, the Company maintains a valuation allowance of \$3.0 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, 2023, for certain tax jurisdictions tax years 2019 through 2022 remain 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. SEGMENT INFORMATION**

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

- Trex Residential manufactures wood-alternative decking and residential railing and related products marketed under the brand name Trex®. Trex Residential products are sold to distributors and home centers for final resale primarily to the residential market, which includes replacement, remodeling and new construction related to outdoor living products.
- Trex Commercial designed, engineered, and marketed modular and architectural railing and staging systems for the commercial and multi-family market, including sports stadiums and performing arts venues. Trex Commercial products were marketed to architects, specifiers, contractors, and others doing business within the commercial and multi-family market.

The Company's reportable segments are determined in accordance with its internal management structure, which, through December 30, 2022, was based on residential and commercial sales activities and, subsequent to December 30, 2022, is based on its residential sales activities. The Company evaluates performance of each segment primarily based on net sales and earnings before interest, income taxes, depreciation and amortization (EBITDA). The Company uses net sales to assess performance and allocate resources as this measure represents the amount of business the segment engaged in during a given period of time, is an indicator of market growth and acceptance of segment products and represents the segment's customers' spending habits along with the amount of product the segment sells relative to its competitors. The Company uses EBITDA to assess performance and allocate resources because it believes that EBITDA facilitates performance comparison between the segments by eliminating interest, income taxes, and depreciation and amortization charges to income. The below segment data for the three months and nine months ended September 30, 2023 and September 30, 2022 includes data for its reportable segments (in thousands):

[Table of Contents](#)**Segment Data:**

	Three Months	Three Months Ended September 30, 2022		
	Ended	September 30, 2022		
	September 30, 2023	Trex Residential	Trex Commercial	Consolidated
Net sales	\$ 303,836	\$ 177,776	\$ 10,696	\$ 188,472
Net Income (loss)	\$ 65,266	\$ 15,287	\$ (864)	\$ 14,423
EBITDA	\$ 99,359	\$ 31,692	\$ (876)	\$ 30,816
Depreciation and amortization	\$ 12,996	\$ 11,194	\$ 271	\$ 11,465
Income tax expense (benefit)	\$ 21,831	\$ 5,211	\$ (283)	\$ 4,928
Capital expenditures	\$ 30,563	\$ 41,403	\$ 154	\$ 41,557
Total assets	\$ 996,812	\$ 802,926	\$ 38,972	\$ 841,898

**Reconciliation of Net Income to EBITDA:**

	Three Months	Three Months Ended September 30, 2022		
	Ended	September 30, 2022		
	September 30, 2023	Trex Residential	Trex Commercial	Consolidated
Net Income (loss)	\$ 65,266	\$ 15,287	\$ (864)	\$ 14,423
Interest (income), net	(734)	—	—	—
Income tax expense (benefit)	21,831	5,211	(283)	4,928
Depreciation and amortization	12,996	11,194	271	11,465
EBITDA	\$ 99,359	\$ 31,692	\$ (876)	\$ 30,816

**Segment Data:**

	Nine months	Nine months Ended September 30, 2022		
	Ended	September 30, 2022		
	September 30, 2023	Trex Residential	Trex Commercial	Consolidated
Net sales	\$ 899,092	\$ 878,892	\$ 35,058	\$ 913,950
Net Income (loss)	\$ 183,433	\$ 176,939	\$ (2,390)	\$ 174,549
EBITDA	\$ 285,271	\$ 267,725	\$ (2,344)	\$ 265,381
Depreciation and amortization	\$ 37,194	\$ 32,435	\$ 835	\$ 33,270
Income tax expense (benefit)	\$ 62,089	\$ 58,454	\$ (789)	\$ 57,665
Capital expenditures	\$ 112,920	\$ 107,937	\$ 226	\$ 108,163
Total assets	\$ 996,812	\$ 802,926	\$ 38,972	\$ 841,898



[Table of Contents](#)**Reconciliation of Net Income to EBITDA:**

	Nine months Ended			
	September 30, 2023	September 30, 2022		
	Trex Residential and Consolidated	Trex Residential	Trex Commercial	Consolidated
Net Income (loss)	\$ 183,433	\$ 176,939	\$ (2,390)	\$ 174,549
Interest expense (income), net	2,555	(103)	—	(103)
Income tax expense (benefit)	62,089	58,454	(789)	57,665
Depreciation and amortization	37,194	32,435	835	33,270
EBITDA	\$ 285,271	\$ 267,725	\$ (2,344)	\$ 265,381

**17. SEASONALITY**

The operating results for Trex Residential 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 Residential has historically offered incentive programs to its distributors and dealers to build inventory levels before the start of the prime deck-building season in order to ensure adequate availability of its product to meet anticipated seasonal consumer demand. The seasonal effects are often offset by the positive effect of the incentive programs.

**18. COMMITMENTS AND CONTINGENCIES***Product Warranty*

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

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

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

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

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

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

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

The Company's analysis is based on currently known facts and a number of assumptions, as discussed above, and current expectations. Projecting future events such as the number of claims to be received, the number of claims that will require payment and the average cost of claims could cause the actual warranty liabilities to be higher or lower than those projected, which could materially affect the Company's financial condition, results of operations or cash flows. The Company estimates that the annual number of claims received will continue to decline over time and that the average cost per claim will increase slightly, primarily due to inflation. If the level of claims received or average cost per claim differs materially from expectations, it could result in additional increases or decreases to the warranty reserve and a decrease or increase in earnings and cash flows in future periods. The Company estimates that a 10% change in the expected number of remaining claims to be settled with payment or the expected cost to settle claims may result in approximately a \$1.1 million change in the surface flaking warranty reserve.

The Company also maintains a warranty reserve for the settlement of other residential product warranty claims and records the provision at the time of product sale.

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

	<b>Nine months Ended September 30, 2023</b>		
	<b>Surface Flaking</b>	<b>Other Residential</b>	<b>Total</b>
Beginning balance, January 1	\$ 15,905	\$ 9,694	\$ 25,599
Provisions (changes in estimates)	(3,800)	4,824	1,024
Settlements made during the period	(1,522)	(2,135)	(3,657)
Ending balance, September 30	<u>\$ 10,583</u>	<u>\$ 12,383</u>	<u>\$ 22,966</u>

  

	<b>Nine months Ended September 30, 2022</b>		
	<b>Surface Flaking</b>	<b>Other Residential</b>	<b>Total</b>
Beginning balance, January 1	\$ 18,542	\$ 10,053	\$ 28,595
Provisions (changes in estimates)	—	3,098	3,098
Settlements made during the period	(2,243)	(1,901)	(4,144)
Ending balance, September 30	<u>\$ 16,299</u>	<u>\$ 11,250</u>	<u>\$ 27,549</u>

### *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 Residential manufacturing facility located in Little Rock, Arkansas, that will sit on approximately 300 acres of land. The development approach for the new campus will be modular and calibrated to demand trends for Trex Residential outdoor living products. Construction began on the new facility in the second quarter of 2022, and in July 2022, the Company entered into a design-build agreement. As previously announced, the Company anticipates spending approximately \$400 million on the facility and the budget for the design-build agreement is contained within this amount. Construction for the new facility will be funded primarily through the Company's ongoing cash generation or its line of credit.

**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, 2022 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, 2022 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 segments’ products, and a discussion of our operational highlights.
- *Highlights and Financial Performance* – a summary of financial performance and highlights for the three months and nine months ended September 30, 2023, 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, 2023 compared to three months and nine months ended September 30, 2022, 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**

Prior to December 30, 2022, the Company operated in two reportable segments, Trex Residential Products (Trex Residential), the Company’s principal business based on net sales, and Trex Commercial Products (Trex Commercial). Subsequent to December 30, 2022, the Company currently operates in one reportable segment, Trex Residential. Refer to Note 16, *Segments*, in the Notes to the Condensed Consolidated Financial Statements in Part I, Item 1. *Condensed Consolidated Financial Statements* of this Quarterly Report on Form 10-Q for additional information. The Company is focused on using renewable resources within our Trex Residential segment.

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Trex Residential 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 Residential decking is made in a proprietary process that combines reclaimed wood fibers and recycled polyethylene film, making Trex Residential one of the largest recyclers of plastic film in North America. In addition to resisting fading and surface staining, Trex Residential 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 Residential 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 Residential products are sold to distributors and home centers for final resale primarily to the residential market.

Trex offers the following products through Trex Residential:

<b><i>Decking and Accessories</i></b>	<p>Our principal decking products are Trex Transcend® Lineage™, Trex Transcend®, Trex Signature®, 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 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 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 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.</p> <p>We also offer accessories to our decking products. Trex Hideaway®, a self-gapping universal hidden fastener designed to give a seamless finish to every project. Trex DeckLighting™, an outdoor lighting system, is a line of energy-efficient LED dimmable deck lighting designed to use 75% less energy compared to incandescent lighting. It can be installed into the railing, stair risers or the deck itself. The line includes a post cap light, deck rail light, riser light, a soffit light and a recessed deck light. Pre-assembled stair panels that allow for easier installation and are designed to save time on the jobsite.</p>
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<b>Railing</b>	Our railing products are Trex Transcend Railing, Trex Select Railing, Trex Select T-Rail and Trex Signature aluminum railing. Our high-performance composite and aluminum deck railing kits and systems are sustainably manufactured, easy to install and durable. Trex railing systems are built with the same durability as Trex decking and will not rot, warp, peel or splinter and resist fading and corrosion. Trex Transcend Railing, made from approximately 40 percent recycled content, is available in the colors of Trex Transcend decking and finishes that make it appropriate for use with Trex decking products as well as other decking materials, which we believe enhances the sales prospects of our railing products. Trex Select Railing, made from approximately 40 percent recycled content, is offered in a white finish and is ideal for consumers who desire a simple clean finished look for their deck. Trex Select T-Rail, made from a minimum of 40 percent recycled materials, is available in square composite balusters in Classic White for a cohesive, coordinated look, or round aluminum balusters in Charcoal Black for a more modern contrast. Trex Signature aluminum railing, made from a minimum of 40 percent recycled content, is available in three colors and designed for consumers who want a sleek, contemporary look.
<b>Fencing</b>	Our Trex Seclusions® composite fencing product is offered through two specialty distributors. This product consists of structural posts, bottom rails, pickets, top rails and decorative post caps. The top and bottom rails of Trex fencing are designed to provide a “picture frame” element and the deep rich colors have a matte surface to prevent harsh sunlight reflections.

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:

<b>Trex® Outdoor Furniture™</b>	A line of outdoor furniture products manufactured and sold by PolyWood, Inc.
<b>Trex® RainEscape® and Trex® Protect®</b>	An above joist deck drainage system manufactured and sold by DriDeck Enterprises, LLC. Trex Protect Joist, Beam and Rim tape is a self-adhesive butyl tape that protects wooden deck framing/substructure elements.
<b>Trex® Pergola™</b>	Pergolas made from low maintenance cellular PVC and all-aluminum product, manufactured by Home & Leisure, Inc. dba Structureworks Fabrication.
<b>Trex® Latticeworks™</b>	Outdoor lattice boards manufactured and sold by Structureworks Fabrication.
<b>Trex® Cornhole™</b>	Cornhole boards manufactured and sold by IPC Global Marketing LLC.
<b>Trex® Blade™</b>	A specialty saw blade for wood-alternative composite decking manufactured and sold by Freud America, Inc.
<b>Trex® SpiralStairs</b>	A staircase alternative for use with all deck substructures manufactured and sold by M. Cohen and Sons, Inc. dba The Iron Shop.
<b>Trex® Outdoor Kitchens™</b>	Outdoor kitchen cabinetry manufactured and sold by Danver Stainless Outdoor Kitchens.

Trex Commercial designed and engineered custom solutions prevalent in professional and collegiate sports facilities, commercial and high-rise applications, performing arts, sports, and event production and rentals. Trex Commercial marketed to architects, specifiers, contractors, and building owners.

Trex offered the following products through Trex Commercial through December 30, 2022:

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

**HIGHLIGHTS AND FINANCIAL PERFORMANCE**

*Highlights:*

- *Trex Named a 2023 Eco Leader by Green Builder Media.* Trex earned highest honors awarded by Green Builder Media in the Eco Leader category. This is the second time Trex has earned this prestigious honor having previously been recognized in 2019. Trex is the only decking brand ever to be awarded Eco Leader status, which signifies companies across the building products arena that are working to quantify ESG concepts in meaningful ways.
- *Trex and Keep Arkansas Beautiful Awarded “Recycling Education Program of the Year.”* A joint initiative by Trex Company and Keep Arkansas Beautiful was celebrated in September as the “2023 Recycling Education Program of the Year” by the Arkansas Recycling Coalition (ARC). The annual ARC Awards honors organizations that have made significant contributions to the education and advancement of waste reduction, recycling, and sustainability in Arkansas over the previous year.
- *Trex Hosts Investor Day in New York.* In September, Bryan Fairbanks, President and CEO laid out the company’s five-year financial targets for organic growth.
- *Trex Launches New Community Recycling Challenge.* The updated NexTrex Recycling Challenge combines the company’s award-winning community and school recycling programs and moves from competition-driven model to self-initiated challenge. Additionally, Trex has made the process easier and more equitable, so more participants have the opportunity to earn recognition and rewards for their recycling efforts. Under the new structure, any participating organization that collects at least 1,000 pounds of recycled plastic film during a 12-month period qualifies to receive a composite bench from the Trex Outdoor Furniture Collection.
- *Trex Transcend Lineage Recognized in Good Housekeeping’s Renovation Awards.* Trex Transcend Lineage has been recognized in *Good Housekeeping’s* 2023 Home Renovation Awards in the Exterior Enhancements category. Enhancing its appeal, Trex Transcend Lineage offers the look and feel of real wood, but without the environmental impact of deforestation.

*Financial Performance:*

The following table presents highlights of our financial performance:

	<b>Three Months Ended September 30,</b>		<b>\$ Change</b>	<b>% Change</b>
	<b>2023</b>	<b>2022</b>		
<i>(\$000s omitted, except per share data)</i>				
Net sales	\$303,836	\$188,472	\$115,364	61.2%
Gross profit	\$130,895	\$ 46,208	\$ 84,687	183.3%
Net income	\$ 65,266	\$ 14,423	\$ 50,843	352.5%
EBITDA	\$ 99,359	\$ 30,816	\$ 68,543	222.4%
Diluted earnings per share	\$ 0.60	\$ 0.13	\$ 0.47	361.5%

	<b>Nine months Ended September 30,</b>		<b>\$ Change</b>	<b>% Change</b>
	<b>2023</b>	<b>2022</b>		
<i>(\$000s omitted, except per share data)</i>				
Net sales	\$899,092	\$913,950	\$(14,858)	(1.6)%
Gross profit	\$381,771	\$338,498	\$ 43,273	12.8%
Net income	\$183,433	\$174,549	\$ 8,884	5.1%
EBITDA	\$285,271	\$265,381	\$ 19,890	7.5%
Diluted earnings per share	\$ 1.69	\$ 1.55	\$ 0.14	9.0%

*Capital expenditures.* During the nine months ended September 30, 2023, our capital expenditures were \$112.9 million primarily related to \$65.1 million for the Arkansas manufacturing facility, \$17.9 million in cost reduction initiatives, \$12.2 million for our new corporate headquarters, and \$9.5 million related to other capacity expansion, safety, environmental and general support.

*Repurchases of common shares.* During the nine months ended September 30, 2023, we repurchased 264,896 shares of our outstanding common stock under the 2023 Stock Repurchase Program.

## 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.

Towards the end of June 2022, Trex Residential experienced a reduction in demand from its distribution partners, spurred by concerns over a potential easing in consumer demand due to rising interest rates, declining consumer sentiment and expectations of a general slowing in the economy. As a result, beginning in the third quarter of 2022 Trex Residential's channel partners met demand partially through inventory drawdown. The drawdown negatively impacted third quarter and fourth quarter 2022 sales. In response to this changed environment, Trex Residential immediately took measures to manage a production slowdown, including labor force reductions, production organization, as well as other cost actions.

*Sale of Substantially All of the Assets of Trex Commercial Products, Inc.* On December 30, 2022, we completed the sale of substantially all of the assets of our wholly-owned subsidiary and reportable segment, Trex Commercial, for net proceeds of \$7.3 million. The divestiture of Trex Commercial reflects our decision to focus on driving the most profitable growth strategy for the Company and its shareholders through the execution of our outdoor living strategy. The divestiture did not represent a strategic shift with a major effect on the Company's operations and financial results. As such, the results of operations of Trex Commercial are consolidated in the Company's results of operations for the three months and nine months ended September 30, 2022.

*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 Residential 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 Residential 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, 2023 (2023 quarter) compared to the three months ended September 30, 2022 (2022 quarter), and for the nine months ended September 30, 2023 (2023 nine-month period) compared to the nine months ended September 30, 2022 (2022 nine-month period).

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*Three Months Ended September 30, 2023 Compared To The Three Months Ended September 30, 2022*

**Net Sales**

	<u>Three Months Ended September 30,</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2023</u>	<u>2022</u>		
	(dollars in thousands)			
Total net sales	\$ 303,836	\$ 188,472	\$ 115,364	61.2%
Trex Residential net sales	\$ 303,836	\$ 177,776	\$ 126,060	70.9%
Trex Commercial net sales	N/A	\$ 10,696	N/A	N/A

Total net sales in the 2023 quarter were higher compared to net sales in the 2022 quarter resulting in an increase of \$115.4 million, or 61.2%. The increase in net sales was substantially all due to increased volume which was the result of strong secular trends in the outdoor living category and by the non-recurrence of the channel inventory drawdown that occurred during the 2022 quarter.

**Gross Profit**

	<u>Three Months Ended September 30,</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2023</u>	<u>2022</u>		
	(dollars in thousands)			
Cost of sales	\$ 172,941	\$ 142,264	\$ 30,677	21.6%
% of total net sales	56.9%	75.5%		
Gross profit	\$ 130,895	\$ 46,208	\$ 84,687	183.3%
Gross margin	43.1%	24.5%		

Gross profit as a percentage of net sales, gross margin, was 43.1% in the 2023 quarter compared to 24.5% in the 2022 quarter. Excluding the \$3.8 million dollar benefit from a reduction of the surface flaking warranty reserve, gross margin for the 2023 quarter was 41.8%. Excluding Trex Commercial, gross margin for the 2022 quarter was 25.4%. The increase in gross margin in the 2023 quarter was the result of higher volume, cost out initiatives, and positive plant performance. The 2022 quarter was negatively impacted by our channel partners inventory drawdown to rightsize their inventories and additional costs as we restructured our operations for reduced production levels.

**Selling, General and Administrative Expenses**

	<u>Three Months Ended September 30,</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2023</u>	<u>2022</u>		
	(dollars in thousands)			
Selling, general and administrative expenses	\$ 44,532	\$ 26,857	\$ 17,675	65.8%
% of total net sales	14.7%	14.2%		

Selling, general and administrative expenses increased \$17.7 million in the 2023 quarter. The increase was primarily related to a \$10.6 million increase in personnel related expenses including incentive compensation. The 2022 quarter included a \$2.9 million reduction in incentive compensation related to restructuring of our operations to support our channel partner inventory drawdown. Other changes to the 2023 quarter included a \$5.8 million increase in branding expenses and a \$1.5 million increase to other expenses.

**Provision for Income Taxes**

	<u>Three Months Ended September 30,</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2023</u>	<u>2022</u>		
	(dollars in thousands)			
Provision for income taxes	\$ 21,831	\$ 4,928	\$ 16,903	343.0%
Effective tax rate	25.1%	25.5%		

The effective tax rate for the 2023 quarter of 25.1% was comparable to the effective tax rate of 25.5% for the 2022 quarter.



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

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

	Three Months Ended September 30, 2022			
	Three Months Ended September 30, 2023		Three Months Ended September 30, 2022	
	Trex Residential and Consolidated	Trex Residential	Trex Commercial	Consolidated
Net Income (loss)	\$ 65,266	\$ 15,287	\$ (864)	\$ 14,423
Interest (income), net	(734)	—	—	—
Income tax expense (benefit)	21,831	5,211	(283)	4,928
Depreciation and amortization	12,996	11,194	271	11,465
EBITDA	\$ 99,359	\$ 31,692	\$ (876)	\$ 30,816

	Three Months Ended September 30,		\$ Change	% Change
	2023	2022		
	(dollars in thousands)			
Total EBITDA	\$ 99,359	\$ 30,816	\$ 68,543	222.4%
Trex Residential EBITDA	\$ 99,359	\$ 31,692	\$ 67,667	213.5%
Trex Commercial EBITDA	N/A	\$ (876)	N/A	N/A

Total EBITDA increased 222.4% to \$99.4 million for the 2023 quarter compared to \$30.8 million for the 2022 quarter. The increase in EBITDA was driven primarily by an increase in net sales and gross profit.

**Nine Months Ended September 30, 2023 Compared To The Nine Months Ended September 30, 2022**

**Net Sales**

	Nine months Ended September 30,		\$ Change	% Change
	2023	2022		
	(dollars in thousands)			
Total net sales	\$ 899,092	\$ 913,950	\$ (14,858)	(1.6)%
Trex Residential net sales	\$ 899,092	\$ 878,892	\$ 20,200	2.3%
Trex Commercial net sales	N/A	\$ 35,058	N/A	N/A

Total net sales decreased by \$14.9 million, or 1.6%, in the 2023 nine-month period compared to the 2022 nine-month period. The reduction in total net sales was the result of the divestiture of Trex Commercial at the end of 2022. The \$20.2 million, or 2.3%, increase in Trex Residential net sales was primarily due to the launch of premium performance products and their associated pricing designed to support the high end of the market.

<sup>1</sup> 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.

[Table of Contents](#)**Gross Profit**

	<u>Nine months Ended September 30,</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2023</u>	<u>2022</u>		
	(dollars in thousands)			
Cost of sales	\$ 517,321	\$ 575,452	\$ (58,131)	(10.1)%
% of total net sales	57.5%	63.0%		
Gross profit	\$ 381,771	\$ 338,498	\$ 43,273	12.8%
Gross margin	42.5%	37.0%		

Gross profit as a percentage of net sales, gross margin, was 42.5% in the 2023 nine-month period compared to 37.0% in the 2022 nine-month period. Excluding Trex Commercial, gross margin for the 2022 quarter was 38.1%. The increase in the 2023 nine-month period was primarily the result of cost efficiencies, positive plant performance and materials management. The increase was partially offset by lower absorption due to reduced production and higher depreciation and utilities.

**Selling, General and Administrative Expenses**

	<u>Nine months Ended September 30,</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2023</u>	<u>2022</u>		
	(dollars in thousands)			
Selling, general and administrative expenses	\$ 133,694	\$ 106,387	\$ 27,307	25.7%
% of total net sales	14.9%	11.6%		

Selling, general and administrative expenses increased \$27.3 million in the 2023 nine-month period. The increase primarily related to a \$19.9 million increase in personnel related expenses including incentive compensation, a \$4.5 million increase in branding expenses, a \$2.9 million increase in research and development expenses and other expenses.

**Provision for Income Taxes**

	<u>Nine months Ended September 30,</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2023</u>	<u>2022</u>		
	(dollars in thousands)			
Provision for income taxes	\$ 62,089	\$ 57,665	\$ 4,424	7.7%
Effective tax rate	25.3%	24.8%		

The effective tax rate for the 2023 nine-month period of 25.3% was comparable to the effective tax rate of 24.8% for the 2022 nine-month period.

**Net Income and Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)<sup>2</sup> (dollars in thousands)**

<sup>2</sup> 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.

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

	Nine months Ended September 30, 2023		Nine months Ended September 30, 2022		
	Trex Residential and Consolidated		Trex Residential	Trex Commercial	Consolidated
Net Income (loss)	\$ 183,433	\$ 176,939	\$ (2,390)	\$ 174,549	
Interest expense (income), net	2,555	(103)	—	(103)	
Income tax expense (benefit)	62,089	58,454	(789)	57,665	
Depreciation and amortization	37,194	32,435	835	33,270	
EBITDA	\$ 285,271	\$ 267,725	\$ (2,344)	\$ 265,381	

	Nine months Ended September 30,		\$ Change	% Change
	2023	2022		
	(dollars in thousands)			
Total EBITDA	\$ 285,271	\$ 265,381	\$ 19,890	7.5%
Trex Residential EBITDA	\$ 285,271	\$ 237,725	\$ 47,546	20.0%
Trex Commercial EBITDA	N/A	\$ (2,344)	N/A	N/A

Total EBITDA increased 7.5% to \$285.3 million for the 2023 nine-month period compared to \$265.4 million for the 2022 nine-month period. The increase in EBITDA was driven primarily by an increase in 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. As of September 30, 2023 we had \$4.6 million of cash and cash equivalents.

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

	Nine Months Ended September 30,	
	2023	2022
Net cash provided by operating activities	\$ 288,225	\$ 244,393
Net cash used in investing activities	(112,920)	(108,118)
Net cash used in financing activities	(182,986)	(271,443)
Net decrease in cash and cash equivalents	\$ (7,681)	\$ (135,168)

### Operating Activities

Cash provided by operating activities was \$288.2 million during the 2023 nine-month period compared to cash provided by operations of \$244.4 million during the 2022 nine-month period. In general, the \$43.8 million increase in cash provided by operating activities reflects higher earnings and reduced investment in working capital in the 2023 period. Specifically, cash provided by operating activities was impacted significantly by two offsetting factors, an increase in accounts receivable and a decrease in inventory.

The increase in accounts receivable in the 2023 period was primarily due to increased sales in the three months ended September 2023 compared to sales in the three months ended September 2022, and, to a lesser extent, a result of differences in payment terms offered to customers in 2023 compared to those offered in 2022. We expect substantially all of the accounts receivables balances as of September 30, 2023 will be collected during the fourth quarter of 2023.

The effect of the increase in accounts receivable was offset, in part, by a decrease in inventory in the 2023 nine-month period compared to an increase in inventory in the 2022 nine-month period. The increase in inventory in the 2022 period was a result of the decline in sales that occurred as our distribution partners met demand partially through inventory drawdowns. The decrease in inventory in the 2023 period reflects a return to more normal purchase patterns from our distribution partners.

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### **Investing Activities**

Capital expenditures in the 2023 nine-month period were \$112.9 million primarily related to \$65.1 million for the Arkansas manufacturing facility, \$17.9 million in cost reduction initiatives, \$12.2 million for our new corporate headquarters, and \$9.5 million related to other capacity expansion, safety, environmental and general support.

### **Financing Activities**

Net cash used in financing activities in the 2023 nine-month period consisted primarily of net borrowings under our line of credit and repurchases of our outstanding common stock.

*Stock Repurchase Program.* On February 16, 2018, the Trex Board of Directors adopted a stock repurchase program of up to 11.6 million shares of its outstanding common stock (Stock Repurchase Program). The Company has repurchased 10.1 million shares under the Stock Repurchase Program. On May 4, 2023, the Trex Board of Directors adopted a new stock repurchase program (2023 Stock Repurchase Program) of up to 10.8 million shares of its outstanding common stock, and terminated the existing Stock Repurchase Program. The 2023 Stock Repurchase Program has no set expiration date and 264,896 shares were repurchased under the 2023 Stock Repurchase Program as of September 30, 2023.

Indebtedness on and after May 18, 2022 and prior to December 22, 2022. On May 18, 2022, the Company, as borrower; Trex Commercial, as guarantor; BOA, as a Lender, Administrative Agent, Swing Line Lender and L/C Issuer; Wells Fargo, as lender and Syndication Agent; Regions Bank, PNC Bank, National Association (PNC), and TD Bank, N.A. (TD)(each, a Lender and collectively, the Lenders), arranged by BofA Securities, Inc. as Sole Lead Arranger and Sole Bookrunner, entered into a Credit Agreement (Credit Agreement) to amend and restate the Fourth Amended and Restated Credit Agreement dated as of November 5, 2019.

Under the Credit Agreement, the Lenders agreed to provide the Company with one or more Revolving Loans in a collective maximum principal amount of \$400,000,000 (Loan Limit) throughout the term, which ends May 18, 2027 (Term). Included within the Loan Limit are sublimits for a Letter of Credit facility in an amount not to exceed \$60,000,000; and Swing Line Loans in an aggregate principal amount at any time outstanding not to exceed \$20,000,000. The Revolving Loans, the Letter of Credit facility and the Swing Line Loans are for the purpose of raising working capital and supporting general business operations.

The Credit Agreement provides the Company, in the aggregate, the ability to borrow an amount up to the Loan Limit during the Term. The Company is not obligated to borrow any amount under the Loan Limit. Within the Loan Limit, the Company may borrow, repay and reborrow at any time or from time to time while the Notes are in effect. Base Rate Loans (as defined in the Credit Agreement) under the Revolving Loans and the Swing Line Loans accrue interest at the Base Rate plus the Applicable Rate (as defined in the Credit Agreement) and Term SOFR Loans for the Revolving Loans accrue interest at the rate per annum equal to the sum of Term SOFR for such interest period plus the Applicable Rate (as defined in the Credit Agreement). The Base Rate for any day is a fluctuating rate per annum equal to the highest of (a) the Federal Funds Rate plus 0.50%, (b) the rate of interest in effect for such day as publicly announced from time to time by BOA as its prime rate, and (c) the Term SOFR plus 1.0% subject to certain interest rate floors. Repayment of all then outstanding principal, interest, fees and costs is due at the end of the Term.

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

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

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

Under the First Amendment, the Lenders agreed to provide the Company with a Revolving B Loan consisting of one or more revolving loans in a collective maximum principal amount of \$150,000,000 (Revolving B Loan Limit) throughout the term, which ends December 22, 2024 (Revolving B Loan Term). Previously, under the Credit Agreement, there was no Revolving B Loan. The First Amendment also provided that TD would serve as Syndication Agent.

As of December 22, 2022, the Credit Agreement was amended and restated to refer to this loan as the Revolving A Loan. The amended and restated Credit Agreement was made an Exhibit A to the First Amendment. All of the terms of the Credit Agreement apply to the Revolving B Loan. The Credit Agreement continues to include sublimits under the Revolving A Loan for a Letter of Credit facility in an amount not to exceed \$60,000,000; and Swing Line Loans in an aggregate principal amount at any time outstanding not to exceed \$20,000,000. The Revolving Loans, the Letter of Credit facility and the Swing Line Loans under Revolving A Loan are for the purpose of raising working capital and supporting general business operations.

The Notes provide the Company, in the aggregate, the ability to borrow an amount up to the Revolving A Loan Limit during the Revolving A Loan Term and Revolving B Loan Limit during the Revolving B Loan Term. The Company is not obligated to borrow any amount under the revolving loans. Within the respective loan limit, the Company may borrow, repay and reborrow at any time or from time to time while the Notes are in effect. With respect to Revolving B Loans, for any day, the rate per annum is a tiered pricing based upon the Consolidated Debt to Consolidated EBITDA Ratio. The applicable rate for Revolving B Loans that are Base Rate Loans range 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%.

At September 30, 2023, we had \$56.5 million in outstanding borrowings under the revolving credit facility and borrowing capacity under the facility of \$493.5 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, 2023. Failure to comply with the financial covenants could be considered a default of repayment obligations and, among other remedies, could accelerate payment of any amounts outstanding.

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 Residential 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 Residential outdoor living products. The development approach for the new campus will be modular and calibrated to demand trends for Trex Residential outdoor living products. Construction began on the new facility in the second quarter 2022, and in July 2022, the Company entered into a design-build agreement. As previously announced, the Company anticipates spending approximately \$400 million on the facility and the budget for the design-build agreement is contained within this amount. Construction for the new facility will be funded primarily through the Company’s ongoing cash generation or its line of credit.

Our capital expenditure guidance for 2023 is \$145 million to \$155 million. In addition to the construction of our third facility located in Arkansas, our capital allocation priorities include expenditures for internal growth opportunities, manufacturing cost reductions, upgrading equipment and support systems, and acquisitions which fit our long-term growth strategy as we continue to evaluate opportunities that would be a good strategic fit for Trex, and return of capital to shareholders.

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

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

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

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

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

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

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

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

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The Company's analysis is based on currently known facts and a number of assumptions, as discussed above, and current expectations. Projecting future events such as the number of claims to be received, the number of claims that will require payment and the average cost of claims could cause the actual warranty liabilities to be higher or lower than those projected, which could materially affect the Company's financial condition, results of operations or cash flows. The Company estimates that the annual number of claims received will continue to decline over time and that the average cost per claim will increase slightly, primarily due to inflation. If the level of claims received or average cost per claim differs materially from expectations, it could result in additional increases or decreases to the warranty reserve and a decrease or increase in earnings and cash flows in future periods. The Company estimates that a 10% change in the expected number of remaining claims to be settled with payment or the expected cost to settle claims may result in approximately a \$1.1 million change in the surface flaking warranty reserve.

The Company also maintains a warranty reserve for the settlement of other residential product warranty claims and records the provision at the time of product sale.

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

	<b>Nine Months Ended September 30,</b>	
	<b>2023</b>	<b>2022</b>
Claims open, beginning of period	1,729	1,759
Claims received (1)	451	507
Claims resolved (2)	(453)	(506)
Claims open, end of period	1,727	1,760
Average cost per claim (3)	\$ 3,977	\$ 5,200

- (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 Residential 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 Residential has historically offered incentive programs to its distributors and dealers to build inventory levels before the start of the prime deck-building season in order to ensure adequate availability of its product to meet anticipated seasonal consumer demand. The seasonal effects are often offset by the positive effect of the incentive programs.

### **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, 2022. There were no material changes to the Company's market risk exposure during the nine months ended September 30, 2023.

### **Item 4. Controls and Procedures**

The Company's management, with the participation of its President and Chief Executive Officer (the Company's principal executive officer) and its Acting Chief Financial Officer (the Company's principal financial officer), has evaluated the effectiveness of the Company's disclosure controls and procedures as of September 30, 2023. Based on this evaluation, the President and Chief Executive Officer and the Acting 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 three-month period ended September 30, 2023, 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 1A. Risk Factors**

Since December 31, 2022, there have been no material changes to the risk factors previously disclosed under the heading "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2022. You should carefully consider the risk factors in our Annual Report on Form 10-K for the year ended December 31, 2022 and our other filings made with the SEC. You should be aware that such risk factors and other information may not describe every risk we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

**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, 2023 in accordance with Item 703 of Regulation S-K:

Period	(a)	(b)	(c)	(d)
	Total Number of Shares (or Units) Purchased (1)	Average Price Paid per Share (or Unit) (\$)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs (2)	Maximum number of Shares (or Units) that May Yet Be Purchased Under the Plan or Program
July 1, 2023 – July 31, 2023	—	—	—	10,535,104
August 1, 2023 – August 31, 2023	3,454	\$ 75.95	—	10,535,104
September 1, 2023 – September 30, 2023	686	\$ 72.75	—	10,535,104
Quarterly period ended September 30, 2023	<u>4,140</u>		<u>—</u>	

(1) During the three months ended September 30, 2023, 4,140 shares were withheld by, or delivered to, the Company pursuant to provisions in agreements with recipients of restricted stock granted under the Trex 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.

On May 4, 2023, the Trex Board of Directors adopted a new stock repurchase program (2023 Stock Repurchase Program) of up to 10.8 million shares of its outstanding common stock, and terminated the existing Stock Repurchase Program. The 2023 Stock Repurchase Program has no set expiration date and 264,896 shares were repurchased under the 2023 Stock Repurchase Program as of September 30, 2023.

**Item 5. Other Information**

Amended and Restated By-Laws of the Company dated October 25, 2023. On October 25, 2023 the Board of Directors of the Company approved and adopted amendments to Article IV, Section 1 and Article V, Section 2.(b) of the Company's Amended and Restated By-laws, effective immediately, to grant authority to the Chief Executive Officer to appoint officers of the Corporation at the level of Vice-President or below and to fill any vacancy among such officers, any such appointment to be reported to the Board of Directors no later than the next regular meeting of the Board of Directors after such action is taken.



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A copy of the Amended and Restated By-Laws, as amended October 25, 2023, is attached as Exhibit 3.3 hereto and is incorporated by reference.

*Appointment of Adam D. Zambanini as Executive Vice President and Chief Operating Officer.* On October 25, 2023, our Board of Directors appointed Adam Zambanini to serve as our Executive Vice President and Chief Operating Officer. Mr. Zambanini, age 46, previously served as President of Trex Residential Products since July 2018. There was no change to Mr. Zambanini's compensation, and the information related to Mr. Zambanini's compensation set forth in our definitive proxy statement filed on Schedule 14A on March 21, 2023 is incorporated herein by reference.

**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.



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## EXHIBIT INDEX

Exhibit Number	Description	Incorporated by reference			
		Form	Exhibit	Filing Date	File No.
3.1	<a href="#">Restated Certificate of Incorporation of Trex Company, Inc. dated July 28, 2021.</a>	10-Q	3.6	August 2, 2021	001-14649
3.2	<a href="#">First Certificate of Amendment to the Restated Certificate of Incorporation of Trex Company, Inc. dated May 5, 2022.</a>	10-Q	3.2	May 9, 2022	001-14649
3.3*	<a href="#">Amended and Restated By-Laws of the Company dated October 25, 2023.</a>				
10.1**	<a href="#">Trex Company, Inc. 2023 Stock Incentive Plan.</a>	10-Q	10.1	May 8, 2023	001-14649
10.2**	<a href="#">Trex Company, Inc. Amended and Restated 1999 Incentive Plan for Outside Directors as amended on July 26, 2023.</a>	10-Q	10.2	July 31, 2023	001-14649
10.3**	<a href="#">Form of Trex Company, Inc. 2023 Stock Incentive Plan Stock Appreciation Rights Agreement.</a>	10-Q	10.3	July 31, 2023	001-14649
10.4**	<a href="#">Form of Trex Company, Inc. 2023 Stock Incentive Plan Time-Based Restricted Stock Unit Agreement.</a>	10-Q	10.4	July 31, 2023	001-14649
10.5**	<a href="#">Form of Trex Company, Inc. 2023 Stock Incentive Plan Performance-Based Restricted Stock Unit Agreement.</a>	10-Q	10.5	July 31, 2023	001-14649
10.6**	<a href="#">Form of Trex Company, Inc. Amended and Restated 1999 Incentive Plan for Outside Directors Restricted Stock Unit Agreement.</a>	10-Q	10.6	July 31, 2023	001-14649
10.7**	<a href="#">Amended and Restated Severance Agreement dated July 31, 2023 by and between Trex Company, Inc. and Bryan H. Fairbanks.</a>	10-Q	10.7	July 31, 2023	001-14649
10.8**	<a href="#">Form of Severance Agreement between Trex Company, Inc. and Officers other than the Chief Executive Officer.</a>	10-Q	10.8	July 31, 2023	001-14649
31.1*	<a href="#">Certification of Chief Executive Officer of the Company pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.</a>				
31.2*	<a href="#">Certification of Chief Financial Officer of the Company pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.</a>				
32***	<a href="#">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).</a>				
101.INS*	Inline XBRL Instance Document—the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.				
101.SCH*	Inline XBRL Taxonomy Extension Schema Document.				
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document.				
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document.				
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document.				
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document.				

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<u>Exhibit Number</u>	<u>Description</u>	<u>Incorporated by reference</u>			
		<u>Form</u>	<u>Exhibit</u>	<u>Filing Date</u>	<u>File No.</u>
104.1	Cover Page Interactive Data File—The cover page interactive data file does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.				

- \* Filed herewith.
- \*\* Management contract or compensatory plan or agreement.
- \*\*\* Furnished herewith.

**TREX COMPANY, INC.**  
**AMENDED AND RESTATED**  
**BY-LAWS**

**ARTICLE I**  
**OFFICES**

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

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

**ARTICLE II**  
**STOCKHOLDERS MEETINGS**

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

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

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

Section 4. Voting and Proxies.

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

(iii) the full notional amount of any securities that, directly or indirectly, underlie any "derivative securities" (as such term is defined in Rule 16a-1(c) under the Exchange Act) that constitutes a "call equivalent position" (as such term is defined in Rule 16a-1(b) under the Exchange Act) ("Synthetic Equity Position") and that is, directly or indirectly, held or maintained by such Proposing Person with respect to

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

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

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

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

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

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

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

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

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

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

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

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

(d) A Proposing Person shall update and supplement its notice to the Corporation of its intent to propose business at an annual meeting, if necessary, so that the information provided or required to be provided in such notice pursuant to this Section 10 shall be true and correct as of the record date for notice of the meeting and as of the date that is ten (10) business days prior to the meeting or any adjournment or postponement thereof, and such update and supplement shall be delivered to, or mailed and received by, the Secretary at the principal executive offices of the Corporation not later than five (5) business days after the record date for notice of the meeting (in the case of the update and supplement required to be made as of such record date), and

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not later than eight (8) business days prior to the date for the meeting or, if practicable, any adjournment or postponement thereof (and, if not practicable, on the first practicable date prior to the date to which the meeting has been adjourned or postponed) (in the case of the update and supplement required to be made as of ten (10) business days prior to the meeting or any adjournment or postponement thereof). For the avoidance of doubt, the obligation to update and supplement as set forth in this Section 10 or any other Section of these Bylaws shall not limit the Corporation's rights with respect to any deficiencies in any notice provided by a stockholder, extend any applicable deadlines hereunder or enable or be deemed to permit a stockholder who has previously submitted notice hereunder to amend or update any proposal or to submit any new proposal, including by changing or adding matters, business or resolutions proposed to be brought before a meeting of the stockholders.

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

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

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

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

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

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

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

(b)

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

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

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

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

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

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

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

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

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

(d) A stockholder providing notice of any nomination proposed to be made at a meeting shall further update and supplement such notice, if necessary, so that the information provided or required to be provided in such notice pursuant to this Section 11 shall be true and correct as of the record date for notice of the meeting and as of the date that is ten (10) business days prior to the meeting or any adjournment or postponement thereof, and such update and supplement shall be delivered to, or mailed and received by, the Secretary at the principal executive offices of the Corporation not

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

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

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

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

(a) To be eligible to be a candidate for election as a director of the Corporation at an annual or special meeting, a candidate must be nominated in the manner prescribed in Section 11 of this Article II and the candidate for nomination, whether nominated by the Board of Directors or by a stockholder of record, must have previously delivered (in accordance with the time period prescribed for delivery in a

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

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

(c) Nominations of persons for election to the Board of Directors may be made at a special meeting of stockholders at which directors are to be elected pursuant to the Corporation's notice of meeting (i) by or at the direction of the Board of Directors or (ii) provided that the Board of Directors has determined that directors shall be elected at such meeting, by any stockholder of the Corporation who is a stockholder of record at the time the notice provided for in this Section 12 is delivered to the Secretary of the Corporation, who shall be entitled to vote at the meeting and upon such election, and who (i) provides timely notice thereof in writing and in proper form to the Secretary at the principal offices of the Corporation, (ii) provides the information with respect to such stockholder and its candidate for nomination as required by this Section 12 and Section 11 of this Article II and (iii) provides any updates or supplements to such notice at the times and in the forms required by Section 11. To be timely, in the event the Corporation calls a special meeting of stockholders for the purpose of electing one or more directors to the Board of Directors, a stockholder's notice for nominations to be



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made at such special meeting must be delivered to the Secretary at the principal executive offices of the Corporation not earlier than 5 p.m. Eastern Time on the one hundred twentieth (120th) day prior to such special meeting and not later than 5 p.m. Eastern Time on the later of the ninetieth (90th) day prior to such special meeting, or the tenth (10th) day following the date of public disclosure of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting. In no event shall the public announcement of an adjournment or postponement of a special meeting commence a new time period (or extend any time period) for the giving of a stockholder's notice as described above.

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

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

### ARTICLE III BOARD OF DIRECTORS

Section 1. Number and Qualification. The authorized number of directors that shall constitute the full Board of Directors of the Corporation shall be fixed from time to time as provided in the Restated Certificate of Incorporation. Directors need not be stockholders of the Corporation.

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

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

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

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

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

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

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

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

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

Section 6. Other Committees.

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

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

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

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

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

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

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ARTICLE IV  
OFFICERS

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

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

If a director has not been designated as Chairman, or if the designated Chairman is not present at a meeting, the Board of Directors shall elect a Chairman from amongst its members to serve as Chairman of the Board of Directors for such meeting. The Chairman shall preside at all meetings of the Board of Directors and shall have such other powers as the Board may determine.

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

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

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

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

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

## ARTICLE V RESIGNATIONS AND VACANCIES

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

### Section 2. Vacancies.

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

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

Section 3. Director Resignation Policy. Pursuant to Section A of Article IX of the Corporation's Restated Certificate of Incorporation, as amended, the Corporation has a majority voting standard in uncontested elections of directors, and plurality voting in contested elections. Any director who is not elected by a majority of the votes cast in an uncontested election shall immediately tender his or her resignation to the Chairman of the Nominating/Corporate Governance Committee ("NCG Committee"). Within 60 days after certification of the election results, the NCG Committee will recommend to the Board of Directors whether to accept or reject the resignation, or whether other action should be taken. In determining whether to recommend that the Board accept any resignation, the NCG Committee may consider all factors that such Committee's

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members believe are relevant. The Board shall act on the NCG Committee's recommendation within 90 days after certification of the election results. In deciding whether to accept the resignation, the Board will consider the factors considered by the NCG Committee and any additional information and factors that the Board believes to be relevant. If the Board accepts a director's resignation pursuant to this process, the NCG Committee will recommend to the Board and the Board will thereafter determine whether to fill the vacancy or reduce the size of the Board. Any director who tenders his or her resignation pursuant to this provision will not participate in the proceedings of either the NCG Committee or the Board with respect to his or her own resignation.

ARTICLE VI  
CAPITAL STOCK

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

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

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

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

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Section 3. Record Dates.

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

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

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

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

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

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

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

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

ARTICLE VIII  
BOOKS AND RECORDS

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



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

ARTICLE IX  
NOTICES

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

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

ARTICLE X  
SEAL

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

ARTICLE XI  
POWERS OF ATTORNEY

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

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

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ARTICLE XII  
INDEMNIFICATION OF DIRECTORS AND OFFICERS

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

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

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

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

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

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

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

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

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

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

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ARTICLE XIII  
AMENDMENTS

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

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

## 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 30, 2023

/s/ Bryan H. Fairbanks

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

## 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 30, 2023

/s/ Bryan H. Fairbanks

Bryan H. Fairbanks  
Acting Chief Financial Officer  
(Principal Financial Officer)

**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 Acting 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, 2023 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 30, 2023

/s/ Bryan H. Fairbanks

Bryan H. Fairbanks  
President and Chief Executive Officer

Date: October 30, 2023

/s/ Bryan H. Fairbanks

Bryan H. Fairbanks  
Acting Chief Financial Officer



