

REFINITIV

DELTA REPORT

10-Q

TREX - TREX CO INC

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	1365
CHANGES	173
DELETIONS	821
ADDITIONS	371

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

FORM10-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 March 31, 2024

OR

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

For the transition period from to

Commission File Number:001-14649



Trex Company, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

54-1910453

(I.R.S. Employer
Identification No.)

2500 Trex Way

Winchester, Virginia

(Address of principal executive offices)

22601

(Zip Code)

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

Not Applicable

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

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

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

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

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

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

Large accelerated filer	<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 April 25, 2024 was
108,595,381 108,692,757 shares.

TREX COMPANY, INC.

INDEX

Page

PART I FINANCIAL INFORMATION

2



Item 1.	Condensed Consolidated Financial Statements	2
	Condensed Consolidated Statements of Comprehensive Income for the Three Months Ended March 31, 2024 and Nine Months Ended September 30, 2023 and September 30, 2022 March 31, 2023 (unaudited)	2
	Condensed Consolidated Balance Sheets as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 (unaudited)	3
	Condensed Consolidated Statements of Changes in Stockholders' Equity for the Nine Three Months Ended September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023 (unaudited)	4
	Condensed Consolidated Statements of Cash Flows for the Nine Three Months Ended September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023 (unaudited)	5
	Notes to Condensed Consolidated Financial Statements (unaudited)	6
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	18 15
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	30 23
Item 4.	Controls and Procedures	30 24
	PART II OTHER INFORMATION	31 25
Item 1.	Legal Proceedings	31 25
Item	Risk Factors	
1A.		31
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	31 25
Item 5.	Other Information	31 25
Item 6.	Exhibits	32 26

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

	Three Months Ended March 31,	
	2024	2023
Net sales	\$ 373,635	\$ 238,718
Cost of sales	204,023	144,290
Gross profit	169,612	94,428
Selling, general and administrative expenses	50,600	37,480
Income from operations	119,012	56,948
Interest (income) expense, net	(5)	1,985
Income before income taxes	119,017	54,963
Provision for income taxes	29,947	13,832
Net income	\$ 89,070	\$ 41,131
Basic earnings per common share	\$ 0.82	\$ 0.38
Basic weighted average common shares outstanding	108,640,168	108,771,958
Diluted earnings per common share	\$ 0.82	\$ 0.38
Diluted weighted average common shares outstanding	108,790,625	108,916,261
Comprehensive income	\$ 89,070	\$ 41,131

See Notes to Condensed Consolidated Financial Statements (Unaudited).

2

TREX COMPANY, INC.

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

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
	(Unaudited)		(Unaudited)	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 4,644	\$ 12,325	\$ 3,053	\$ 1,959
Accounts receivable, net	200,909	98,057	373,470	41,136
Inventories	60,384	141,355	123,885	107,089
Prepaid expenses and other assets	7,130	35,105	12,958	22,070
Total current assets	273,067	286,842	513,366	172,254
Property, plant and equipment, net	671,035	589,892	729,993	709,402
Operating lease assets	27,286	30,991	25,010	26,233
Goodwill and other intangible assets, net	18,267	18,582	18,058	18,163
Other assets	7,157	7,398	6,531	6,833
Total assets	\$ 996,812	\$ 933,705	\$ 1,292,958	\$ 932,885
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities				
Accounts payable	\$ 31,795	\$ 19,935	\$ 49,350	\$ 23,963
Accrued expenses and other liabilities	88,919	44,064	91,940	56,734
Accrued warranty	5,092	4,600	4,901	4,865
Line of credit	56,500	222,000	223,000	5,500

Total current liabilities	182,306	290,599	369,191	91,062
Deferred income taxes	68,224	68,224	67,226	72,439
Operating lease liabilities	20,197	23,974	17,602	18,840
Non-current accrued warranty	17,874	20,999	18,233	17,313
Other long-term liabilities	16,560	11,560	16,560	16,560
Total liabilities	305,161	415,356	488,812	216,214
Commitments and contingencies	—	—	—	—
Stockholders' equity				
Stockholders' equity				
Stockholders' equity				
Stockholders' equity				
Preferred stock, \$0.01 par value, 3,000,000 shares authorized; none issued and outstanding	—	—	—	—
Common stock, \$0.01 par value, 360,000,000 shares authorized; 140,958,411 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		
Common stock, \$0.01 par value, 360,000,000 shares authorized; 141,056,063 and 140,974,843 shares issued and 108,692,757 and 108,611,537 share outstanding, at March 31, 2024 and December 31, 2023, respectively			1,411	1,410
Additional paid-in capital	137,088	131,539	138,561	140,157
Retained earnings	1,314,107	1,130,674	1,425,128	1,336,058
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)		
Treasury stock, at cost, 32,363,306 and 32,363,306 shares at March 31, 2024 and December 31, 2023			(760,954)	(760,954)
Total stockholders' equity	691,651	518,349	804,146	716,671
Total liabilities and stockholders' equity	\$ 996,812	\$ 933,705	\$ 1,292,958	\$ 932,885

See Notes to Condensed Consolidated Financial Statements (Unaudited).

3

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			Common
	Shares	Amount			Shares	Amount	Total	Shares
Balance, December 31, 2022	108,743,423	\$ 1,408	\$ 131,539	\$ 1,130,674	32,098,410	\$ (745,272)	\$ 518,349	
Balance, December 31, 2023								108,611,537
Net income	—	—	—	41,131	—	—	41,131	—
Employee stock plans	8,504	—	316	—	—	—	316	5,64
Shares withheld for taxes on awards	(28,773)	—	(1,592)	—	—	—	(1,592)	(55,10)
Stock-based compensation	80,362	1	1,972	—	—	—	1,973	130,68
Balance, March 31, 2023	108,803,516	\$ 1,409	\$ 132,235	\$ 1,171,805	32,098,410	\$ (745,272)	\$ 560,177	
Net income	—	—	—	77,036	—	—	77,036	—
Employee stock plans	7,971	—	323	—	—	—	323	—

Shares withheld for taxes on awards	(15,663)	—	(855)	—	—	—	(855)
Stock-based compensation	36,888	—	2,590	—	—	—	2,590
Repurchases of common stock	(264,896)	—	—	—	264,896	(15,746)	(15,746)
Balance, March 31, 2024							108,692,75
Balance, June 30, 2023	108,567,816	\$ 1,409	\$ 134,293	\$ 1,248,841	32,363,306	\$ (761,018)	\$ 623,525
Net Income	—	—	—	65,266	—	—	65,266
Employee stock plans	5,448	—	286	—	—	—	286
Shares withheld for taxes on awards	(4,140)	—	(312)	—	—	—	(312)
Stock-based compensation	25,981	1	2,821	—	—	—	2,822
Repurchases of common stock	—	—	—	—	—	64	64
Balance, September 30, 2023	108,595,105	\$ 1,410	\$ 137,088	\$ 1,314,107	32,363,306	\$ (760,954)	\$ 691,651

	Common Stock		Additional Paid-In Capital	Retained Earnings	Treasury Stock			Common Stock	
	Shares	Amount			Shares	Amount	Total	Shares	Amount
Balance, December 31, 2021	115,148,152	\$ 1,407	\$ 127,787	\$ 946,048	25,586,601	\$ (350,208)	\$ 725,034		
Balance, December 31, 2022								108,743,423	\$ 1,408
Net income	—	—	—	71,211	—	—	71,211	—	—
Employee stock plans	9,081	—	523	—	—	—	523	8,504	—
Shares withheld for taxes on awards	(35,856)	—	(2,912)	—	—	—	(2,912)	(28,773)	—
Stock-based compensation	79,926	1	2,225	—	—	—	2,226	80,362	1
Repurchases of common stock	(833,963)	—	—	—	833,963	(75,017)	(75,017)	—	—
Balance, March 31, 2022	114,367,340	\$ 1,408	\$ 127,623	\$ 1,017,259	26,420,564	\$ (425,225)	\$ 721,065		
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)	—	—
Balance, March 31, 2023								108,803,516	\$ 1,409
Balance, June 30, 2022	111,563,381	\$ 1,408	\$ 129,109	\$ 1,106,175	29,235,381	\$ (595,217)	\$ 641,475		
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)
Balance, September 30, 2022	109,874,171	\$ 1,408	\$ 129,784	\$ 1,120,598	30,946,057	\$ (695,252)	\$ 556,538

See Notes to Condensed Consolidated Financial Statements (Unaudited).

4

TREX COMPANY, INC.

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

	Nine Months Ended September 30,	
	2023	2022
OPERATING ACTIVITIES		
Net income	\$ 183,433	\$ 174,
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	37,194	33,
Stock-based compensation	7,384	3,
Loss (gain) on disposal of property, plant and equipment	1,081	
Other non-cash adjustments	(169)	(
Changes in operating assets and liabilities:		
Accounts receivable	(102,852)	62,
Inventories	80,971	(48,
Prepaid expenses and other assets	4,376	7,
Accounts payable	10,678	(3,
Accrued expenses and other liabilities	39,039	8,
Income taxes receivable/payable	27,090	7,
Net cash provided by operating activities	288,225	244,
	Three Months Ended March 31,	
	2024	2023
OPERATING ACTIVITIES		
Net income	\$ 89,070	\$ 41,131
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	14,154	11,915
Deferred Income Taxes	(5,212)	—
Stock-based compensation	3,155	1,972
Loss (gain) on disposal of property, plant and equipment	2,122	—
Other non-cash adjustments	121	121
Changes in operating assets and liabilities:		
Accounts receivable	(332,333)	(204,014)
Inventories	(16,796)	13,571
Prepaid expenses and other assets	(319)	291
Accounts payable	26,238	2,975
Accrued expenses and other liabilities	12,041	3,361
Income taxes receivable/payable	33,715	13,206
Net cash used in operating activities	(174,044)	(115,471)
INVESTING ACTIVITIES		
Expenditures for property, plant and equipment	(112,920) 37,720	(108,163) 39,192
Proceeds from sales of property, plant and equipment	106	45
Net cash used in investing activities	(112,920) 37,614	(108,118) 39,192
FINANCING ACTIVITIES		

Borrowings under line of credit	509,500	258,500	156,000	200,500
Principal payments under line of credit	(675,000)	41,000	(80,000)	53,000
Repurchases of common stock	(18,441)	5,145	(347,957)	1,592
Proceeds from employee stock purchase and option plans	925	397	1,381	316
Financing costs	30	—	(867)	30
Net cash used in provided by financing activities	(182,986)	212,752	(271,443)	146,254
Net decrease increase (decrease) in cash and cash equivalents	(7,681)	1,094	(135,168)	(8,409)
Cash and cash equivalents, beginning of period	12,325	1,959	141,053	12,325
Cash and cash equivalents, end of period	\$ 4,644	3,053	\$ 5,885	3,916
Supplemental Disclosure:				
Cash paid for interest, net of capitalized interest	\$ 4,165	—	\$ —	1,817
Cash paid for income taxes, net	\$ 35,106	1,444	\$ 50,585	733
Supplemental non-cash investing and financing disclosure:				
Capital expenditures in accounts payable	\$ 1,183	851	\$ 787	229

See Notes to Condensed Consolidated Financial Statements (Unaudited).

5

TREX COMPANY, INC.

Notes to Condensed Consolidated Financial Statements

For the Nine Three Months Ended September 30, 2023 March 31, 2023 and September 30, 2022 2024
(Unaudited)

1. BUSINESS AND ORGANIZATION

Trex Company, Inc. (Trex or 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 Company is incorporated in Delaware. The principal executive offices are located at 2500 Trex Way, Winchester, Virginia 22601, and the telephone number at that address is (540) 542-6300. The Company operates in a single reportable segment.

2. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and 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 March 31, 2024, are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2023 December 31, 2024. The Company's results of operations are affected by a number of factors, including, but not limited to, the cost to manufacture and distribute products, cost of raw materials, inflation, consumer spending and preferences, interest rates, the impact of any supply chain disruptions, economic conditions, and/or any adverse effects from global health pandemics and geopolitical conflicts. 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, notes thereto included in the Annual Report of Trex Company, Inc. on Form 10-K for the year ended December 31, 2023, as filed with the U.S. Securities and Exchange Commission.

3. 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.

6

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 ASUNo. 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. ASUNo. 2020-04provides 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.

6

4. NEW ACCOUNTING STANDARDS NOT YET ADOPTED

In November 2023, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU)No. 2023-07,"Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures." The guidance requires disclosure of significant segment expenses which are regularly provided to the chief operating decision maker (CODM), the composition of and amount of other segment items, the CODM's title and position within the organization, and how the CODM uses the reported measure(s) of segment's profit or loss to assess the performance of the segment. In addition, on an interim basis, all segment profit or loss and asset disclosures currently required on an annual basis must be reported, as well as those required by Topic 280. The guidance allows for multiple measure of a segment's profit or loss to be reported. Entities which have a single reportable segment must apply Topic 280 in its entirety. The guidance is effective for fiscal years beginning after December 15, 2023, and for interim periods beginning after December 15, 2024. Early adoption is permitted. Entities are required to apply the amendments of this update retrospectively for all prior periods presented in the financial statements. The Company does not intend to early adopt the standard and does not expect adoption of this guidance to have a material effect on its consolidated results of operations and financial position.

In December 2023, the FASB issued ASUNo. 2023-09,"Income Taxes (Topic 740): Improvements to Income Tax Disclosures." The guidance requires public entities to disclose additional categories of information related to federal, state, and foreign income taxes and additional details related to reconciling items should they meet a quantitative threshold. The guidance requires disclosure of income taxes paid (net of refunds received) disaggregated by federal, state, and foreign taxes and to disaggregate the information by jurisdiction based on quantitative thresholds. The guidance is effective for fiscal years beginning after December 15, 2024. Early adoption is permitted. The guidance should be applied on a prospective basis, retrospective application is permitted. The Company does not intend to early adopt the standard and does not expect adoption of the guidance to have a material effect on its consolidated results of operations and financial position.

5. INVENTORIES

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

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Finished goods	\$ 43,180	\$ 107,114	\$ 89,619	\$ 88,840
Raw materials	52,255	69,292	67,705	51,688
Total FIFO(first-in,first-out)inventories	95,435	176,406	157,324	140,528
Reserve to adjust inventories to LIFO value	(35,051)	(35,051)	(33,439)	(33,439)
Total LIFO inventories	\$ 60,384	\$ 141,355	\$ 123,885	\$ 107,089

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 may cause a portion of the Company's cost of sales to be based on historical costs rather than current year

costs (LIFO liquidation). Reductions in interim inventory balances expected to be replenished by year-end do not result in a LIFO liquidation. Accordingly, interim LIFO calculations are based, in part, on management's estimates of expected year-end inventory levels and costs and may differ from actual results. Since inventory levels and costs are subject to factors beyond management's control, interim results are subject to the final year-end LIFO inventory valuation.

In the nine months ended September 30, 2023, the Company had a reduction in **There were no LIFO** 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 **liquidations or related** impact on cost of sales for the year ended December 31, 2023 and, accordingly, it did not impact the cost of sales for in the **nine three** months ended **September 30, 2023** **March 31, 2024**.

6. PREPAID EXPENSES AND OTHER ASSETS

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

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Prepaid expenses	\$ 6,859	\$ 10,787	\$ 12,329	\$ 11,830
Income tax receivable	—	23,979	—	9,611
Other	271	339	629	629
Total prepaid expenses and other assets	<u>\$ 7,130</u>	<u>\$ 35,105</u>	<u>\$ 12,958</u>	<u>\$ 22,070</u>

7. GOODWILL AND OTHER INTANGIBLE ASSETS, NET

The carrying amount of goodwill at **September 30, 2023** **March 31, 2024**, and **December 31, 2022** **December 31, 2023**, was \$14.2 million for Trex Residential. million. The Company's intangible assets, purchased in 2018, consist of domain names for Trex Residential. names. At **September 30, 2023** **March 31, 2024**, and **December 31, 2022** **December 31, 2023**, intangible assets were \$6.3 million and accumulated amortization was **\$2.2** **\$2.5** million and **\$1.9** **\$2.4** million, respectively. Intangible asset amounts were determined based on the

7

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.

7

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 three** months ended **September 30, 2023** **March 31, 2024**, and **September 30, 2022** **March 31, 2023**, was **\$0.3** **\$0.1** million and **\$0.3** **\$0.1** 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	March 31, 2024	December 31, 2023
Sales and marketing	\$ 45,374	\$ 19,194	\$ 33,754	\$ 15,496
Income Taxes			24,104	—
Compensation and benefits	24,470	8,646	16,719	25,859
Operating lease liabilities	7,409	7,488	7,629	7,663
Manufacturing costs	3,507	3,425	3,193	3,382
Income taxes	3,111	—		
Other	5,048	5,311	6,541	4,334
Total accrued expenses and other liabilities	<u>\$ 88,919</u>	<u>\$ 44,064</u>	<u>\$ 91,940</u>	<u>\$ 56,734</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) with certain lending parties thereto (Lenders) to amend and restate the Fourth Amended and Restated Credit Agreement dated as of November 5, 2019.

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

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

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

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

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

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.

8

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

8

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

The Company had \$56.5 \$223 million in borrowings outstanding under its revolving credit facility and available borrowing capacity of \$493.5 \$327 million at September 30, 2023 March 31, 2024. The weighted average interest rate on the revolving credit facility was 6.11% 6.22% as of September 30, 2023 March 31, 2024.

Compliance with Debt Covenants and Restrictions

Pursuant to the terms of the Credit Agreement, the Company is subject to certain loan compliance covenants. The Company was in compliance with all covenants as of September 30, 2023 March 31, 2024. Failure to comply with the financial covenants could be considered a default of repayment obligations and, among other remedies, could accelerate payment of any amounts outstanding.

10. LEASES

The Company leases office space, manufacturing and training facilities, storage warehouses, training and manufacturing facilities, office space, and certain plant equipment under various operating leases. The Company's operating leases have remaining lease terms of 1 year to 6 5 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 three months ended September 30, 2023, March 31, 2024 and September 30, 2022 March 31, 2023, total operating lease expense was \$6.1 \$2.0 million and \$6.3 \$2.1 million, respectively. The weighted average remaining lease term at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 was 4.6 4.2 years and 5.2 4.4 years, respectively. The weighted average discount rate at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 was 2.25% 2.38% and 2.10% 2.32%, respectively.

9

The following table includes supplemental cash flow information for the nine three months ended September 30, 2023, March 31, 2024 and September 30, 2022 March 31, 2023, and supplemental balance sheet information at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 related to operating leases (in thousands):

	Nine months Ended September 30,		Three Months Ended March 31,	
	2023	2022	2024	2023
Supplemental cash flow information				
Cash paid for amounts included in the measurement of operating lease liabilities	\$ 6,236	\$ 6,532	\$ 2,007	\$ 2,120
Operating ROU assets obtained in exchange for lease liabilities	\$ 1,882	\$ 7,332	\$ 578	\$ 1,541

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Supplemental balance sheet information				
Operating lease ROU assets	\$ 27,286	\$ 30,991	\$ 25,010	\$ 26,233
Operating lease liabilities:				
Accrued expenses and other current liabilities	\$ 7,409	\$ 7,488	\$ 7,629	\$ 7,663
Operating lease liabilities	20,197	23,974	17,602	18,840
Total operating lease liabilities	\$ 27,606	\$ 31,462	\$ 25,231	\$ 26,503

The following table summarizes maturities of operating lease liabilities at September 30, 2023 March 31, 2024 (in thousands):

Maturities of operating lease liabilities		Maturities of operating lease liabilities	
2023	\$ 1,893		
2024	7,386	\$ 5,942	
2025	5,552	5,950	
2026	4,851	5,051	
2027	4,446	4,549	
2028		3,982	
Thereafter	4,845	934	
Total lease payments	28,973	26,408	
Less imputed interest	(1,367)	(1,177)	
Total operating lease liabilities	\$ 27,606	\$ 25,231	

9

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**, **March 31, 2024** and **December 31, 2022**, **December 31, 2023**.

12. STOCKHOLDERS' EQUITY

Earnings Per Share

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Numerator:				
Net income available to common shareholders	\$ 65,266	\$ 14,423	\$ 183,433	\$ 174,549
Denominator:				
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

10

	Three Months Ended March 31,	
	2024	2023
Numerator:		
Net income available to common shareholders	\$ 89,070	\$ 41,131
Denominator:		
Basic weighted average shares outstanding	108,640,168	108,771,958
Effect of dilutive securities:		
Stock appreciation rights and options	71,202	70,004
Restricted stock	79,255	74,299
Diluted weighted average shares outstanding	108,790,625	108,916,261
Basic earnings per share	\$ 0.82	\$ 0.38
Diluted earnings per share	\$ 0.82	\$ 0.38

Diluted earnings per share is computed using the weighted average number of shares determined for the basic earnings per share computation plus the dilutive effect of common stock equivalents using the treasury stock method. The computation of diluted earnings per

share excludes the following potentially dilutive securities because the effect would be anti-dilutive:

	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended March 31,	
	2023	2022	2023	2022	2024	2023
Stock appreciation rights	86,250	47,303	95,467	41,627	55,132	108,749
Restricted stock	—	68,008	69,764	48,552	48,597	107,571

Stock Repurchase Program

On February 16, 2018, the Trex Board of Directors adopted a stock repurchase program the 2018 Stock Repurchase Program of up to 11.6 million shares of its the Company's 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 The 2023 Stock Repurchase Program has no set expiration date. During the quarterly period three months ended September 30, 2023 March 31, 2024, Trex did not repurchase any shares of its outstanding common stock under the 2023 Stock Repurchase Program.

13. REVENUE FROM CONTRACTS WITH CUSTOMERS

Trex Residential Products

Trex Residential The Company 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 The Company satisfies its performance obligations at a point in time. The shipment

10

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 ended March 31, 2024 and nine months ended September 30, 2023 March 31, 2023, and September 30, 2022, the Company's net sales of \$373,635 and \$238,718, respectively, were disaggregated recognized at a point in time upon transfer of its outdoor living products under variable consideration contracts into 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). building products market.

11

Three Months Ended September 30, 2023

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

Three Months Ended September 30, 2022

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

Nine months Ended September 30, 2023	
	<i>Trex Residential and Consolidated</i>
Timing of Revenue and Type of Contract	
Products transferred at a point in time and variable consideration contracts	\$ 899,092
	<u>\$ 899,092</u>

Nine Months Ended September 30, 2022		Reportable Segment		
	<i>Trex Residential</i>	<i>Trex Commercial</i>	<i>Total</i>	
Timing of Revenue Recognition and Type of Contract				
Products transferred at a point in time and variable consideration contracts	\$ 878,892	\$ —	\$ 878,892	
Products transferred over time and fixed price contracts	<u>—</u>	<u>35,058</u>	<u>35,058</u>	
	<u>\$ 878,892</u>	<u>\$ 35,058</u>	<u>\$ 913,950</u>	

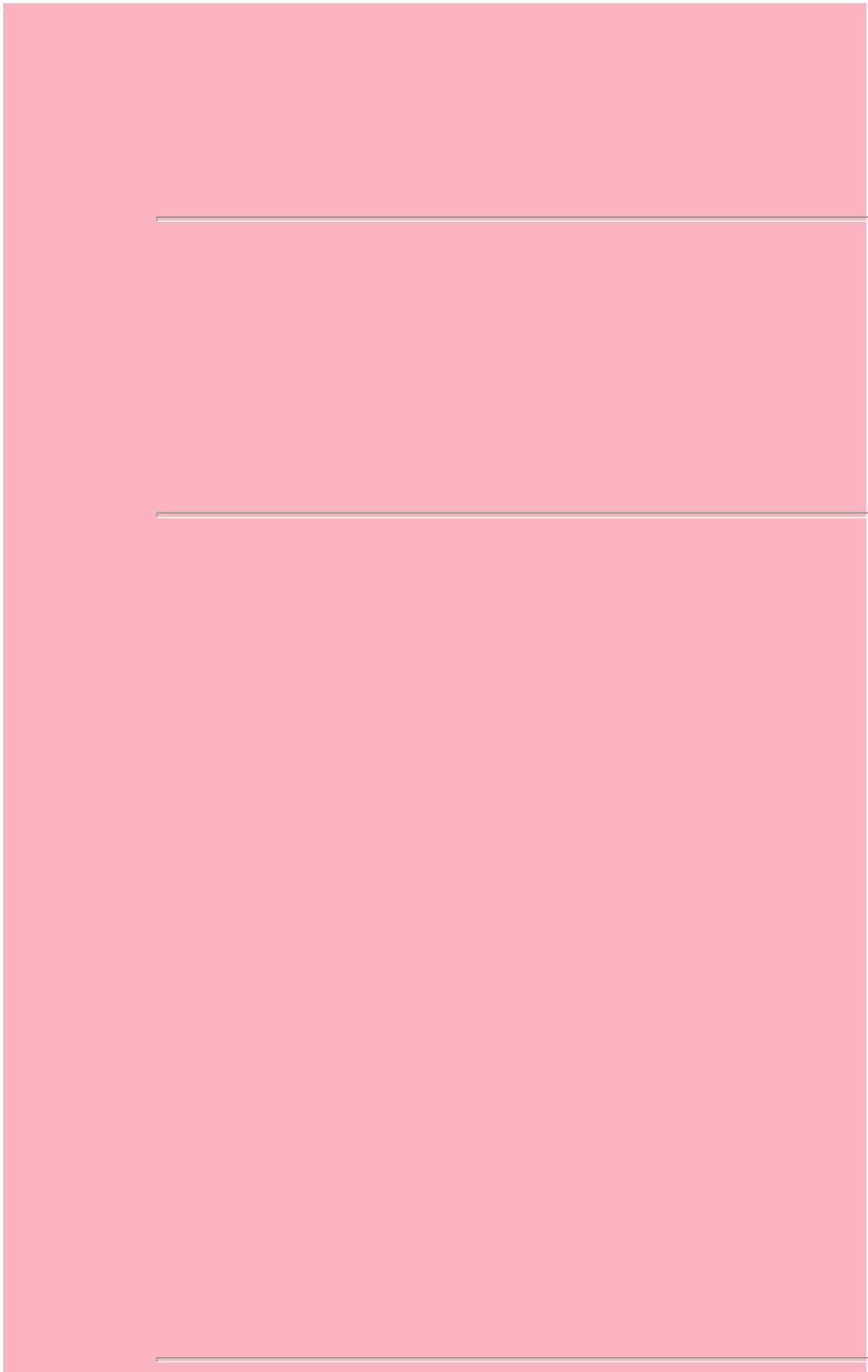
14. STOCK-BASED COMPENSATION

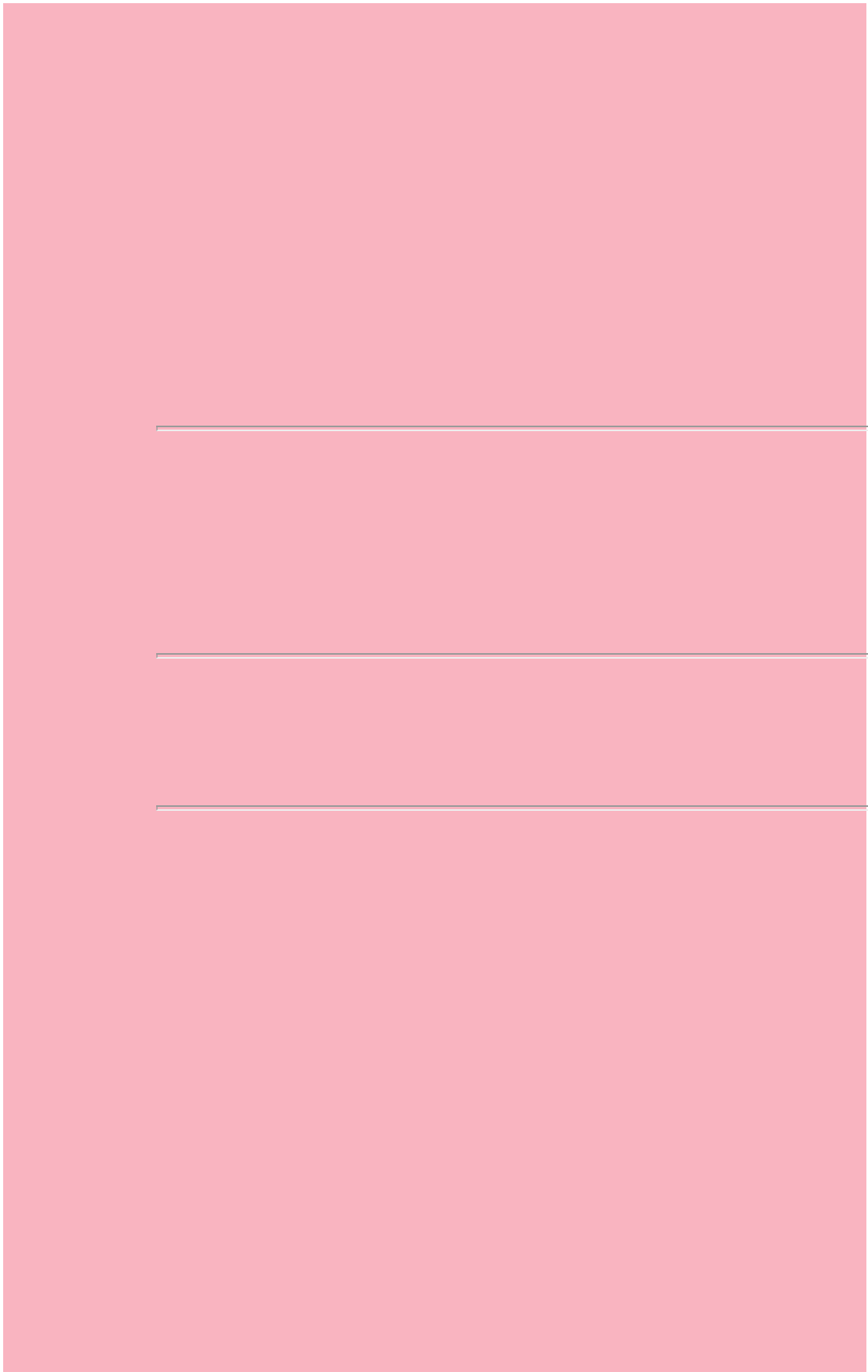
At the annual meeting of stockholders of the Company held on May 4, 2023, the Company's stockholders approved the Trex Company, Inc. 2023 Stock Incentive Plan (Plan). The Company's board of directors unanimously approved the Plan on April 10, 2023, subject to stockholder approval. The Plan amends and 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. under the Plan is 4,000,000 shares.

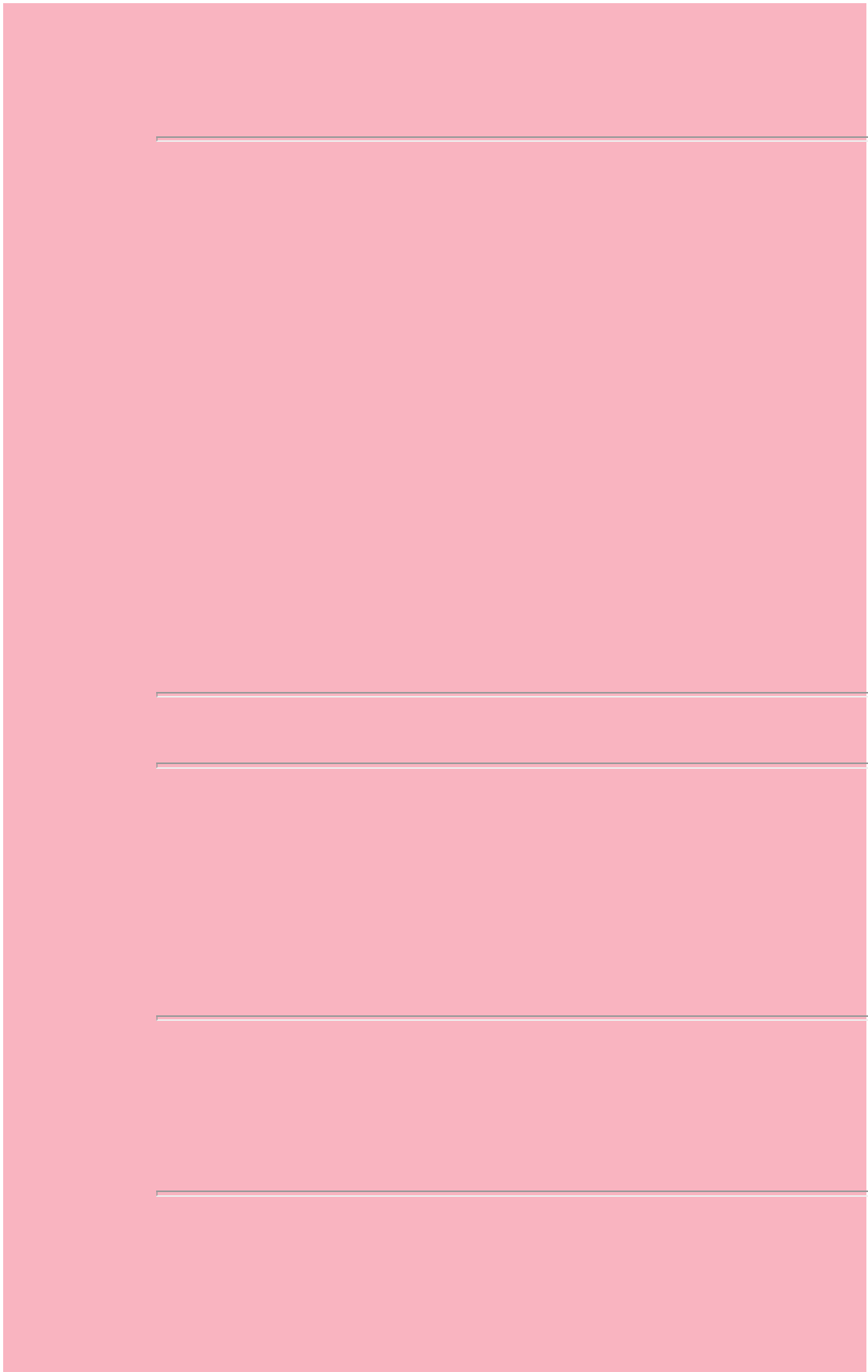
12

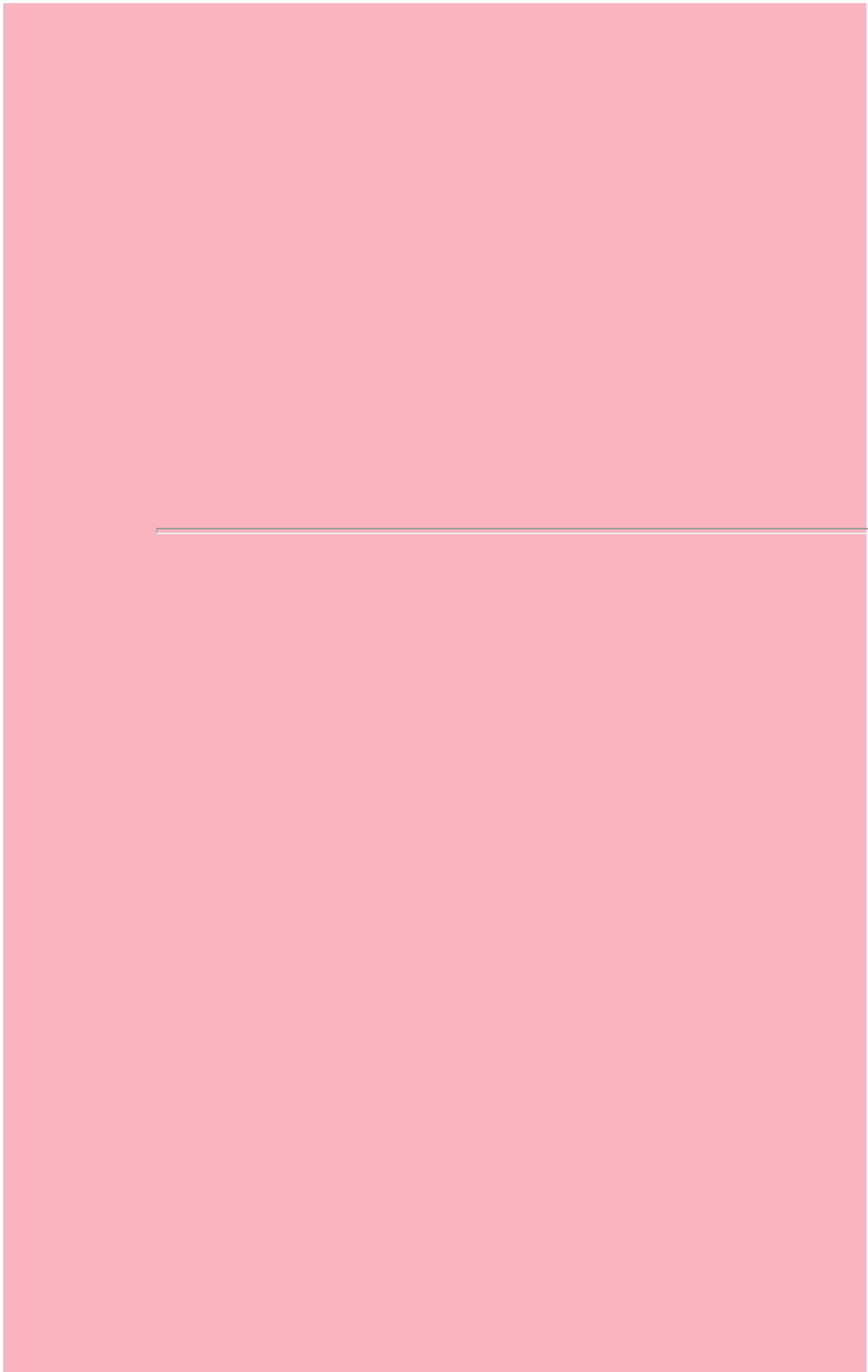
The following table summarizes the Company's stock-based compensation grants for the nine three months ended September 30, 2023 March 31, 2024:

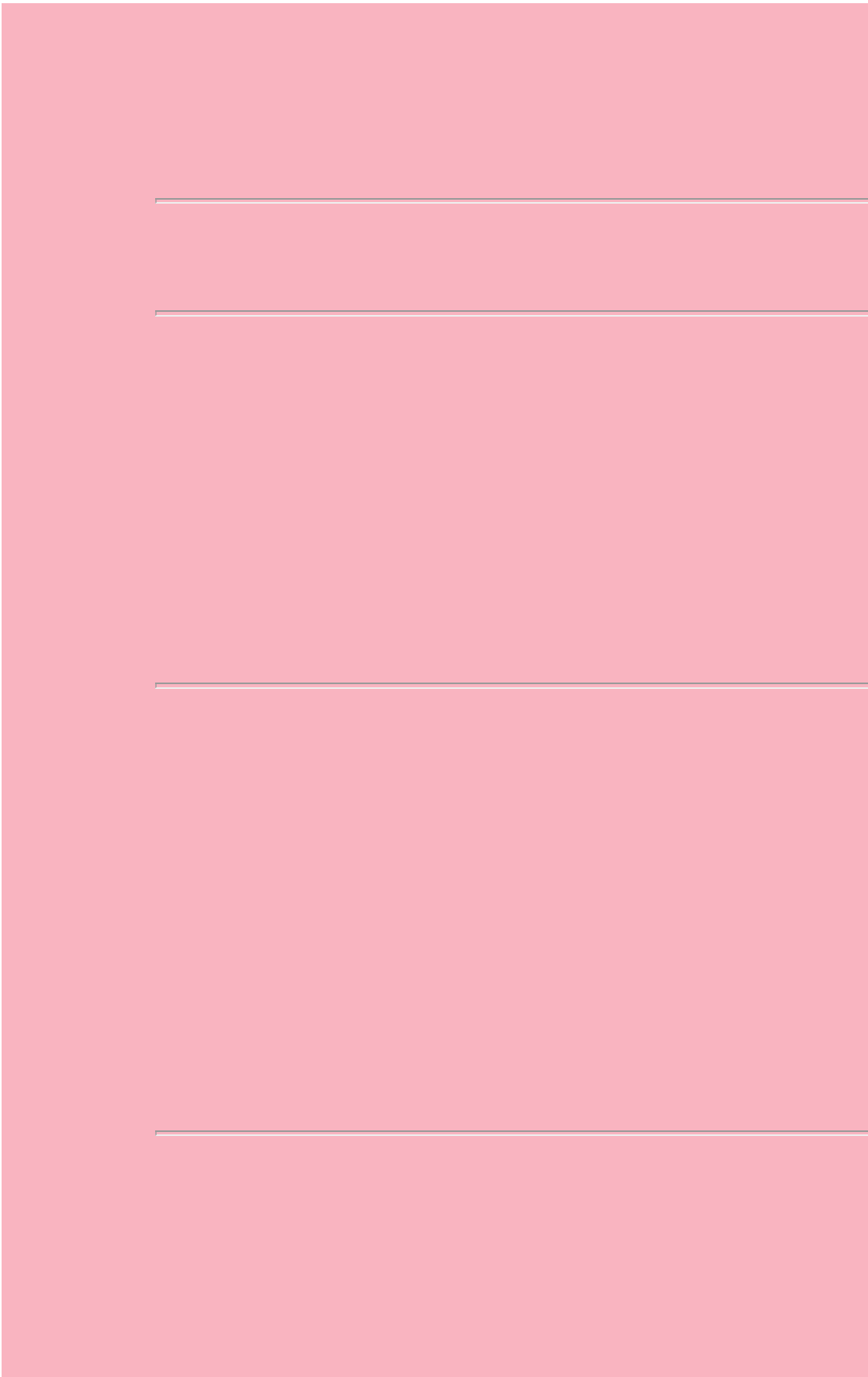
Stock Awards Granted	
	Time-based restricted stock units
	Performance-based restricted stock units (a)
	Stock appreciation rights
(a)	Includes 85,044 55,834 of target performance-based restricted stock unit awards granted during the nine
	Weighted-average fair value of grants
	Dividend yield
	Average risk-free interest rate
	Expected term (years)
	Expected volatility

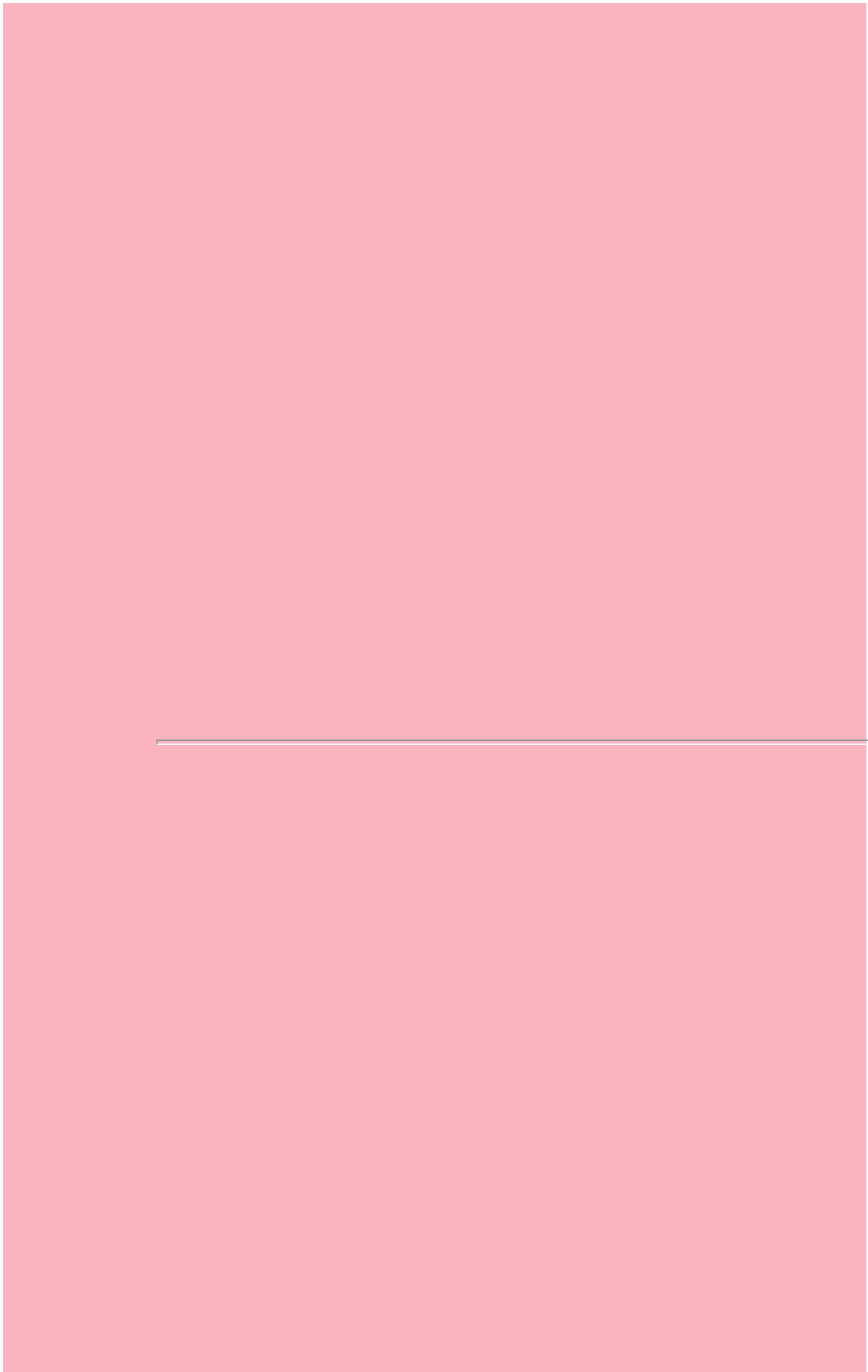


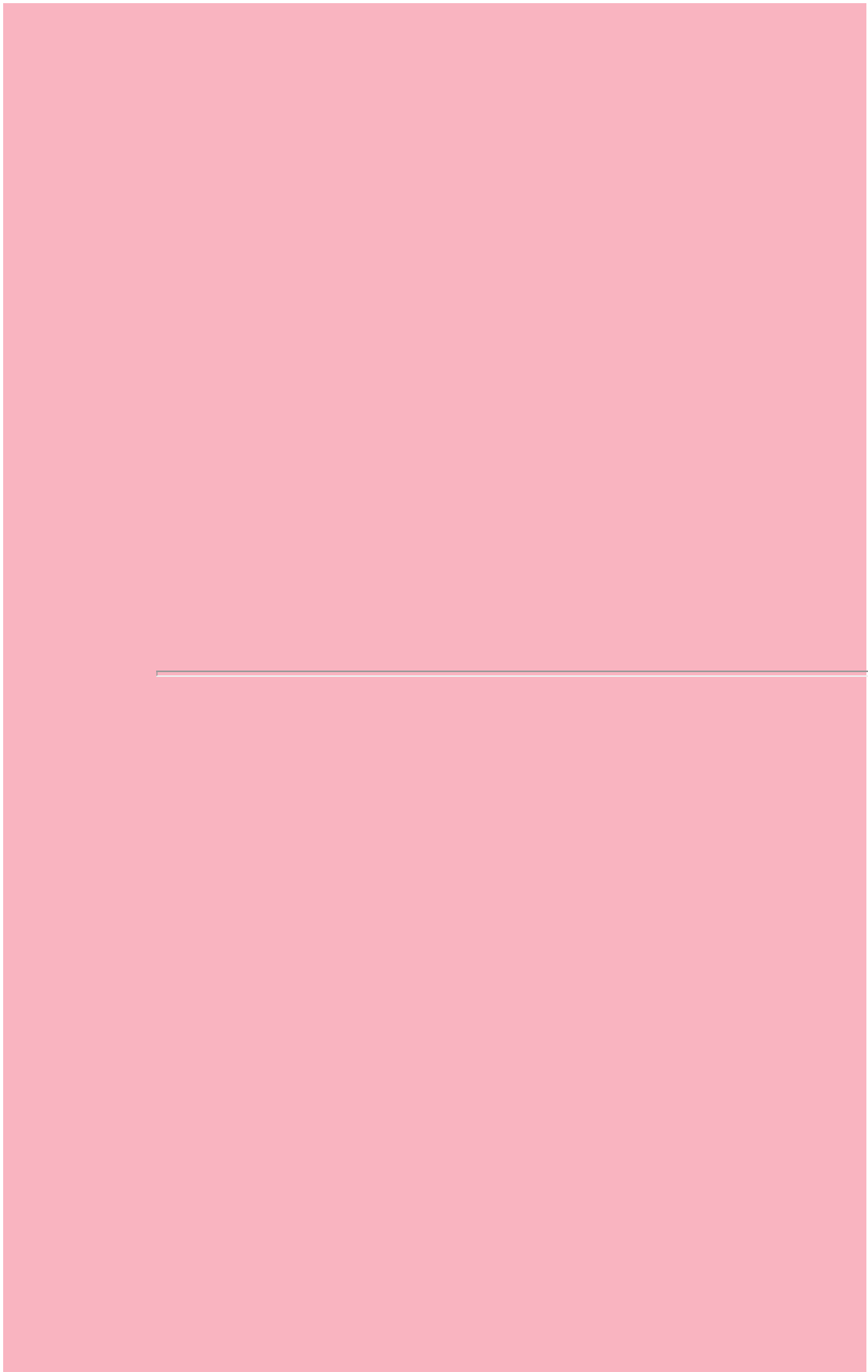


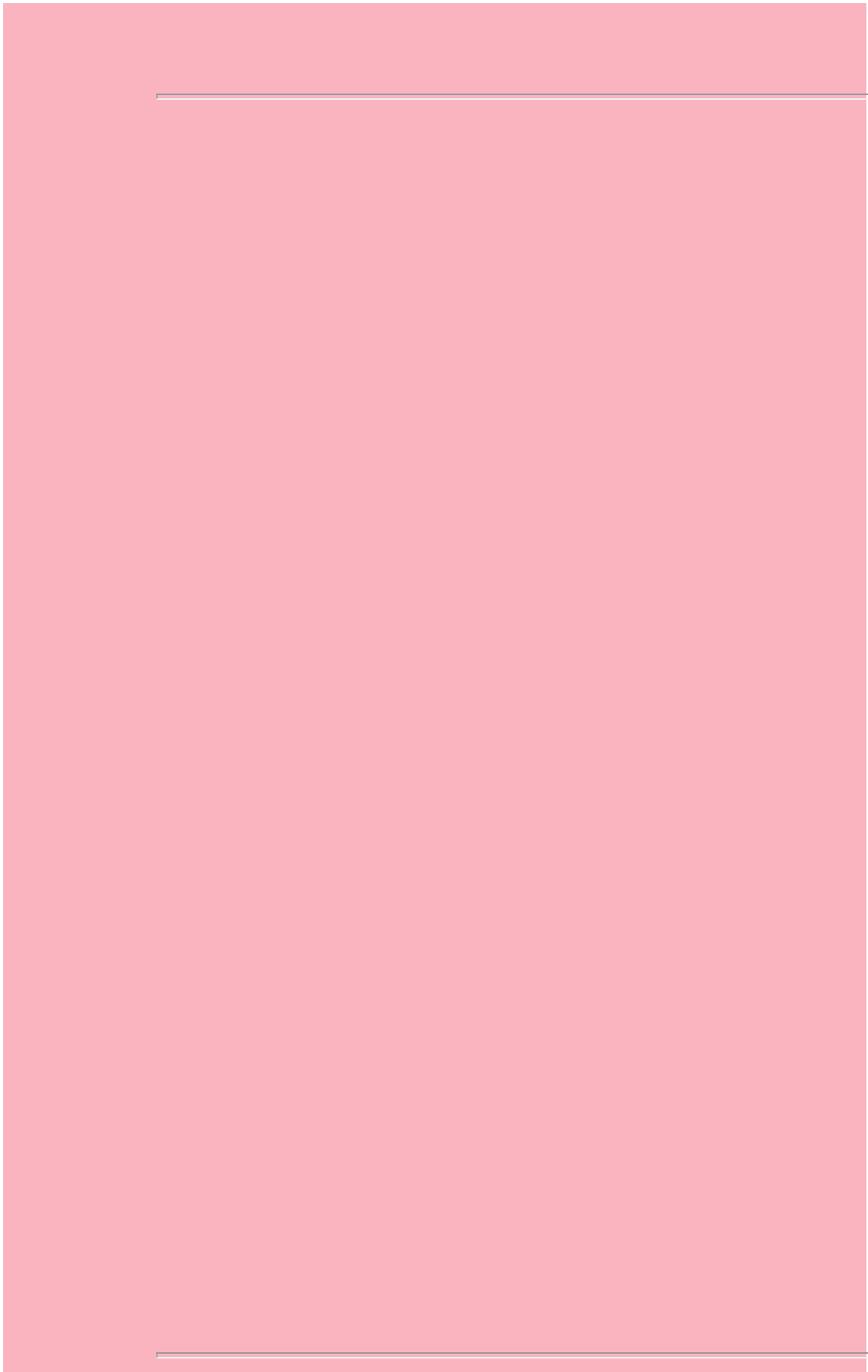


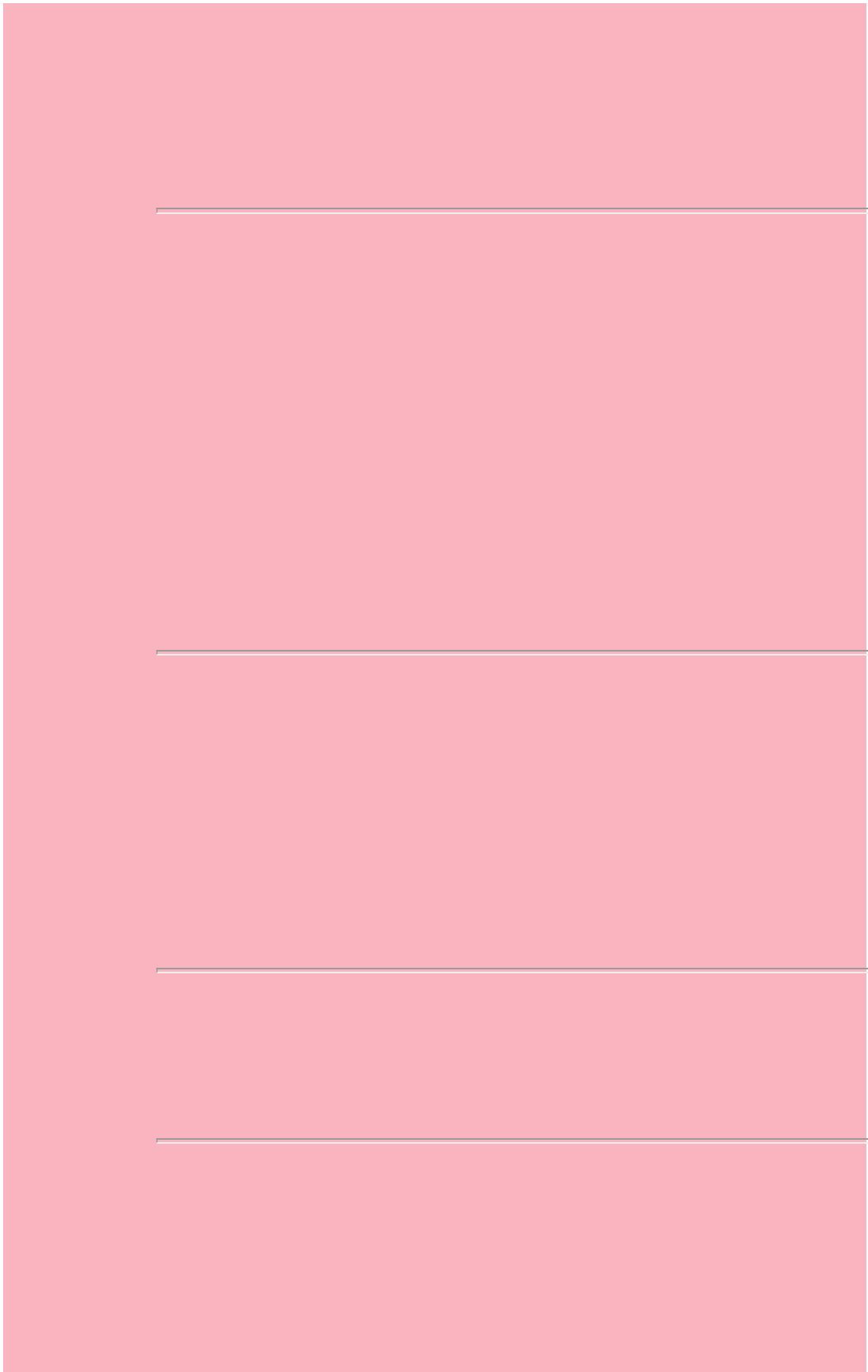


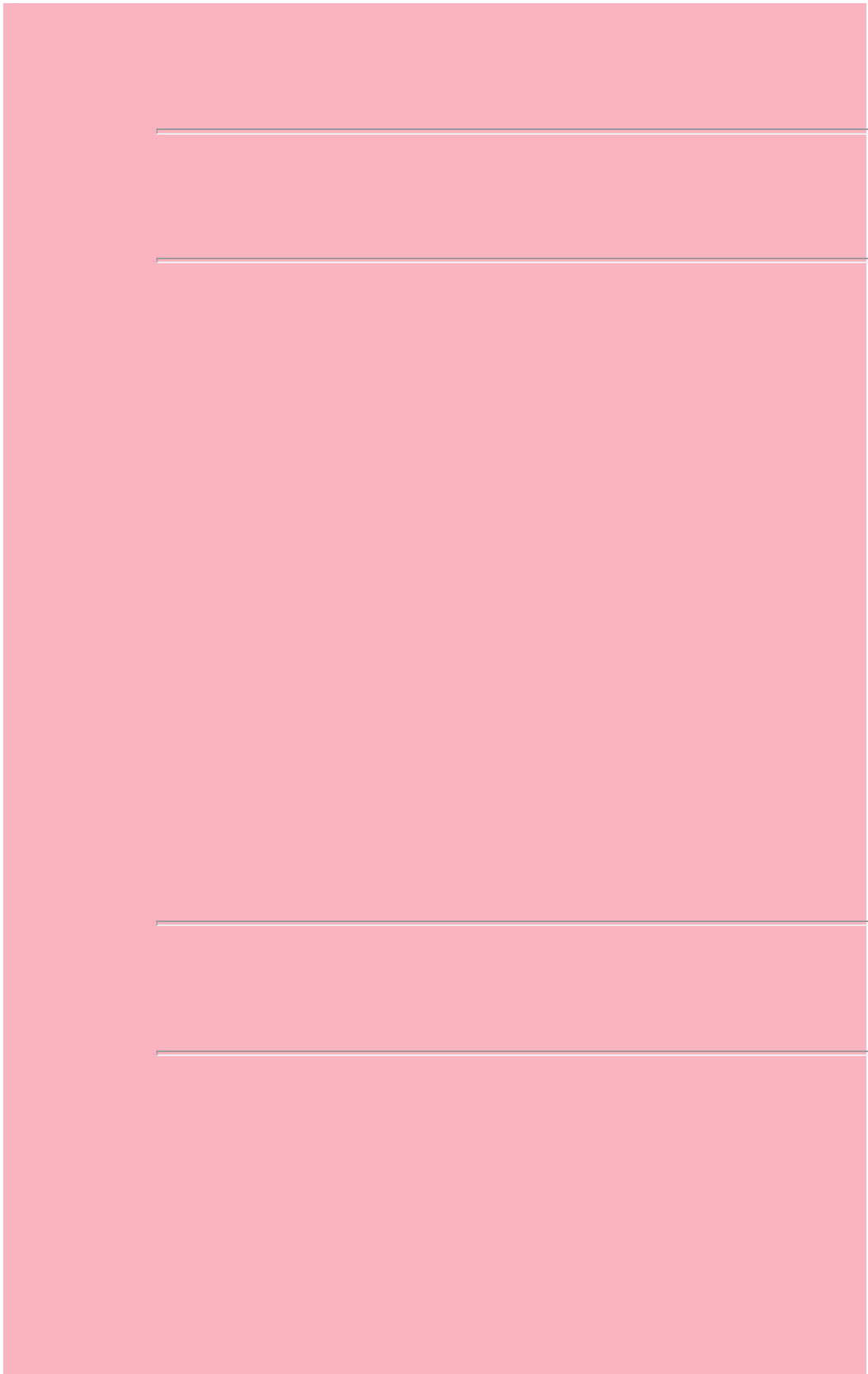










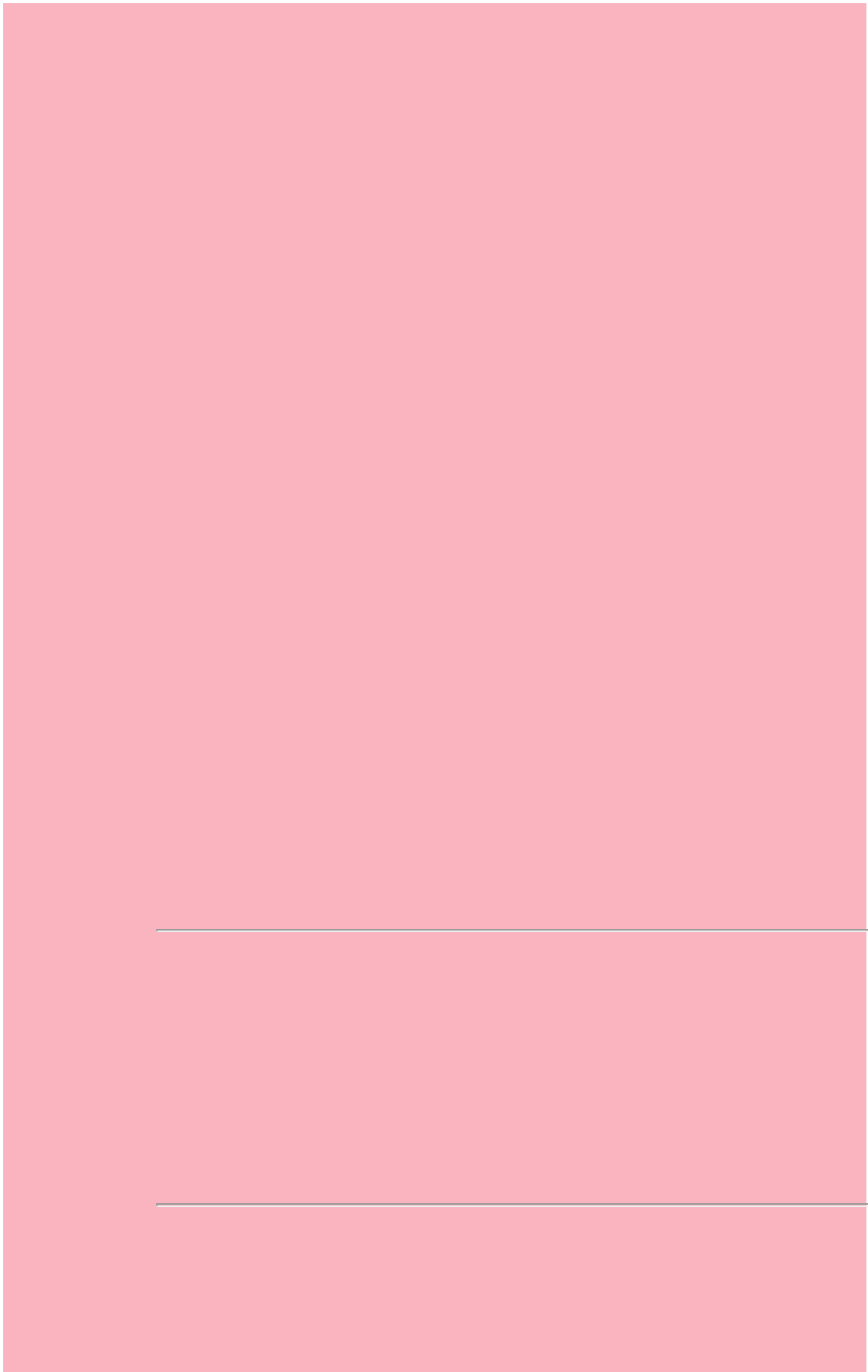


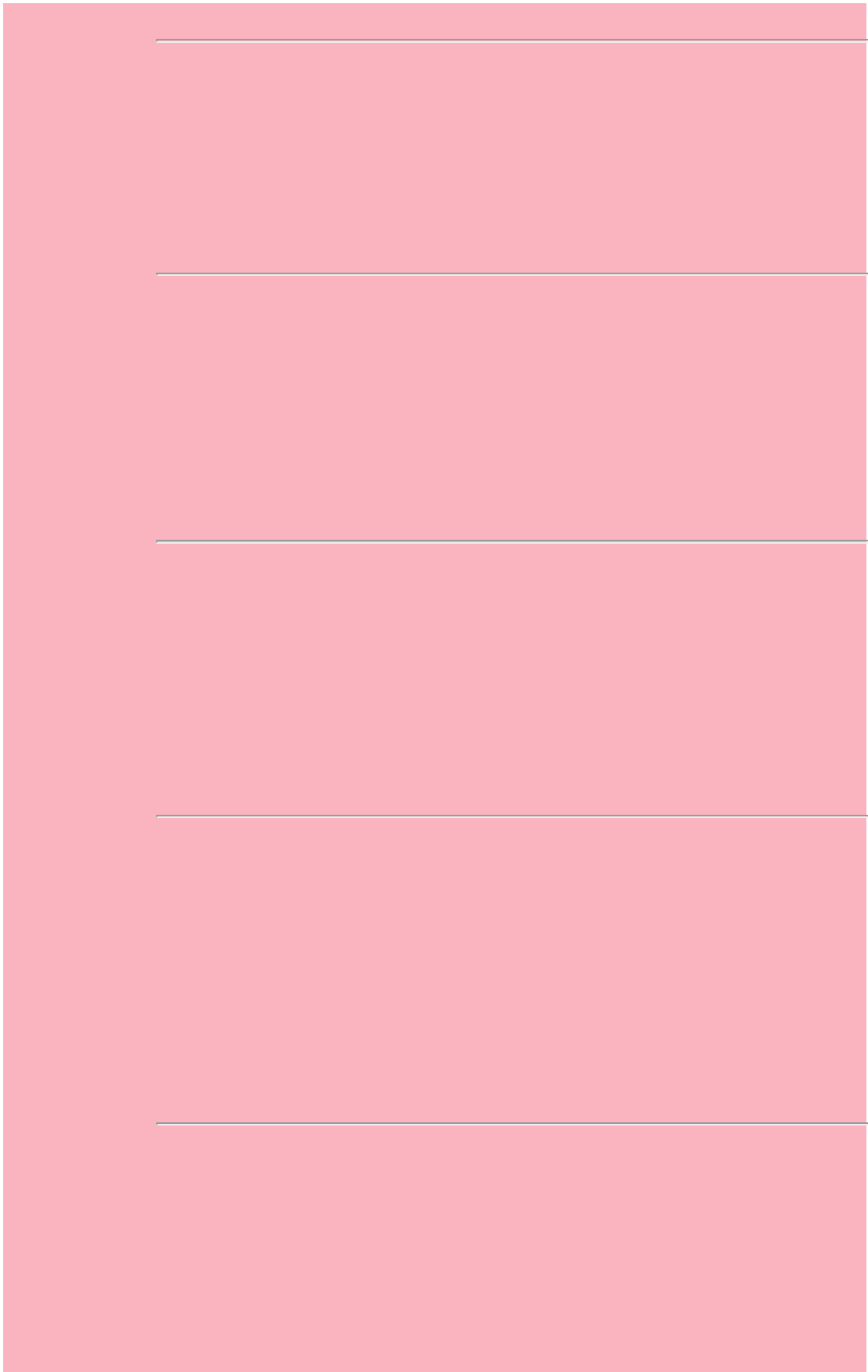
For	Against	Abstain	Blank
85,747,668	6,605,124	110,992	

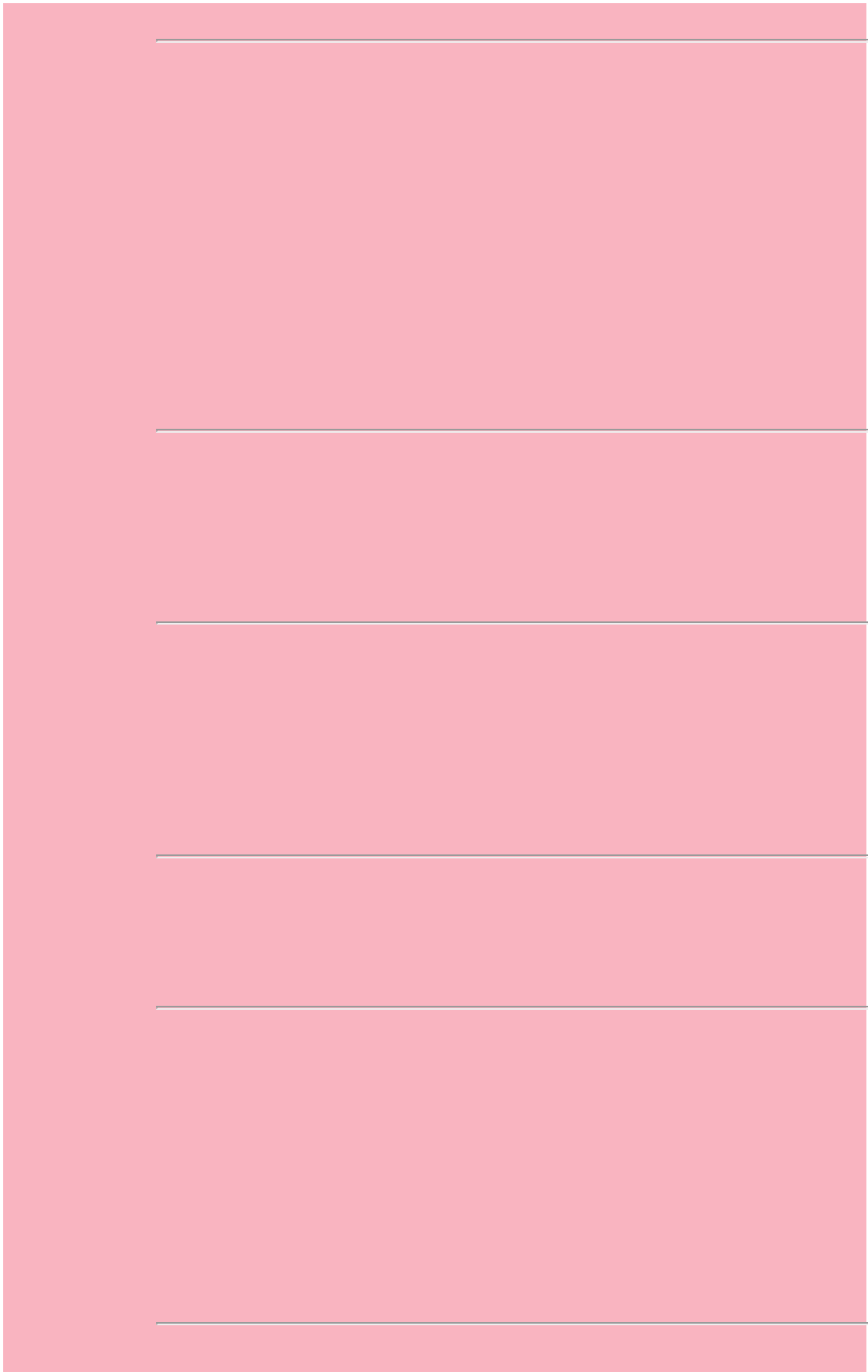
For	Against	Abstain
95,797,073	3,997,128	61,069

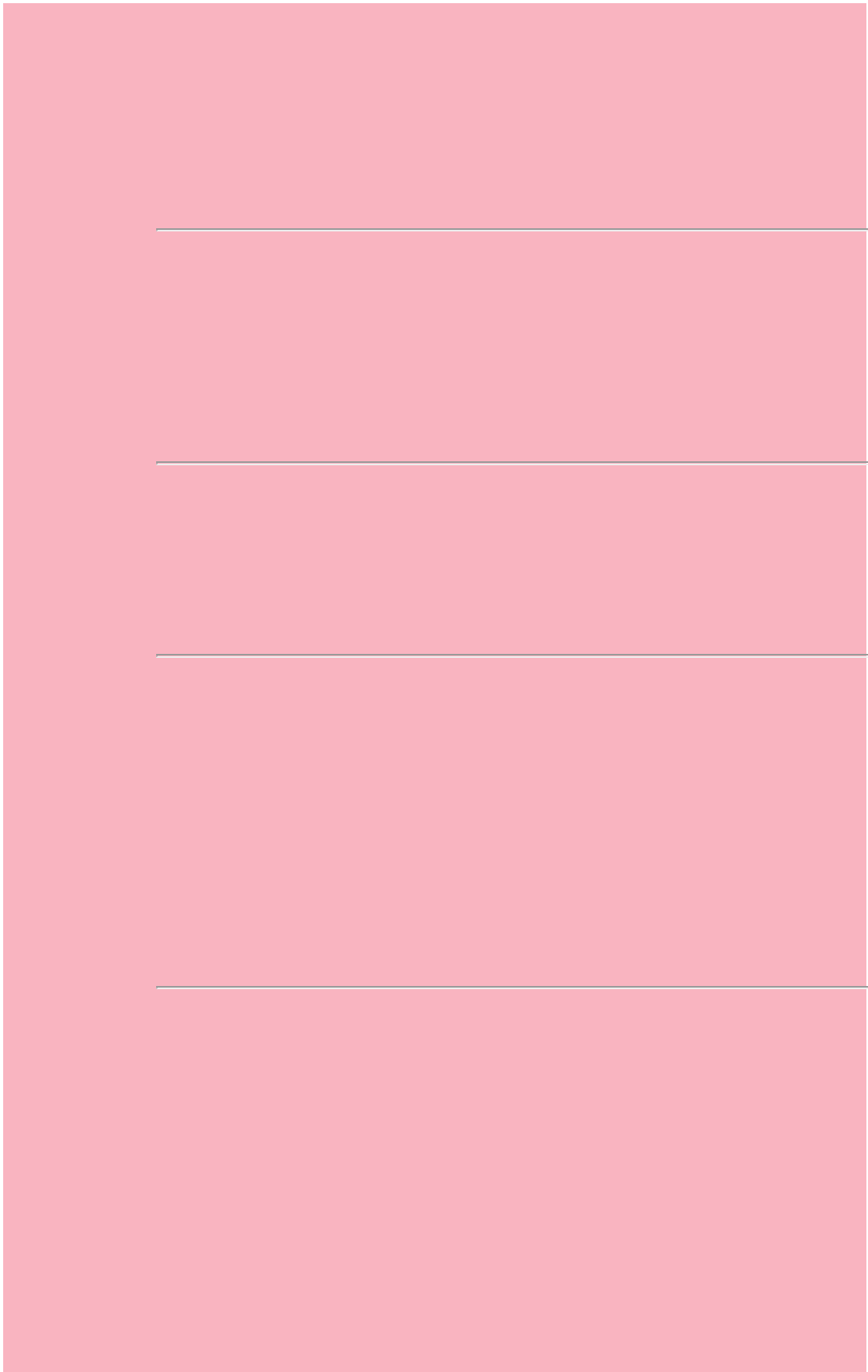
During the quarter en

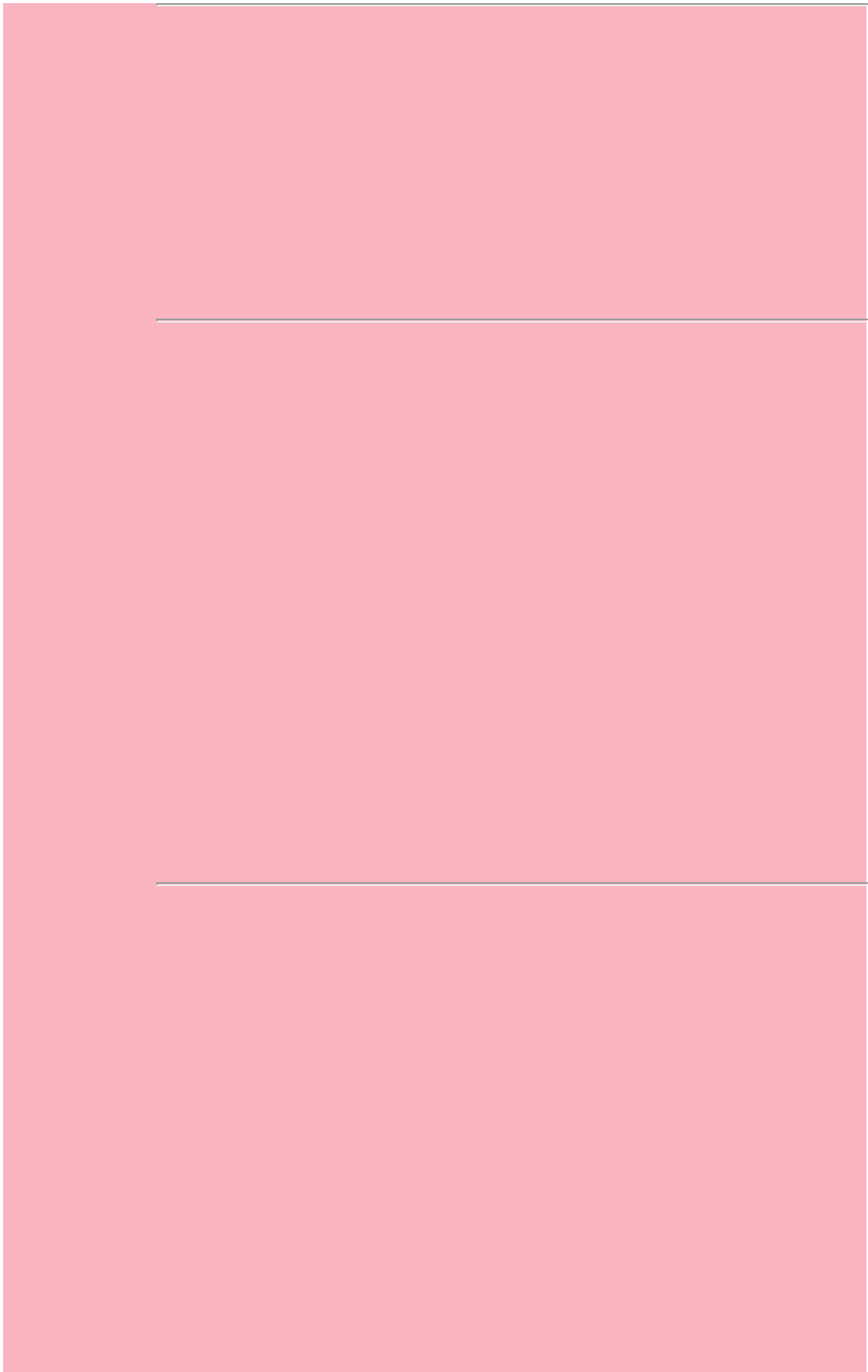


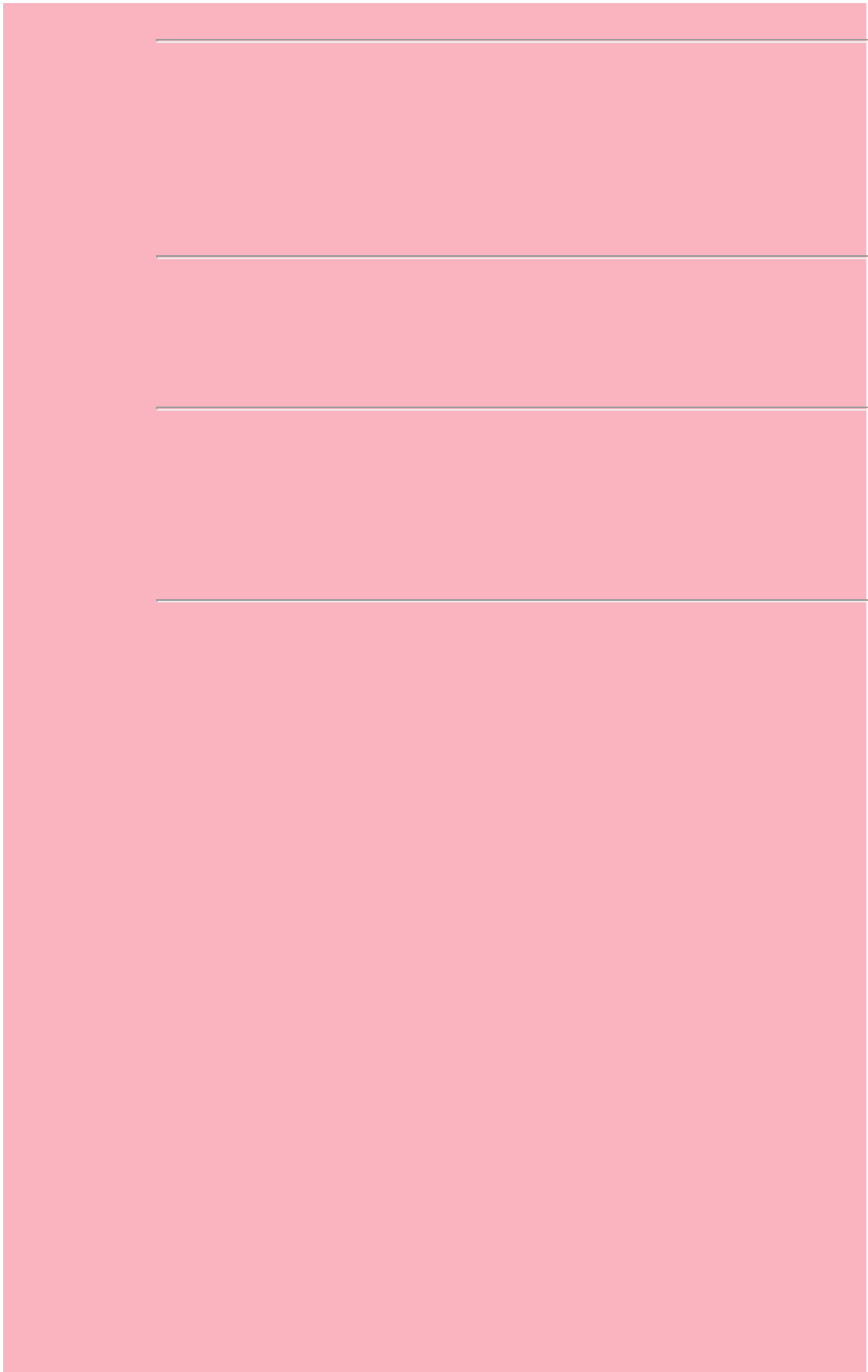














DISCLAIMER

THE INFORMATION CONTAINED IN THE REFINITIV CORPORATE DISCLOSURES DELTA REPORT™ IS A COMPARISON OF TWO FINANCIALS PERIODS.
©2024, Refinitiv. All rights reserved. Patents Pending.