

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 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 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: 001-39322

The AZEK Company Inc.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)
90-1017663
(I.R.S. Employer
Identification No.)
1330 W Fulton Street, Suite 350 , Chicago, Illinois
(Address of principal executive offices)
60607
(Zip Code)

Registrant's telephone number, including area code: (877) 275-2935

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Class A Common Stock, par value \$0.001 per share	AZEK	The 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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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 in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of May 31, 2024, the registrant had 145,518,785 shares of Class A Common Stock, \$0.001 par value per share, and no shares of Class B Common Stock, \$0.001 par value per share, outstanding.

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PART I
FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

The AZEK Company Inc.
Condensed Consolidated Balance Sheets
(In thousands of U.S. dollars, except for share and per share amounts)
(Unaudited)

<i>in thousands</i>	March 31, 2024	September 30, 2023 (As Restated)
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 227,399	\$ 278,314
Trade receivables, net of allowances	134,378	57,660
Inventories	213,706	195,600
Prepaid expenses	12,986	13,595
Other current assets	23,562	16,123
Total current assets	612,031	561,292
Property, plant and equipment - net	456,699	501,023
Goodwill	967,816	994,271
Intangible assets - net	173,732	199,497
Other assets	85,234	87,793
Total assets	\$ 2,295,512	\$ 2,343,876
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Current liabilities:		
Accounts payable	\$ 52,727	\$ 56,015
Accrued rebates	46,391	60,974
Current portion of long-term debt obligations	6,000	6,000
Accrued expenses and other liabilities	74,857	66,727
Total current liabilities	179,975	189,716
Deferred income taxes	49,408	59,509
Long-term debt—less current portion	577,957	580,265
Other non-current liabilities	101,241	104,073
Total liabilities	908,581	933,563
Commitments and contingencies (See Note 17)		
Stockholders' equity:		
Preferred stock, \$0.001 par value; 1,000,000 shares authorized and no shares issued or outstanding at March 31, 2024 and September 30, 2023, respectively	—	—
Class A common stock, \$0.001 par value; 1,100,000,000 shares authorized, 157,010,677 shares issued at March 31, 2024 and 155,967,736 shares issued at September 30, 2023, respectively	157	156
Class B common stock, \$0.001 par value; 100,000,000 shares authorized, 0 and 100 shares issued and outstanding at March 31, 2024 and at September 30, 2023, respectively	—	—
Additional paid-in capital	1,688,604	1,662,322
Retained earnings (accumulated deficit)	10,529	(64,377)
Accumulated other comprehensive income (loss)	691	1,878
Treasury stock, at cost, 11,520,848 and 8,268,423 shares at March 31, 2024 and September 30, 2023, respectively	(313,050)	(189,666)
Total stockholders' equity	1,386,931	1,410,313
Total liabilities and stockholders' equity	\$ 2,295,512	\$ 2,343,876

See Notes to Condensed Consolidated Financial Statements (Unaudited).

The AZEK Company Inc.
Condensed Consolidated Statements of Comprehensive Income (Loss)
(In thousands of U.S. dollars, except for share and per share amounts)
(Unaudited)

<i>in thousands</i>	Three Months Ended March 31,		Six Months Ended March 31,	
	2024	2023	2024	2023
	(As Restated)		(As Restated)	
Net sales	\$ 418,408	\$ 377,692	\$ 658,852	\$ 593,951
Cost of sales	261,335	266,818	411,129	440,890
Gross profit	157,073	110,874	247,723	153,061
Selling, general and administrative expenses	83,198	74,211	160,444	147,721
Loss (gain) on disposal of property, plant and equipment	(87)	249	2,098	183
Operating income	73,962	36,414	85,181	5,157
Other income and expenses:				
Interest expense, net	8,680	10,774	16,590	20,073
Loss (gain) on sale of business	215	—	(38,300)	—
Total other (income) and expenses	8,895	10,774	(21,710)	20,073
Income (loss) before income taxes	65,067	25,640	106,891	(14,916)
Income tax expense (benefit)	15,309	7,415	31,985	(3,406)
Net income (loss)	\$ 49,758	\$ 18,225	\$ 74,906	\$ (11,510)
Other comprehensive income (loss):				
Unrealized gain (loss) due to change in fair value of derivatives, net of tax	\$ 1,908	\$ (1,466)	\$ (1,187)	\$ (3,262)
Total other comprehensive income (loss)	1,908	(1,466)	(1,187)	(3,262)
Comprehensive income (loss)	\$ 51,666	\$ 16,759	\$ 73,719	\$ (14,772)
Net income (loss) per common share:				
Basic	\$ 0.34	\$ 0.12	\$ 0.51	\$ (0.08)
Diluted	0.34	0.12	0.51	(0.08)
Weighted-average common shares outstanding:				
Basic	145,710,663	150,713,075	146,516,971	150,812,859
Diluted	147,738,277	151,268,535	148,231,866	150,812,859

See Notes to Condensed Consolidated Financial Statements (Unaudited).

Issuance of common stock under employee stock plan, net of shares withheld for taxes	27,587	—	—	—	—	—	—	—	—	—
Balance – March 31, 2023 (As Restated)	155,303,433	155	100	—	4,469,330	(80,576)	1,641,321	(138,248)	(3,262)	1,419,390
Balance – September 30, 2022 (As Restated)	155,157,220	\$ 155	100	\$ —	4,116,570	\$ (73,088)	\$ 1,630,378	\$ (126,738)	\$ —	\$ 1,430,707
Net income (loss)	—	—	—	—	—	—	—	(11,510)	—	(11,510)
Other comprehensive income (loss)	—	—	—	—	—	—	—	—	(3,262)	(3,262)
Stock-based compensation	—	—	—	—	—	—	9,502	—	—	9,502
Exercise of vested stock options	82,646	—	—	—	—	—	1,901	—	—	1,901
Cancellation of restricted stock awards	(18,328)	—	—	—	—	—	—	—	—	—
Issuance of common stock under employee stock plan, net of shares withheld for taxes	81,895	—	—	—	—	—	(460)	—	—	(460)
Treasury stock purchases	—	—	—	—	352,760	(7,488)	—	—	—	(7,488)
Balance – March 31, 2023 (As Restated)	155,303,433	155	100	—	4,469,330	(80,576)	1,641,321	(138,248)	(3,262)	1,419,390

See Notes to Condensed Consolidated Financial Statements (Unaudited) .

The AZEK Company Inc.
Condensed Consolidated Statements of Cash Flows
(In thousands of U.S. dollars)
(Unaudited)

	Six Months Ended March 31,	
	2024	2023
	(As Restated)	
Operating activities:		
Net income (loss)	\$ 74,906	\$ (11,510)
Adjustments to reconcile net income (loss) to net cash flows provided by (used in) operating activities:		
Depreciation	44,105	42,018
Amortization of intangibles	20,036	23,457
Non-cash interest expense	824	824
Non-cash lease expense	(84)	(122)
Deferred income tax (benefit) provision	(9,717)	465
Non-cash compensation expense	14,686	12,678
Fair value adjustment for contingent consideration	—	400
Loss on disposition of property, plant and equipment	2,098	1,824
Gain on sale of business	(38,300)	—
Changes in certain assets and liabilities:		
Trade receivables	(80,829)	(62,586)
Inventories	(39,771)	51,571
Prepaid expenses and other currents assets	(9,334)	(19,054)
Accounts payable	(1,866)	15,702
Accrued expenses and interest	(6,283)	8,530
Other assets and liabilities	(1,565)	(55)
Net cash provided by (used in) operating activities	(31,094)	64,142
Investing activities:		
Purchases of property, plant and equipment	(36,879)	(47,284)
Proceeds from disposition of fixed assets	263	99
Divestiture, net of cash disposed	131,783	—
Acquisitions, net of cash acquired	—	(161)
Net cash provided by (used in) investing activities	95,167	(47,346)
Financing activities:		
Payments on Term Loan Agreement	(3,000)	(3,000)
Proceeds under revolving credit facility	—	25,000
Payments under revolving credit facility	—	(25,000)
Principal payments of finance lease obligations	(1,421)	(1,307)
Payments of INTEX contingent consideration	—	(1,000)
Exercise of vested stock options	18,628	1,901
Cash paid for shares withheld for taxes	(4,201)	(460)
Purchases of treasury stock	(124,994)	(7,488)
Net cash used in financing activities	(114,988)	(11,354)
Net increase (decrease) in cash and cash equivalents	(50,915)	5,442
Cash and cash equivalents – Beginning of period	278,314	120,817
Cash and cash equivalents – End of period	\$ 227,399	\$ 126,259
Supplemental cash flow disclosure:		
Cash paid for interest, net of amounts capitalized	\$ 23,455	\$ 23,611
Cash paid for income taxes, net	47,020	14,959
Supplemental non-cash investing and financing disclosure :		
Capital expenditures in accounts payable at end of period	\$ 4,704	\$ 12,984
Right-of-use operating and finance lease assets obtained in exchange for lease liabilities	2,654	2,439

See Notes to Condensed Consolidated Financial Statements (Unaudited).

The AZEK Company Inc.
Notes to Condensed Consolidated Financial Statements
(In thousands of U.S. dollars, unless otherwise specified)
(Unaudited)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Organization

The AZEK Company Inc. (the "Company", "we", "us" or "our") is a Delaware corporation that holds all of the limited liability company interests in The AZEK Group LLC (f/k/a CPG International LLC), the entity which directly and indirectly holds all of the equity interests in the operating subsidiaries and which changed its name from CPG International LLC to The AZEK Group LLC on August 1, 2023. The Company is an industry-leading designer and manufacturer of beautiful, low-maintenance and environmentally sustainable building products for residential, commercial and industrial markets. The Company's products include decking, railing, trim, porch, moulding, pergolas, outdoor furniture, bathroom and locker systems, and, prior to the Company's divestiture of its Vycom business, also included extruded plastic sheet products and other non-fabricated products for special applications in industrial markets. The Company operates in various locations throughout the United States. The Company's residential products are primarily branded under the brand names AZEK®, TimberTech®, VERSATEX®, ULTRALOX®, StruXure® and INTEX®, while the commercial products are branded under brand names including Scranton Products®, Aria Partitions®, Eclipse Partitions®, Hiny Hiders® partitions, Tufftec Lockers® and Duralife Lockers®.

b. Summary of Significant Accounting Policies

Basis of Presentation

The Company operates on a fiscal year ending September 30. The accompanying unaudited Condensed Consolidated Financial Statements and notes have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information, and in management's opinion, includes all adjustments, consisting of only normal recurring adjustments, necessary for the fair statement of the Company's financial position, its results of operations and cash flows for the interim periods presented. The results of operations for the three and six months ended March 31, 2024 and the cash flows for the six months ended March 31, 2024 are not necessarily indicative of the results to be expected for the full fiscal year or any other period. The Company's financial condition and 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 geopolitical conflicts, global health pandemics and other factors beyond the Company's control. Management cannot predict the degree to, or the period over, which the Company may be affected by such factors.

The accompanying unaudited Condensed Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and notes thereto included in the Company's Amendment No. 1 on Form 10-K/A to Annual Report on Form 10-K for the year ended September 30, 2023 (the "2023 Form 10-K/A") filed with the Securities and Exchange Commission (the "SEC") on June 14, 2024. The Condensed Consolidated Balance Sheet as of September 30, 2023 was derived from the audited financial statements at that date. There have been no material changes in the Company's significant accounting policies from those that were disclosed in on the 2023 Form 10-K/A, except as noted below.

Certain reclassifications have been made to prior year financial statements to conform to classifications used in the current year. These reclassifications had no impact on net income, stockholder's equity or cash flows as previously reported.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Significant estimates include revenue recognition, reserves for excess inventory, inventory obsolescence, inventory valuation, product warranties, customer rebates, stock-based compensation, litigation, income taxes, contingent consideration, goodwill and intangible asset valuation and accounting for long-lived assets. Management's estimates and assumptions are evaluated on an ongoing basis and are based on historical experience, current conditions and available information. Actual results may differ from estimated amounts. Estimates are revised as additional information becomes available.

Accounting Policies

Refer to the 2023 Form 10-K/A for a discussion of the Company's accounting policies, as updated below and for recently adopted accounting standards.

Research and Development Costs

Research and development costs primarily relate to new product development, product claims support and manufacturing process improvements. Such costs are expensed as incurred and are included in "Selling, general and administrative expenses" within the Condensed Consolidated Statements of Comprehensive Income (Loss). Total research and development expenses were \$3.7 million and \$2.1 million, respectively, for the three months ended March 31, 2024 and 2023, and \$ 6.8 million and \$4.1 million, respectively, for the six months ended March 31, 2024 and 2023.

Recently Adopted Accounting Pronouncements

None.

Recently Issued Accounting Pronouncements

In November 2023, the Financial Accounting Standards Board ("FASB") issued ASU 2023-07, Segment Reporting (Topic 280) : Improvements to Reportable Segment Disclosures. This standard requires all public entities that are subject to segment reporting requirements to disclose additional information, including significant segment expenses and other segment items on an annual and interim basis. It also requires the disclosure of the title and the position of the chief operating decision maker and how the reported measures are used for making business decisions. This standard is effective for fiscal years beginning after December 15, 2023 and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. The Company intends to adopt the updated standard during the fiscal year beginning October 1, 2024. The Company is currently evaluating the impact the adoption of this standard will have on its disclosures.

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures. This standard expands the disclosure requirements primarily on the rate reconciliation and income tax paid. For public entities, this standard is effective for annual reporting periods beginning after December 15, 2024, with early adoption permitted. The Company intends to adopt the updated standard during the fiscal year beginning October 1, 2025. The Company is currently evaluating the impact the adoption of this standard will have on its disclosures.

1A. RESTATEMENT OF PREVIOUSLY FILED FINANCIAL STATEMENTS**Restatement of Previously Filed Financial Statements**

In connection with the preparation of its unaudited Condensed Consolidated Financial Statements for the fiscal quarter ended March 31, 2024, the Company identified certain unexplained reconciling differences in inventory balances for certain of the Company's locations. Upon identification of such issues, the Company initiated an independent investigation under the direction of the Audit Committee of the Company's Board of Directors (the "Audit Committee"), which is now complete. As a result of the independent investigation procedures, the Company determined that a former employee with responsibility for cost and inventory accounting with respect to certain of the Company's locations misstated inventory in the Company's general ledger by creating inaccurate and unsupported manual journal entries that ultimately increased the value of inventory on the Company's condensed consolidated balance sheet as of September 30, 2023 and decreased cost of sales on the Company's condensed consolidated income statement for the three and six months ended March 31, 2023. As a result, income before income taxes was overstated on a net basis for the three and six months ended March 31, 2023.

The Company has restated its consolidated financial statements as of September 30, 2023 and 2022 and for the fiscal years ended September 30, 2023, 2022 and 2021, as well as the related unaudited condensed consolidated interim financial information for each of the quarters within fiscal years ended September 30, 2023 and 2022, and for the fiscal quarter ended December 31, 2023 (the "Affected Periods") in the 2023 Form 10-K/A for the fiscal year ended September 30, 2023 and Amendment No.1 to the Company's Form 10-Q for the quarter ended December 31, 2023, each as filed with the Securities and Exchange Commission on June 14, 2024.

The amounts in the "As Reported" columns are amounts derived from the Company's previously filed financial statements in its Quarterly Report on Form 10-Q for the interim period ended March 31, 2023, originally filed with the Securities and Exchange Commission on May 5, 2023 (the "Original March 31, 2023 Form 10-Q"). The amounts in the "Investigation Adjustments" columns present the impact of the adjustments from the independent investigation related to the overstatement of Inventory and the understatement of Cost of Sales. The amounts in the "Other Adjustments" columns present the impact of other adjustments primarily related to the reclassification between Accrued interest and Accrued expenses and other liabilities in the condensed consolidated balance sheet, certain reclassifications in the condensed income statements, depreciation misstatement and cash flow misclassifications in previously issued financial statements and were not material, individually or in aggregate, to any of the prior periods financial statements. The amounts in the "As Restated" columns are the updated amounts including the impacts from both Investigation Adjustments and Other Adjustments. The only impact of restatement to the Consolidated Statements of Stockholders Equity was \$2.0 million and \$(1.9) million to Net income (loss) for the three and six months ended March 31, 2023, respectively, and \$(13.7) million, \$(17.6) million, \$(19.3) million and \$(19.9) million to opening Accumulated deficit at September 31, 2022, December 31, 2022, September 30, 2023 and December 31, 2023, respectively.

The following table presents the effect of the restatement on the Company's previously reported Condensed Consolidated Balance Sheet as of September 30, 2023. The values as previously reported were derived from the Company's Original March 31, 2023 Form 10-Q (in thousands, except for share and per share amounts).

Consolidated Balance Sheet	As of September 30, 2023			
	As Reported	Investigation Adjustments	Other Adjustments	As Restated
ASSETS:				
Current assets:				
Cash and cash equivalents	\$ 278,314	\$ —	\$ —	\$ 278,314
Trade receivables, net of allowances	57,660	—	—	57,660
Inventories	221,101	(25,501)	—	195,600
Prepaid expenses	13,595	—	—	13,595
Other current assets	12,300	3,823	—	16,123
Total current assets	582,970	(21,678)	—	561,292
Property, plant and equipment - net	501,023	—	—	501,023
Goodwill	994,271	—	—	994,271
Intangible assets - net	199,497	—	—	199,497
Other assets	87,793	—	—	87,793
Total assets	\$ 2,365,554	\$ (21,678)	\$ —	\$ 2,343,876
LIABILITIES AND STOCKHOLDERS' EQUITY:				
Current liabilities:				
Accounts payable	\$ 56,015	\$ —	\$ —	\$ 56,015
Accrued rebates	60,974	—	—	60,974
Accrued interest	260	—	(260)	—
Current portion of long-term debt obligations	6,000	—	—	6,000
Accrued expenses and other liabilities	71,994	(5,527)	260	66,727
Total current liabilities	195,243	(5,527)	—	189,716
Deferred income taxes	56,330	3,179	—	59,509
Long-term debt—less current portion	580,265	—	—	580,265
Other non-current liabilities	104,073	—	—	104,073
Total liabilities	935,911	(2,348)	—	933,563
Commitments and contingencies (See Note 17)				
Stockholders' equity:				
Preferred stock, \$0.001 par value; 1,000,000 shares authorized and no shares issued or outstanding at September 30, 2023	—	—	—	—
Class A common stock, \$0.001 par value; 1,100,000,000 shares authorized, 155,967,736 shares issued at September 30, 2023	156	—	—	156
Class B common stock, \$0.001 par value; 100,000,000 shares authorized, 100 shares issued and outstanding at September 30, 2023	—	—	—	—
Additional paid-in capital	1,662,322	—	—	1,662,322
Accumulated deficit	(45,047)	(19,330)	—	(64,377)
Accumulated other comprehensive income (loss)	1,878	—	—	1,878
Treasury stock, at cost, 8,268,423 shares at September 30, 2023	(189,666)	—	—	(189,666)
Total stockholders' equity	1,429,643	(19,330)	—	1,410,313
Total liabilities and stockholders' equity	\$ 2,365,554	\$ (21,678)	\$ —	\$ 2,343,876

The following table presents the effect of the restatement on the Company's previously reported Condensed Consolidated Statements of Comprehensive Income for the three and six months ended March 31, 2023. The values as previously reported were derived from the Company's Original March 31, 2023 Form 10-Q (in thousands, except for share and per share amounts).

Consolidated Statements of Comprehensive Income	Three Months Ended March 31, 2023				Six Months Ended March 31, 2023			
	As Reported	Investigation Adjustments	Other Adjustments	As Restated	As Reported	Investigation Adjustments	Other Adjustments	As Restated
Net sales	\$ 377,692	\$ —	\$ —	\$ 377,692	\$ 593,951	\$ —	\$ —	\$ 593,951
Cost of sales	269,519	(3,501)	800	266,818	438,199	2,691	—	440,890
Gross profit	108,173	3,501	(800)	110,874	155,752	(2,691)	—	153,061
Selling, general and administrative expenses	74,460	—	(249)	74,211	147,904	—	(183)	147,721
Loss (gain) on disposal of property, plant and equipment	—	—	249	249	—	—	183	183
Operating income	33,713	3,501	(800)	36,414	7,848	(2,691)	—	5,157
Other expenses:								
Interest expense, net	10,774	—	—	10,774	20,073	—	—	20,073
Total other expenses	10,774	—	—	10,774	20,073	—	—	20,073
Income (loss) before income taxes	22,939	3,501	(800)	25,640	(12,225)	(2,691)	—	(14,916)
Income tax expense (benefit)	6,666	971	(222)	7,415	(2,662)	(744)	—	(3,406)
Net income (loss)	\$ 16,273	\$ 2,530	\$ (578)	\$ 18,225	\$ (9,563)	\$ (1,947)	\$ —	\$ (11,510)
Other comprehensive income (loss):								
Unrealized loss due to change in fair value of derivatives, net of tax	\$ (1,466)	\$ —	\$ —	\$ (1,466)	\$ (3,262)	\$ —	\$ —	\$ (3,262)
Total other comprehensive income (loss)	(1,466)	—	—	(1,466)	(3,262)	—	—	(3,262)
Comprehensive income (loss)	\$ 14,807	\$ 2,530	\$ (578)	\$ 16,759	\$ (12,825)	\$ (1,947)	\$ —	\$ (14,772)
Net income (loss) per common share:								
Basic	\$ 0.11	\$ 0.02	\$ (0.01)	\$ 0.12	\$ (0.06)	\$ (0.02)	\$ —	\$ (0.08)
Diluted	0.11	0.02	(0.01)	0.12	(0.06)	(0.02)	—	(0.08)
Weighted-average common shares outstanding:								
Basic	150,713,075	—	—	150,713,075	150,812,859	—	—	150,812,859
Diluted	151,268,535	—	—	151,268,535	150,812,859	—	—	150,812,859

The following table presents the effect of the restatement on the Company's previously reported Condensed Consolidated Statement of Cash Flows for the six months ended March 31, 2023. The values as previously reported were derived from the Company's Original March 31, 2023 Form 10-Q (in thousands).

Consolidated Statement of Cash Flow	Six Months Ended March 31, 2023			
	As Reported	Investigation Adjustments	Other Adjustments	As Restated
Operating activities:				
Net income (loss)	\$ (9,563)	\$ (1,947)	\$ —	\$ (11,510)
Adjustments to reconcile net income (loss) to net cash flows provided by (used in) operating activities:				
Depreciation	42,018	—	—	42,018
Amortization of intangibles	23,457	—	—	23,457
Non-cash interest expense	824	—	—	824
Non-cash lease expense	(122)	—	—	(122)
Deferred income tax provision	465	—	—	465
Non-cash compensation expense	12,678	—	—	12,678
Fair value adjustment for contingent consideration	400	—	—	400
Loss on disposition of property, plant and equipment	183	—	1,641	1,824
Changes in certain assets and liabilities:				
Trade receivables	(62,586)	—	—	(62,586)
Inventories	48,880	2,691	—	51,571
Prepaid expenses and other currents assets	(18,310)	(744)	—	(19,054)
Accounts payable	15,702	—	—	15,702
Accrued expenses and interest	7,530	—	1,000	8,530
Other assets and liabilities	1,586	—	(1,641)	(55)
Net cash provided by operating activities	63,142	—	1,000	64,142
Investing activities:				
Purchases of property, plant and equipment	(47,284)	—	—	(47,284)
Proceeds from disposition of fixed assets	99	—	—	99
Acquisitions, net of cash acquired	(161)	—	—	(161)
Net cash used in investing activities	(47,346)	—	—	(47,346)
Financing activities:				
Payments on Term Loan Agreement	(3,000)	—	—	(3,000)
Proceeds under revolving credit facility	25,000	—	—	25,000
Payments under revolving credit facility	(25,000)	—	—	(25,000)
Principal payments of finance lease obligations	(1,307)	—	—	(1,307)
Payments of INTEX contingent consideration	—	—	(1,000)	(1,000)
Exercise of vested stock options	1,901	—	—	1,901
Cash paid for shares withheld for taxes	(460)	—	—	(460)
Purchases of treasury stock	(7,488)	—	—	(7,488)
Net cash used in financing activities	(10,354)	—	(1,000)	(11,354)
Net increase in cash and cash equivalents	5,442	—	—	5,442
Cash and cash equivalents – Beginning of period	120,817	—	—	120,817
Cash and cash equivalents – End of period	126,259	—	—	126,259
Supplemental cash flow disclosure:				
Cash paid for interest, net of amounts capitalized	\$ 23,611	\$ —	\$ —	\$ 23,611
Cash paid for income taxes, net	14,959	—	—	14,959
Supplemental non-cash investing and financing disclosure :				
Capital expenditures in accounts payable at end of period	\$ 12,984	\$ —	\$ —	\$ 12,984
Right-of-use operating and finance lease assets obtained in exchange for lease liabilities	2,439	—	—	2,439

2. REVENUE

The Company recognizes revenues when control of the promised goods is transferred to the Company's customers in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods, at a point in time, when shipping occurs.

The Company also engages in customer rebates, which are recorded in "Net sales" in the Condensed Consolidated Statements of Comprehensive Income (Loss) and in "Accrued rebates" and "Trade receivables" in the Condensed Consolidated Balance Sheets. The Company recorded accrued rebates of \$46.4 million and \$65.1 million as of March 31, 2024 and 2023, respectively, and contra trade receivables of \$8.6 million and \$7.7 million as of March 31, 2024 and 2023, respectively. The rebate activity was as follows (in thousands):

	Three Months Ended March 31,		Six Months Ended March 31,	
	2024	2023	2024	2023
Beginning balance	\$ 72,393	\$ 61,066	\$ 66,958	\$ 56,542
Rebate expense	35,930	29,703	58,168	45,419
Rebate payments	(53,328)	(18,028)	(70,131)	(29,220)
Ending balance	\$ 54,995	\$ 72,741	\$ 54,995	\$ 72,741

The Company records deferred revenue when cash payments are received or due in advance of the Company's performance.

3. DIVESTITURE

On November 1, 2023, the Company completed the sale of its Vycom business within the Commercial segment for net proceeds of approximately \$ 131.8 million. The divestiture allows the Company to focus on the highest value portions of its business and provides additional cash to finance its capital allocation priorities. The gain on sale of \$38.3 million was recognized in "Gain on sale of business" within the Condensed Consolidated Statements of Comprehensive Income (Loss) for the six months ended March 31, 2024. The Company did not report the sale in discontinued operations as it was not a strategic shift that would have a major effect on the Company's operations and financial results.

See Note 12 for more information on the Commercial segment.

4. INVENTORIES

Inventories are valued at the lower of cost or net realizable value, and are reduced for slow-moving and obsolete inventory. The inventories cost is recorded at standard cost, which approximates actual cost, on a first-in first-out ("FIFO") basis. Inventories consisted of the following (in thousands):

<i>in thousands</i>	March 31, 2024	September 30, 2023
		(As Restated)
Raw materials	\$ 49,348	\$ 60,349
Work in process	30,558	33,240
Finished goods	133,800	102,011
Total inventories	\$ 213,706	\$ 195,600

5. PROPERTY, PLANT AND EQUIPMENT—NET

Property, plant and equipment – net consisted of the following (in thousands):

	March 31, 2024	September 30, 2023
		(As Restated)
Land	\$ 3,209	\$ 4,829
Buildings and improvements	108,157	129,191
Manufacturing equipment	620,135	631,594
Computer equipment	33,164	32,392
Furniture and fixtures	7,310	7,290
Vehicles	1,353	1,087
Total property, plant and equipment	773,328	806,383
Construction in progress	69,776	87,348
	843,104	893,731
Accumulated depreciation	(386,405)	(392,708)
Total property, plant and equipment – net	\$ 456,699	\$ 501,023

Depreciation expense was approximately \$21.0 million and \$19.5 million in the three months ended March 31, 2024 and 2023, respectively, and \$ 41.5 million and \$39.5 million in the six months ended March 31, 2024 and 2023, respectively. During the three months ended March 31, 2024 and 2023, \$0.8 million and \$1.6 million of interest was capitalized, respectively, and during the six months ended March 31, 2024 and 2023, \$1.9 million and \$2.9 million of interest was capitalized, respectively.

6. GOODWILL AND INTANGIBLE ASSETS—NET

Goodwill

Goodwill consisted of the following (in thousands):

	Residential	Commercial	Total
Goodwill before impairment as of September 30, 2023	\$ 953,882	\$ 72,589	\$ 1,026,471
Accumulated impairment losses as of September 30, 2023	—	(32,200)	(32,200)
Goodwill, net as of September 30, 2023	\$ 953,882	\$ 40,389	\$ 994,271
Divestiture			
Goodwill disposal before impairment	\$ —	\$ (58,655)	\$ (58,655)
Accumulated impairment losses	—	32,200	32,200
Goodwill, net disposal	\$ —	\$ (26,455)	\$ (26,455)
Goodwill before impairment as of March 31, 2024	\$ 953,882	\$ 13,934	\$ 967,816
Accumulated impairment losses as of March 31, 2024	—	—	—
Goodwill, net as of March 31, 2024	\$ 953,882	\$ 13,934	\$ 967,816

Intangible assets, net

The Company did not have any indefinite lived intangible assets other than goodwill as of March 31, 2024 and September 30, 2023. Finite-lived intangible assets consisted of the following (in thousands):

	Lives in Years	March 31, 2024		
		Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Proprietary knowledge	10 — 15	\$ 300,400	\$ (261,064)	\$ 39,336
Trademarks	5 — 20	217,640	(161,282)	56,358
Customer relationships	12 — 19	156,452	(80,625)	75,827
Patents	9 — 10	8,500	(6,332)	2,168
Other intangibles	3 — 15	4,075	(4,032)	43
Total intangible assets		\$ 687,067	\$ (513,335)	\$ 173,732

	Lives in Years	September 30, 2023		
		Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Propriety knowledge	10 — 15	\$ 300,400	\$ (253,608)	\$ 46,792
Trademarks	5 — 20	230,240	(164,759)	65,481
Customer relationships	12 — 19	176,852	(92,268)	84,584
Patents	9 — 10	8,500	(5,913)	2,587
Other intangible assets	3 — 15	4,076	(4,023)	53
Total intangible assets		\$ 720,068	\$ (520,571)	\$ 199,497

Amortization expense was \$9.9 million and \$11.6 million in the three months ended March 31, 2024 and 2023, respectively and \$ 20.0 million and \$23.5 million in the six months ended March 31, 2024 and 2023, respectively. As of March 31, 2024, the remaining weighted-average amortization period for acquired intangible assets was 10.9 years.

7. COMPOSITION OF CERTAIN BALANCE SHEET ACCOUNTS
Allowance for Doubtful Accounts

Allowance for doubtful accounts consisted of the following (in thousands):

	Three Months Ended March 31,		Six Months Ended March 31,	
	2024	2023	2024	2023
Beginning balance	\$ 1,308	\$ 1,674	\$ 1,773	\$ 1,397
Provision	(60)	234	(493)	511
Bad debt write-offs	—	(101)	—	(101)
Divestiture	—	—	(32)	—
Ending balance	\$ 1,248	\$ 1,807	\$ 1,248	\$ 1,807

Accrued Expenses and Other Liabilities

Accrued expenses consisted of the following (in thousands):

	March 31, 2024	September 30, 2023
		(As Restated)
Employee related liabilities	\$ 33,747	\$ 34,313
Marketing	7,620	3,868
Customer deposits	5,174	4,152
Lease liability - operating	4,441	4,180
Taxes	4,110	1,433
Warranty	3,699	3,556
Lease liability - finance	2,883	2,777
Freight	2,818	1,242
Utilities	2,401	2,141
Professional fees	2,091	2,073
Construction in progress	1,476	2,863
Commissions	1,151	991
Other	3,246	3,138
Total accrued expenses and other current liabilities	\$ 74,857	\$ 66,727

8. DEBT

Debt consisted of the following (in thousands):

	March 31, 2024	September 30, 2023
Term Loan due April 28, 2029 — SOFR + 2.50% + 0.1% (7.93% at March 31, 2024 and 7.92% at September 30, 2023)	\$ 591,000	\$ 594,000
Revolving Credit Facility through March 31, 2026 - SOFR + 0.1%	—	—
Total	591,000	594,000
Less unamortized deferred financing costs	(3,639)	(3,996)
Less unamortized original issue discount	(3,404)	(3,739)
Less current portion	(6,000)	(6,000)
Long-term debt—less current portion and unamortized deferred financing costs	\$ 577,957	\$ 580,265

Term Loan Agreement

The Term Loan Agreement is a first lien term loan and will mature on April 28, 2029, subject to acceleration or prepayment. The Term Loan Agreement will amortize in equal quarterly installments of 0.25% of the aggregate principal amount of the loans outstanding as of the amendment date of April 28, 2022, subject to reduction for certain prepayments. The loans thereunder bear an interest rate equal to (i) in the case of alternative base rate, or ABR, borrowings, the highest of (a) the Federal Funds Rate plus 0.50%, (b) the Prime Rate as in effect on such day and (c) the one-month Term Secured Overnight Financing Rate ("SOFR") plus 1.00% per annum, provided that in no event will the alternative base rate be less than 1.50% per annum, plus an applicable margin of 1.50% and (ii) in the case of SOFR borrowings, the Term SOFR rate for the applicable interest period, in each case, plus an applicable margin of 2.50%. As of March 31, 2024 and September 30, 2023, The AZEK Group LLC had \$591.0 million and \$594.0 million outstanding under the Term Loan Agreement.

The obligations under the Term Loan Agreement are secured by a first priority security interest in the membership interests of The AZEK Group LLC owned by the Company, the equity interests of The AZEK Group LLC's domestic subsidiaries, other than certain immaterial subsidiaries and other excluded subsidiaries, and all remaining assets not constituting Revolver Priority Collateral (as defined below and subject to certain exceptions) of the Company, The AZEK Group LLC and the subsidiaries of The AZEK Group LLC that are guarantors under the Term Loan Agreement (the "Term Loan Priority Collateral"), and a second priority security interest in the Revolver Priority Collateral. The obligations under the Term Loan Agreement are guaranteed by the Company and the

wholly owned domestic subsidiaries of The AZEK Group LLC other than certain immaterial subsidiaries and other excluded subsidiaries.

Loans under the Term Loan Agreement may be voluntarily prepaid in whole, or in part, in each case without premium or penalty, subject to certain customary conditions. The Term Loan Agreement also requires mandatory prepayments of loans under the Term Loan Agreement from the proceeds of certain debt issuances and certain asset dispositions (subject to certain reinvestment rights) and, commencing with the fiscal year ending September 30, 2023, a percentage of excess cash flow (subject to step-downs upon The AZEK Group LLC achieving certain leverage ratios and other reductions in connection with other debt prepayments).

The Term Loan Agreement contains affirmative covenants, negative covenants and events of default, which are broadly consistent with those in the Revolving Credit Facility (with certain differences consistent with the differences between a revolving loan and term loan) and that are customary for facilities of this type. The Term Loan Agreement does not have any financial maintenance covenants. The Term Loan Agreement also includes customary events of default, including the occurrence of a change of control. On May 22, 2024, as a result of the Company's delayed filing of its Form 10-Q for the quarter ended March 31, 2024, The AZEK Group LLC was not in compliance with the financial reporting requirements in the Term Loan Agreement, which non-compliance was subject to a 30-day grace period. Because the Company is filing this Form 10-Q on June 14, 2024, which is within the grace period, The AZEK Group LLC has regained compliance and no event of default occurred.

As of March 31, 2024 and September 30, 2023, unamortized deferred financing fees related to the Term Loan Agreement were \$ 3.6 million and \$4.0 million, respectively.

Revolving Credit Facility

The AZEK Group LLC has also entered into a revolving credit facility, as amended and restated from time to time (the "Revolving Credit Facility"), with certain of our direct and indirect subsidiaries and certain lenders party thereto. The Revolving Credit Facility provides for maximum aggregate borrowings of up to \$150.0 million, subject to an asset-based borrowing base. The borrowing base is limited to a set percentage of eligible accounts receivable and inventory, less reserves that may be established by the administrative agent and the collateral agent in the exercise of their reasonable credit judgment.

The AZEK Group LLC had no outstanding borrowings under the Revolving Credit Facility as of March 31, 2024 and September 30, 2023, respectively. In addition, The AZEK Group LLC had \$2.2 million and \$2.8 million of outstanding letters of credit held against the Revolving Credit Facility as of March 31, 2024 and September 30, 2023, respectively. The AZEK Group LLC had approximately \$147.8 million available under the borrowing base for future borrowings as of March 31, 2024. The AZEK Group LLC also has the option to increase the commitments under the Revolving Credit Facility by up to \$100.0 million, subject to certain conditions.

On January 26, 2023, The AZEK Group LLC amended the Revolving Credit Facility, replacing all LIBOR-based provisions with provisions reflecting SOFR, including, without limitation, the use of a new Adjusted Term SOFR benchmark rate equal to Term SOFR (as defined in the Revolving Credit Agreement) plus 0.10%.

As of March 31, 2024, outstanding revolving loans under the Revolving Credit Facility bore interest at a rate which equaled, at the Company's option, either (i) for ABR borrowings, the highest of (a) the Federal Funds Rate plus 50 basis points, (b) the prime rate and (c) the Adjusted Term SOFR as of such date for a deposit in U.S. dollars with a maturity of one month plus 100 basis points, plus, in each case, a spread of 25 to 75 basis points, based on average historical availability, or (ii) for SOFR borrowings, the Adjusted Term SOFR plus a spread of 125 to 175 basis points, based on average historical availability. The maturity date for the Revolving Credit Facility is the earlier of March 31, 2026 and the date that is 91 days prior to the maturity of the Term Loan Agreement or any permitted refinancing thereof.

Deferred financing costs, net of accumulated amortization, related to the Revolving Credit Facility at March 31, 2024 and September 30, 2023 were \$ 0.5 million and \$0.7 million, respectively.

A "commitment fee" accrues on any unused portion of the commitments under the Revolving Credit Facility during the preceding three calendar month period. If the average daily used percentage is greater than 50%, the commitment fee equals 25 basis points, and if the average daily used percentage is less than or equal to 50%, the commitment fee equals 37.5 basis points. The commitment fees were \$0.1 million and \$0.1 million for the three months ended March 31, 2024 and 2023, respectively, and \$ 0.3 million and \$0.3 million for the six months ended March 31, 2024 and 2023, respectively.

The obligations under the Revolving Credit Facility are guaranteed by the Company and its wholly owned domestic subsidiaries other than certain immaterial subsidiaries and other excluded subsidiaries. The obligations under the Revolving Credit Facility are secured by a first priority security interest in substantially all of the accounts receivable, inventory, deposit accounts, securities accounts and cash assets of the Company, The AZEK Group LLC and the subsidiaries of The AZEK Group LLC that are guarantors under the Revolving Credit Facility, and the proceeds thereof (subject to certain exceptions) (the "Revolver Priority Collateral"), plus a second priority security interest in all of the Term Loan Priority Collateral. The Revolving Credit Facility may be voluntarily prepaid in whole, or in part, in each case without premium or penalty. The AZEK Group LLC is also required to make mandatory prepayments (i) when aggregate borrowings exceed commitments or the applicable borrowing base and (ii) during "cash dominion," which occurs

if (a) the availability under the Revolving Credit Facility is less than the greater of (i) \$ 12.5 million and (ii) 10% of the lesser of (x) \$ 150.0 million and (y) the borrowing base, for five consecutive business days or (b) certain events of default have occurred and are continuing.

The Revolving Credit Facility contains affirmative covenants that are customary for financings of this type, including allowing the Revolver Administrative Agent to perform periodic field exams and appraisals to evaluate the borrowing base. The Revolving Credit Facility contains various negative covenants, including limitations on, subject to certain exceptions, the incurrence of indebtedness, the incurrence of liens, dispositions, investments, acquisitions, restricted payments, transactions with affiliates, as well as other negative covenants customary for financings of this type. The Revolving Credit Facility also includes a financial maintenance covenant, applicable only when the excess availability is less than the greater of (i) 10% of the lesser of the aggregate commitments under the Revolving Credit Facility and the borrowing base, and (ii) \$12.5 million. In such circumstances, The AZEK Group LLC would be required to maintain a minimum fixed charge coverage ratio (as defined in the Revolving Credit Facility) for the trailing four quarters equal to at least 1.0 to 1.0; subject to The AZEK Group LLC's ability to make an equity cure (no more than twice in any four quarter period and up to five times over the life of the facility). As of March 31, 2024, The AZEK Group LLC was in compliance with the financial and nonfinancial covenants imposed by the Revolving Credit Facility. The Revolving Credit Facility also includes customary events of default, including the occurrence of a change of control. On May 22, 2024, as a result of the Company's delayed filing of its Form 10-Q for the quarter ended March 31, 2024, The AZEK Group LLC was not in compliance with the financial reporting requirements in the Revolving Credit Facility, which non-compliance was subject to a 30-day grace period. Because the Company is filing this Form 10-Q on June 14, 2024, which is within the grace period, The AZEK Group LLC has regained compliance and no event of default occurred.

Interest expense consisted of the following (in thousands):

	Three Months Ended March 31,		Six Months Ended March 31,	
	2024	2023	2024	2023
Interest expense:				
Term Loan Agreement	\$ 11,202	\$ 10,584	\$ 22,561	\$ 19,504
Revolving Credit Facility	148	267	299	418
Other	1,184	1,107	2,312	2,212
Amortization - Deferred financing costs				
Term Loan Agreement	179	179	358	358
Revolving Credit Facility	66	66	131	131
Amortization - Original issue discount				
Term Loan Agreement	167	167	335	335
Capitalized interest	(776)	(1,596)	(1,857)	(2,885)
Interest expense	12,170	10,774	24,139	20,073
Interest income	(3,490)	—	(7,549)	—
Interest expense, net	\$ 8,680	\$ 10,774	\$ 16,590	\$ 20,073

See Note 11 for the fair value of the Company's debt as of March 31, 2024 and September 30, 2023.

9. PRODUCT WARRANTIES

The Company provides product assurance warranties of various lengths ranging from 5 years to lifetime for limited coverage for a variety of material and workmanship defects based on standard terms and conditions between the Company and its customers. Warranty coverage depends on the product involved. The warranty reserve activity consisted of the following (in thousands):

	Three Months Ended March 31,		Six Months Ended March 31,	
	2024	2023	2024	2023
	(As Restated)		(As Restated)	
Beginning balance	\$ 15,842	\$ 15,555	\$ 17,012	\$ 16,145
Adjustments to reserve	539	360	151	235
Warranty claims payment	(756)	(573)	(1,538)	(1,038)
Ending balance	15,625	15,342	15,625	15,342
Current portion of accrued warranty	(3,699)	(3,606)	(3,699)	(3,606)
Accrued warranty – less current portion	\$ 11,926	\$ 11,736	\$ 11,926	\$ 11,736

10. LEASES

The Company leases vehicles, machinery, manufacturing facilities, office space, land, and equipment under both operating and finance leases. The Company determines if an arrangement is a lease at inception. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. As of March 31, 2024 and September 30, 2023, amounts associated with leases are included in Other assets, Accrued expenses and other liabilities and Other non-current liabilities in the Company's Condensed Consolidated Balance Sheet.

For leases with initial terms greater than 12 months, the Company considers these right-of-use assets, or ROU assets, and records the related asset and obligation at the present value of lease payments over the term. For leases with initial terms equal to or less than 12 months, the Company does not consider them as ROU assets and instead considers them short-term lease costs that are recognized on a straight-line basis over the lease term. The Company's leases may include escalation clauses, renewal options and/or termination options that are factored into the determination of lease term and lease payments when it is reasonably certain the option will be exercised. Renewal options range from 1 year to 20 years.

Lease assets and lease liabilities as of March 31, 2024 and September 30, 2023 were as follows (in thousands):

Leases	Classification on Balance Sheet	March 31, 2024	September 30, 2023
Assets			
ROU operating lease assets	Other assets	\$ 15,018	\$ 15,423
ROU finance lease assets	Other assets	69,526	71,529
Total lease assets		\$ 84,544	\$ 86,952
Liabilities			
Current			
Operating	Accrued expenses and other liabilities	\$ 4,441	\$ 4,180
Finance	Accrued expenses and other liabilities	2,883	2,777
Non-current			
Operating	Other non-current liabilities	12,947	13,699
Finance	Other non-current liabilities	74,770	75,718
Total lease liabilities		\$ 95,041	\$ 96,374

The components of lease expense for the three and six months ended March 31, 2024 and 2023 were as follows:

<i>(in thousands)</i>	Three Months Ended March 31,		Six Months Ended March 31,	
	2024	2023	2024	2023
Operating lease expense	\$ 1,396	\$ 1,503	\$ 2,874	\$ 3,004
Finance lease amortization of assets	1,282	1,272	2,583	2,521
Finance lease interest on lease liabilities	1,100	1,103	2,206	2,195
Short term	180	99	267	201
Sublease income	(5)	(72)	(33)	(143)
Total lease expense	\$ 3,953	\$ 3,905	\$ 7,897	\$ 7,778

The tables below present supplemental information related to leases as of March 31, 2024 and September 30, 2023:

	March 31, 2024		September 30, 2023	
Weighted-average remaining lease term (years)				
Operating leases	6.4		6.8	
Finance leases	25.2		25.4	
Weighted-average discount rate				
Operating leases	4.8	%	4.4	%
Finance leases	5.8	%	5.8	%

The following table summarizes the maturities of lease liabilities at March 31, 2024:

<i>(in thousands)</i>	Operating Leases	Finance Leases	Total
2024	\$ 2,658	\$ 3,586	\$ 6,244
2025	4,781	7,158	11,939
2026	2,860	7,009	9,869
2027	2,117	6,549	8,666
2028	1,853	5,328	7,181
Thereafter	6,075	117,060	123,135
Total lease payments	20,344	146,690	167,034
Less: interest	(2,956)	(69,037)	(71,993)
Present value of lease liability	\$ 17,388	\$ 77,653	\$ 95,041

11. FAIR VALUE OF FINANCIAL INSTRUMENTS

FASB Accounting Standards Codification ("ASC") requirements for Fair Value Measurements and Disclosures establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels. Level 1 inputs, the highest priority, are quoted prices in active markets for identical assets or liabilities. Level 2 inputs reflect other than quoted prices included in Level 1 that are either observable directly or through corroboration with observable market data. Level 3 inputs are unobservable inputs, due to little or no market activity for the asset or liability, such as internally-developed valuation models. We do not have any assets or liabilities measured at fair value on a recurring basis that are Level 3.

Derivative Instruments

The Company's objective in using interest rate derivative instruments is to hedge against interest rate volatility associated with its senior secured credit facilities by converting a portion of its floating rate debt to fixed rate debt. In November 2022, the Company entered into two interest rate swap agreements with Barclays Bank PLC to manage interest rate risk related to Term Loan. Each agreement has a notional amount of \$150 million and will expire on October 31, 2025. One agreement swaps variable interest at a rate based on SOFR with a fixed rate of 4.39% and the second with a fixed rate of 4.48%.

At the inception of the swap agreements and as of March 31, 2024, both swaps were designated and qualified as cash flow hedges in accordance with ASC 815. The gain (loss) is recorded in Accumulated other comprehensive income (loss) and then reclassified into Interest expense in the same period in which the hedged transaction affects earnings. As of March 31, 2024, the Company expects to reclass approximately \$1.4 million (\$1.1 million after-tax) as a reduction to interest expense in the next 12 months.

The following table provides the fair values of the interest rate derivative instruments as well as their classifications on the Balance Sheet as of March 31, 2024 and September 30, 2023 (in thousands):

	Fair Value Hierarchy	Balance Sheet Location	Fair Value as of	
			March 31, 2024	September 30, 2023
Assets				
Interest rate swaps	Level 2	Other current assets	\$ 1,438	\$ 2,558
Liabilities				
Interest rate swaps	Level 2	Other non-current liabilities	\$ 516	\$ 65

The Company estimates the fair value of interest rate swaps using a valuation model based on observable market data, such as yield curves. Both swaps are classified as Level 2 measurement in the fair value hierarchy.

The following tables summarize the effects of the interest rate derivative instruments on Accumulated other comprehensive income (loss) for the three and six months ended March 31, 2024 and 2023 (in thousands):

	Before-tax Amount	Income Tax Expense	Net of Tax Amount
Balance - December 31, 2023	\$ (1,622)	\$ (405)	\$ (1,217)
Amount of gain recognized in other comprehensive income (loss)	3,229	817	2,412
Amount of gain reclassified from accumulated other comprehensive income (loss) into net income (loss)	(686)	(182)	(504)
Balance - March 31, 2024	\$ 921	\$ 230	\$ 691
Balance - September 30, 2023	\$ 2,493	\$ 615	\$ 1,878
Amount of gain recognized in other comprehensive income (loss)	(208)	(24)	(184)
Amount of gain reclassified from accumulated other comprehensive income (loss) into net income (loss)	(1,364)	(361)	(1,003)
Balance - March 31, 2024	\$ 921	\$ 230	\$ 691
	Before-tax Amount	Income Tax Expense	Net of Tax Amount
Balance - December 31, 2022	\$ (2,443)	\$ (647)	\$ (1,796)
Amount of loss recognized in other comprehensive income (loss)	(2,009)	(578)	(1,431)
Amount of gain reclassified from accumulated other comprehensive income (loss) into net income (loss)	(47)	(12)	(35)
Balance - March 31, 2023	\$ (4,499)	\$ (1,237)	\$ (3,262)
Balance - September 30, 2022	\$ —	\$ —	\$ —
Amount of loss recognized in other comprehensive income (loss)	(4,553)	(1,251)	(3,302)
Amount of loss reclassified from accumulated other comprehensive income (loss) into net income (loss)	54	14	40
Balance - March 31, 2023	\$ (4,499)	\$ (1,237)	\$ (3,262)

Other Financial Instruments

The carrying values and the estimated fair values of the debt financial instruments (Level 2 measurements) consisted of the following (in thousands):

	March 31, 2024		September 30, 2023	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Term Loan due April 28, 2029	\$ 591,000	\$ 593,955	\$ 594,000	\$ 595,485

Financial Instruments Remeasure At Fair Value On A Recurring Basis

During the year ended September 30, 2022, the Company entered into an arrangement for a contingent payment to the former owner and employee of StruXure. The contingent payment is based on achievement of a minimum EBITDA amount and a multiple of EBITDA, for EBITDA exceeding a higher threshold for calendar year 2022. Based on the formula, the potential contingent payout can range from zero to \$13.9 million. At the date of acquisition, the fair value was estimated to be \$ 9.5 million. As of March 31, 2023, the fair value was increased to \$ 12.7 million based on the actual EBITDA amount for StruXure. Compensation expense of \$9.5 million was recognized for the year ended September 30, 2022 and \$ 3.2 million was recognized for the year ended September 30, 2023. The Company paid \$12.7 million as settlement of the contingent liability in April, 2023.

In connection with the acquisition of INTEX on August 1, 2022, the Company entered into a contingent consideration arrangement with the former owner of INTEX. The contingent consideration is based on achievement of a minimum gross profit amount for calendar year 2022. Based on the formula, the potential contingent consideration can range from zero to \$6.2 million. At the date of the acquisition, the fair value was estimated to be \$5.8 million. As of December 31, 2022, the fair value was increased to \$ 6.2 million. Contingent payment of \$5.8 million was included in the acquisition purchase price at the date of acquisition and the change in fair value of \$0.4 million was recognized in Selling, general and administrative expense for the year ended September 30, 2023. The Company paid \$6.2 million as settlement of this contingent liability in fiscal year 2023.

12. SEGMENTS

Operating segments for the Company are determined based on information used by the chief operating decision maker ("CODM") in deciding how to evaluate performance and allocate resources to each of the segments. The CODM reviews Adjusted EBITDA and Adjusted EBITDA Margin as the key segment measures of performance. Adjusted EBITDA is defined as segment operating income (loss) plus depreciation and amortization, adjusted by adding thereto or subtracting therefrom stock-based compensation costs, business transformation costs, acquisition costs, capital structure transaction costs, and certain other costs. Adjusted EBITDA Margin is defined as Adjusted EBITDA divided by net sales.

The Company has two reportable segments, Residential and Commercial. The reportable segments were determined primarily based on products and end markets as follows:

- Residential—The Residential segment manufactures and distributes decking, rail, pergolas, outdoor structures, exterior trim, siding and accessories through a national network of dealers and distributors and multiple home improvement retailers providing extensive geographic coverage and enabling the Company to effectively serve contractors. Regional recyclers provides full-service recycled PVC material processing, sourcing, logistical support, and scrap management programs that are utilized in our finished goods manufacturing processes. This segment is impacted by trends in and the strength of home repair and remodel activity.
- Commercial—The Commercial segment manufactures, fabricates and distributes lockers and bathroom partitions. This segment is impacted by trends in and the strength of the repair and remodel sector. This segment also previously included the Company's Vycom business, which manufactured resin-based extruded sheeting products for a variety of commercial and industrial applications. The Company sold the Vycom business on November 1, 2023. See Note 3 for additional information on the divestiture.

The segment data below includes data for Residential and Commercial for the three and six months ended March 31, 2024 and 2023 (in thousands).

	Three Months Ended March 31,		Six Months Ended March 31,	
	2024	2023	2024	2023
	(As Restated)		(As Restated)	
Net sales to customers				
Residential	\$ 402,541	\$ 342,116	\$ 625,541	\$ 521,600
Commercial	15,867	35,576	33,311	72,351
Total	\$ 418,408	\$ 377,692	\$ 658,852	\$ 593,951
Adjusted EBITDA				
Residential ⁽¹⁾	\$ 110,386	\$ 68,483	\$ 162,365	\$ 72,237
Commercial	2,897	7,829	5,802	12,983
Total Adjusted EBITDA for reporting segments	\$ 113,283	\$ 76,312	\$ 168,167	\$ 85,220
Adjustments to Income before income tax provision				
Depreciation and amortization	(32,204)	(32,436)	(64,141)	(65,476)
Stock-based compensation costs	(6,299)	(5,626)	(14,767)	(9,583)
Acquisition and divestiture costs ⁽²⁾	(156)	(1,581)	(648)	(4,535)
Gain (loss) on sale of business ⁽³⁾	(215)	—	38,300	—
Other costs ⁽⁴⁾	(662)	(255)	(3,430)	(469)
Interest expense, net	(8,680)	(10,774)	(16,590)	(20,073)
Income (loss) before income tax provision	\$ 65,067	\$ 25,640	\$ 106,891	\$ (14,916)

- (1) Effective as of December 31, 2023, Residential segment Adjusted EBITDA includes all corporate expenses, such as selling, general and administrative costs related to our corporate offices, including payroll and other professional fees. The prior periods have been recast to reflect the change.
- (2) Acquisition and divestiture costs reflect costs related to acquisitions of \$ 0.1 million in the three and six months ended March 31, 2024, and \$ 1.4 million and \$3.9 million in the three and six months ended March 31, 2023, respectively, and costs related to divestiture of \$0.1 million and \$0.2 million for the three months ended March 31, 2024 and 2023, respectively, and \$0.5 million and \$0.7 million for the six months ended March 31, 2024 and 2023, respectively.
- (3) Gain (loss) on sale of business relates to the sale of the Vycom business.
- (4) Other costs include costs related to the removal of dispensable equipment resulting from a modification of the Company's manufacturing process of \$ 2.4 million in the six months ended March 31, 2024, costs related to a reduction in workforce of \$0.3 million in the six months ended March 31, 2024 and \$ 0.2 million in the three and six months ended March 31, 2023, costs for legal expenses of \$0.3 million in the three months ended March 31, 2024, and \$ 0.3 million and \$0.2 million in the six months ended March 31, 2024 and 2023, respectively, and other costs of \$0.4 million for the three and six months ended March 31, 2024 and \$ 0.1 million for the three and six months ended March 31, 2023.

13. CAPITAL STOCK

Share Repurchase Program

On May 5, 2022, the Board of Directors authorized the Company to repurchase up to \$ 400 million of the Company's Class A common stock (the "Share Repurchase Program"). The Share Repurchase Program allows the Company to repurchase its shares opportunistically from time to time. Purchases may be effected through one or more open market transactions, privately negotiated transactions, transactions structured through investment banking institutions, accelerated share repurchases or tender offers, some of which may be effected through Rule 10b5-1 plans, or a combination of the foregoing. The timing of repurchases will depend upon several factors, including market and business conditions, and repurchases may be discontinued at any time.

On December 4, 2023, the Company entered into a \$100 million accelerated share repurchase agreement, or the "ASR" with Goldman Sachs & Co. LLC, or "Goldman Sachs". Goldman Sachs delivered 2,291,607 initial shares to the Company on December 6, 2023, based on the closing price of the Company's Class A common stock of \$ 34.91 on December 4, 2023. The total value of the initial shares represents 80% of the ASR. Goldman Sachs terminated the ASR on February 5, 2024 and delivered 434,100 additional shares of Class A common stock to the Company on February 7, 2024 upon final settlement for no additional consideration. The average purchase price per share for shares purchased by the Company pursuant to the ASR was \$36.69.

During the three and six months ended March 31, 2024, the Company repurchased 526,718 shares of its Class A common stock on the open market at an average price of \$ 47.93 per share, totaling an approximately \$25.2 million reacquisition cost. During the six months ended March 31, 2023, the Company repurchased 352,760 shares of its Class A common stock on the open market at an average price of \$21.23 per share, totaling an approximately \$ 7.5 million reacquisition cost.

On August 16, 2022, the U.S. government enacted the Inflation Reduction Act of 2022 (the "Inflation Reduction Act"), that includes, among other provisions, a one percent excise tax on net repurchases of stock after December 31, 2022. The Company recognized \$0.4 million and \$1.2 million excise tax as reacquisition cost of share repurchases for the three and six months ended March 31, 2024, respectively.

As of March 31, 2024, the Company had approximately \$ 75.7 million available for repurchases under the Share Repurchase Program.

14. STOCK-BASED COMPENSATION

The Company grants stock-based awards to attract, retain and motivate key employees and directors.

The 2020 Omnibus Incentive Compensation Plan ("2020 Plan"), provides for the grant of stock options, stock appreciation rights, restricted stock, restricted stock units, dividend equivalent rights, and performance-based or other equity-related awards to the Company's employees and directors. The maximum aggregate number of shares that may be issued under the 2020 Plan is 15,852,319 shares with 2,222,586 shares remaining in the reserve. The total aggregate number of shares may be adjusted as determined by the Board of Directors.

On December 11, 2023, the Compensation Committee of the Board of Directors authorized certain changes to a former employee's stock-based awards which were effective in connection with his retirement. These changes allow certain awards to continue to vest in due course following retirement and extend the exercisability of certain outstanding and exercisable stock options to the end of the contractual term of the options. This resulted in a Type III Modification (improbable to probable) as defined in accounting guidance, accounted for as a cancellation of the original award and an issuance of a new grant, as well as, a Type I Modification (probable to probable), accounted for as an exchange of the original award for a new grant under the revised terms. The modifications resulted in \$1.9 million of stock-based compensation expense in the six months ended March 31, 2024.

Stock-based compensation expense for the three months ended March 31, 2024 and 2023 was \$ 6.3 million and \$5.6 million, respectively, and for the six months ended March 31, 2024 and 2023 was \$14.8 million and \$9.6 million, respectively, recognized in "Selling, general and administrative expenses" in the Condensed Consolidated Statements of Comprehensive Income (Loss). Total income tax benefit for the three months ended March 31, 2024 and 2023 was \$1.3 million and \$1.1 million, respectively, and for the six months ended March 31, 2024 and 2023 was \$ 3.0 million and \$1.8 million, respectively. As of March 31, 2024, the Company had not yet recognized compensation cost on unvested stock-based awards of \$ 31.5 million, with a weighted average remaining recognition period of 1.9 years.

The Company uses the Black Scholes pricing model to estimate the fair value of its service-based awards as of the grant date. Under the terms of the 2020 Plan, all stock options will expire if not exercised within 10 years of the grant date.

The following table sets forth the significant assumptions used for the calculation of stock-based compensation expense for the six months ended March 31, 2024 and 2023:

	December 15, 2023 Grant Date		December 12, 2022 Grant Date	
Risk-free interest rate	3.93	%	3.77	%
Expected volatility	40.00	%	40.00	%
Expected term (in years)	6.00		6.00	
Expected dividend yield	0.00	%	0.00	%

Stock Options

The following table summarizes the performance-based stock option activity for the six months ended March 31, 2024:

	Number of Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contract Term (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding at October 1, 2023	1,114,261	\$ 23.00		
Granted	—	—		
Exercised	(242,107)	23.00		
Cancelled/Forfeited	—	—		
Outstanding at March 31, 2024	872,154	23.00	6.1	23,740
Vested and exercisable at March 31, 2024	872,154	\$ 23.00	6.1	23,740

The following table summarizes the service-based stock option activity for the six months ended March 31, 2024:

	Number of Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contract Term (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding at October 1, 2023	3,361,707	\$ 25.43		
Granted	138,731	38.15		
Exercised	(526,993)	24.78		
Cancelled/Forfeited	(20,044)	42.36		
Outstanding at March 31, 2024	2,953,401	26.03	6.8	71,449
Vested and exercisable at March 31, 2024	2,138,523	\$ 25.39	6.5	53,104

Restricted Stock Awards

A summary of the service-based restricted stock awards activity during the six months ended March 31, 2024 was as follows:

	Number of Shares	Weighted Average Grant Date Fair Value
Outstanding and unvested at October 1, 2023	82,481	\$ 23.00
Granted	—	—
Vested	(55,724)	23.00
Forfeited	—	—
Outstanding and unvested at March 31, 2024	26,757	\$ 23.00

Performance Restricted Stock Units

Performance restricted stock units were granted to officers and certain employees of the Company and represent the right to earn shares of Company common stock based on the achievement of company-wide non-GAAP performance conditions, including cumulative net sales, average return on net tangible assets and cumulative EBITDA during the three-year performance period. Compensation cost is amortized into expense over the performance period, which is generally three years, and is based on the probability of meeting performance targets. The fair value of each performance share award is based on the closing stock price on the date of grant.

A summary of the performance-based restricted stock unit awards activity for the six months ended March 31, 2024 presented at target was as follows:

	Number of Shares	Weighted Average Grant Date Fair Value
Outstanding and unvested at October 1, 2023	508,622	\$ 26.72
Granted	215,462	38.15
Vested	(123,821)	34.82
Forfeited	(5,167)	25.89
Outstanding and unvested at March 31, 2024	595,096	\$ 28.94

Restricted Stock Units

A summary of the service-based restricted stock unit awards activity for the six months ended March 31, 2024 was as follows:

	Number of Shares	Weighted Average Grant Date Fair Value
Outstanding and unvested at October 1, 2023	786,096	\$ 25.42
Granted	244,129	39.20
Vested	(271,574)	27.67
Forfeited	(9,639)	27.53
Outstanding and unvested at March 31, 2024	749,012	\$ 29.06

15. EARNINGS PER SHARE

The Company computes earnings per common share ("EPS") under the two-class method which requires the allocation of all distributed and undistributed earnings attributable to the Company to common stock and other participating securities based on their respective rights to receive distributions of earnings or losses. The Company's Class A common stock and Class B common stock equally share in distributed and undistributed earnings, and, therefore, no allocation to participating securities or dilutive securities is performed.

Basic EPS attributable to common stockholders is calculated by dividing net income (loss) attributable to common stockholders by the weighted-average number of shares of common stock outstanding. Diluted EPS is calculated by adjusting weighted average shares outstanding for the dilutive effect of potential common shares, determined using the treasury-stock method. For purposes of the diluted EPS calculation, restricted stock awards, restricted stock units and options to purchase shares of common stock are considered to be potential common shares. The following table sets forth the computation of the Company's basic and diluted EPS attributable to common stockholders (in thousands, except share and per share amounts):

	Three Months Ended March 31,		Six Months Ended March 31,	
	2024	2023	2024	2023
	(As Restated)		(As Restated)	
Numerator:				
Net income (loss)	\$ 49,758	\$ 18,225	\$ 74,906	\$ (11,510)
Net income (loss) attributable to common stockholders - basic and diluted	\$ 49,758	\$ 18,225	\$ 74,906	\$ (11,510)
Denominator:				
Weighted-average shares of common stock				
Basic	145,710,663	150,713,075	146,516,971	150,812,859
Diluted	147,738,277	151,268,535	148,231,866	150,812,859
Net income (loss) per share attributable to common stockholders:				
Net income (loss) per common share - basic	\$ 0.34	\$ 0.12	\$ 0.51	\$ (0.08)
Net income (loss) per common share - diluted	\$ 0.34	\$ 0.12	\$ 0.51	\$ (0.08)

The following table includes the number of shares that may be dilutive common shares in the future, and were not included in the computation of diluted net income (loss) per share because the effect was anti-dilutive:

	Three Months Ended March 31,		Six Months Ended March 31,	
	2024	2023	2024	2023
Stock Options	425,571	2,399,970	499,300	5,067,687
Restricted Stock Units	6,958	278,084	4,075	296,866

16. INCOME TAXES

The Company calculates the interim tax provision in accordance with the provisions of ASC 740-270, Income Taxes; Interim Reporting, specifically ASC-740-270-25-2. For interim periods, the Company estimates the annual effective income tax rate and applies the estimated rate to the year-to-date income or loss before income taxes. The effective income tax rates for the three months ended March 31, 2024 and 2023 were 23.5% and 28.9%, respectively, and for the six months ended March 31, 2024 and 2023 were 29.9% and 22.8%, respectively. The decrease in the effective income tax rate for the three months ended March 31, 2024, as compared to the three months ended March 31, 2023, was primarily driven by increased earnings and tax benefit related to stock-based compensation. The increase in the effective income tax rate for the six months ended March 31, 2024, as compared to the six months ended March 31, 2023, was primarily driven by the tax effects related to the sale of the Vycom business partially offset by increased earnings and tax benefit related to stock-based compensation.

17. COMMITMENTS AND CONTINGENCIES

Legal Proceedings

During the year ended September 30, 2019, the Company was made aware of a worker's compensation case that became reasonably possible to give rise to a liability. The parties agreed to settle the case in May 2024, subject to execution of definitive documentation, for \$2.65 million in total, with the Company's insurance to directly cover the \$ 1.9 million attributable to the Company and all remaining liabilities expected to be borne by a co-defendant, resulting in no costs expected to be borne by the Company.

In the normal course of the Company's business, it is at times subject to various other legal actions, in some cases for which the relief or damages sought may be substantial. Although the Company is not able to predict the outcome of legal actions to which it may be subject, after reviewing all pending and threatened actions with counsel and based on information currently available, management believes that the outcome of such actions, individually or in the aggregate, will not have a material adverse effect on the Company's results of operations or financial position. However, it is possible that the ultimate resolution of such matters, if unfavorable, may be material to the Company's results of operations in a particular future period as the time and amount of any resolution of such actions and its relationship to the future results of operations are not currently known. The Company accrues for losses when they are probable of occurrence and such losses are reasonably estimable. Legal costs expected to be incurred are accounted for as they are incurred.

18. CONDENSED FINANCIAL INFORMATION OF REGISTRANT (PARENT COMPANY ONLY)

The AZEK Company Inc. (parent company only)
Balance Sheets
(In thousands of U.S. dollars, except for share and per share amounts)

	March 31, 2024	September 30, 2023
		(As Restated)
ASSETS:		
Non-current assets:		
Investments in subsidiaries	\$ 1,386,931	\$ 1,410,313
Total non-current assets	1,386,931	1,410,313
Total assets	\$ 1,386,931	\$ 1,410,313
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Total liabilities	\$ —	\$ —
Stockholders' equity:		
Preferred stock, \$0.001 par value; 1,000,000 shares authorized and no shares issued or outstanding at March 31, 2024 and September 30, 2023, respectively	—	—
Class A common stock, \$0.001 par value; 1,100,000,000 shares authorized, 157,010,677 shares issued at March 31, 2024 and 155,967,736 shares issued at September 30, 2023, respectively	157	156
Class B common stock, \$0.001 par value; 100,000,000 shares authorized, 0 and 100 shares issued and outstanding at March 31, 2024 and at September 30, 2023, respectively	—	—
Additional paid-in capital	1,688,604	1,662,322
Retained earnings (accumulated deficit)	10,529	(64,377)
Accumulated other comprehensive income (loss)	691	1,878
Treasury stock, at cost, 11,520,848 and 8,268,423 shares at March 31, 2024 and September 30, 2023, respectively	(313,050)	(189,666)
Total stockholders' equity	1,386,931	1,410,313
Total liabilities and stockholders' equity	\$ 1,386,931	\$ 1,410,313

	Three Months Ended March 31,		Six Months Ended March 31,	
	2024	2023	2024	2023
		(As Restated)		(As Restated)
Net income (loss) of subsidiaries	\$ 49,758	\$ 18,225	\$ 74,906	\$ (11,510)
Net income (loss) of subsidiaries	\$ 49,758	\$ 18,225	\$ 74,906	\$ (11,510)
Comprehensive income (loss)	\$ 51,666	\$ 16,759	\$ 73,719	\$ (14,772)

The AZEK Company Inc. did not have any cash as of March 31, 2024 or September 30, 2023. Accordingly a Condensed Statement of Cash Flows has not been presented.

Basis of Presentation

The parent company financial statements should be read in conjunction with the Company's Consolidated Financial Statements and the accompanying notes thereto. For purposes of this condensed financial information, the Company's wholly owned and majority owned subsidiaries are recorded based upon its proportionate share of the subsidiaries' net assets (similar to presenting them on the equity method).

Since the restricted net assets of The AZEK Company Inc. and its subsidiaries exceed 25% of the consolidated net assets of the Company and its subsidiaries, the accompanying condensed parent company financial statements have been prepared in accordance with Rule 12-04, Schedule 1 of Regulation S-X. This information should be read in conjunction with the accompanying Condensed Consolidated Financial Statements.

Restatement of Previously Filed Financial Statements

The Company is presenting herein restated condensed financial information of The AZEK Company Inc. (parent company only) as of September 30, 2023 and for the three and six months ended March 31, 2023.

See Note 1A "Restatement of Previously Filed Financial Statements," for additional information on the restatement.

Dividends from Subsidiaries

There were \$25.0 million and \$125.0 million in cash dividends paid to The AZEK Company Inc. from the Company's consolidated subsidiaries during the three and six months ended March 31, 2024, respectively, and \$7.5 million in cash dividends paid to The AZEK Company Inc. from the Company's consolidated subsidiaries during the six months ended March 31, 2023. Cash dividends of \$125.0 million were used to fund the \$100.0 million ASR during the six months ended March 31, 2024, and \$25.0 million share repurchases on the open market during the three and six months ended March 31, 2024. Cash dividends of \$7.5 million were used to fund share repurchases on the open market during the six months ended March 31, 2023.

Restricted Payments

The AZEK Group LLC is party to the Revolving Credit Facility and the Term Loan Agreement. The obligations under the Revolving Credit Facility and Term Loan Agreement are secured by substantially all of the present and future assets of the borrowers and guarantors, including equity interests of their domestic subsidiaries, subject to certain exceptions.

The obligations under the Revolving Credit Facility and Term Loan Agreement are guaranteed by the Company and its wholly owned domestic subsidiaries other than certain immaterial subsidiaries and other excluded subsidiaries. The AZEK Group LLC is not permitted to make certain payments unless those payments are consistent with exceptions set forth in the agreements. These payments include repurchase of equity interests, fees associated with a public offering, income taxes due in other applicable payments. Further, the payments are only permitted if certain conditions are met related to availability and fixed charge coverage as defined in the Revolving Credit Facility and described in Note 8.

19. SUBSEQUENT EVENT

On May 16, 2024, the Company received a notice (the "NYSE Notice") from the New York Stock Exchange (the "NYSE") that the Company is not in compliance with Section 802.01E of the NYSE Listed Company Manual as a result of its failure to timely file this Form 10-Q with the SEC prior to May 15, 2024, the end of the extension period provided by Rule 12b-25 under the Securities Exchange Act of 1934. The NYSE Notice informed the Company that, under NYSE rules, the Company has six months from May 15, 2024, to regain compliance with the NYSE listing standards by filing this Form 10-Q with the SEC.

On June 14, 2024, the Company has regained compliance with the NYSE listing standards by filing the 2023 Form 10-K/A, Amendment No. 1 to its Quarterly Report on Form 10-Q for the fiscal quarter ended December 31, 2023 and this Form 10-Q for the fiscal quarter ended March 31, 2024 with SEC.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our annual consolidated financial statements and related notes and our discussion and analysis of financial condition and results of operations, which were included in Amendment No. 1 in our 2023 Annual Report on Form 10-K/A filed with the U.S. Securities and Exchange Commission, or the SEC, on June 14, 2024, or our 2023 Form 10-K/A, as well as Item 1. Financial Statements in this Form 10-Q.

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements. All statements other than statements of historical facts contained in this Quarterly Report on Form 10-Q, including statements regarding future operations, cash flows, expansion plans, capital investments, capacity targets and other strategic initiatives, are forward-looking statements. In some cases, forward looking statements may be identified by words such as "believe," "may," "will," "estimate," "continue," "anticipate," "intend," "could," "would," "expect," "objective," "plan," "potential," "seek," "grow," "target," "if," or the negative of these terms and similar expressions intended to identify forward-looking statements. In particular, statements about potential new products and product innovation, statements regarding the potential impact of climate change and extreme weather events, global health pandemics or geopolitical conflicts, such as the conflict between Russia and Ukraine and the conflict in the Middle East, statements about the markets in which we operate and the economy more generally, including inflation and interest rates, growth of our various markets and growth in the use of engineered products as well as our ability to share in such growth, statements about our ability to source our raw materials in line with our expectations, future pricing for our products or our raw materials and our ability to successfully manage market and interest rate risks and control or reduce costs, statements with respect to our ability to meet future goals and targets, including our environmental, social and governance targets, statements about our material weaknesses and our plans to remediate such material weaknesses, statements about potential share repurchases, and our expectations, beliefs, plans, strategies, objectives, prospects, assumptions or future events or performance contained in the Quarterly Report on Form 10-Q are forward-looking statements. We have based these forward-looking statements primarily on our current expectations and projections about future events and trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives and financial needs. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described in the section titled "Risk Factors" set forth in Part I, Item 1A of our 2023 Form 10-K/A. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the future events and trends discussed in this Quarterly Report on Form 10-Q may not occur and actual results may differ materially and adversely from those anticipated or implied in the forward-looking statements. You should read this Quarterly Report on Form 10-Q with the understanding that our actual future results, levels of activity, performance and events and circumstances may be materially different from what we expect. In addition, statements that "we believe" and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based on information available to us as of the date of this Quarterly Report on Form 10-Q. While we believe that such information provides a reasonable basis for these statements, such information may be limited or incomplete. Our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all relevant information. These statements are inherently uncertain, and investors are cautioned not to unduly rely on these statements.

Restatement of Previously Filed Financial Statements

As described in Note 1A to our unaudited Condensed Consolidated Financial Statements, we have restated our unaudited Condensed Consolidated Financial Statements as of March 31, 2023 and for the three and six months ended March 31, 2023 contained in this Quarterly Report on Form 10-Q. As a result, the previously reported financial information as of and for the three and six months ended March 31, 2023 in this Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations reflects the relevant restatements. See Note 1A, Restatement of Previously Filed Financial Statements to our unaudited Condensed Consolidated Financial Statements for additional information related to the restatement, including descriptions of the adjustments and the impacts on our unaudited Condensed Consolidated Financial Statements.

Overview

We are an industry-leading designer and manufacturer of beautiful, low-maintenance and environmentally sustainable outdoor living products, including TimberTech[®] decking, Versatex[®] and AZEK[®] Trim, and StruXure[®] pergolas. Homeowners continue to invest in their homes and outdoor spaces and we believe are increasingly recognizing the significant advantages of engineered, long-lasting products, which convert demand away from traditional materials, particularly wood. Our products transform those outdoor spaces by combining highly appealing aesthetics with significantly lower maintenance costs compared to traditional materials. Our innovative portfolio of outdoor living products, including decking, railing, trim, siding, cladding, pergolas and cabanas and accessories, inspires consumers to design outdoor spaces tailored to their unique lifestyle needs. In addition to our leading suite of outdoor living products, we sell a broad range of highly engineered products that are sold in commercial markets, including partitions,

lockers and storage solutions. One of our core values is to "always do the right thing". In furtherance of that value, we are focused on sustainability across our operations and have adopted strategies to enable us to meet the growing demand for environmentally-friendly products.

We report our results in two segments: Residential and Commercial. In our Residential segment, our primary consumer brands, TimberTech and AZEK, are recognized by contractors and consumers for their premium aesthetics, uncompromising quality and performance, and diversity of style and design options. Prior to our divestiture of our Vycom business on November 1, 2023, our Commercial segment manufactured engineered sheet products and high-quality bathroom partitions and lockers. Following the divestiture of our Vycom business, our Commercial segment will continue to manufacture high-quality bathroom partitions and lockers. Over our history we have developed a reputation as a leading innovator in our markets by leveraging our differentiated manufacturing capabilities, material science expertise and product management proficiency to consistently introduce new products into the market. This long-standing commitment has been critical to our ability to stay at the forefront of evolving industry trends and consumer demands, which in turn has allowed us to become a market leader across our core product categories.

Economic Environment; Global Events

Our business and financial performance may be affected by the macroeconomic and geopolitical environment, including increased inflation, elevated interest rates and geopolitical conflicts. For example, elevated interest rates and inflation levels may negatively impact the ability of consumers to purchase our products and may increase our raw material costs. Our business, financial condition and results of operations could be adversely affected if we are not able to pass any associated costs on to our customers or otherwise mitigate the impact of these pressures on us or our consumers. In addition, our business may be impacted by the direct and indirect effects of geopolitical conflicts, including possible disruptions to global supply chains generally and our supply chain in particular and an increased threat of cyberattacks against U.S. companies, which could pose risks to the security of our information technology systems, as well as the confidentiality, availability and integrity of our or our customers' data.

We are unable to fully predict the impact that the above events and conditions will have on the global economy, our industry or our business, financial condition, results of operations or cash flows. See also Part I, Item 3 "Quantitative and Qualitative Disclosures About Market Risk" of this Quarterly Report on Form 10-Q and Part 1, Item 1A "Risk Factors" of our 2023 Form 10-K/A.

Recent Divestiture

On November 1, 2023, we completed the sale of our Vycom business within the Commercial segment for net proceeds of approximately \$131.8 million. The divestiture allows us to focus on the highest value portions of our business and provides additional cash to finance our capital allocation priorities. As a result of the divestiture, we recognized a pre-tax gain on sale of \$38.3 million during the six months ended March 31, 2024.

Results of Operations

Three Months Ended March 31, 2024 Compared to Three Months Ended March 31, 2023

The following table summarizes certain financial information relating to our operating results that have been derived from our unaudited Consolidated Financial Statements for the three months ended March 31, 2024 and 2023.

(U.S. dollars in thousands)	Three Months Ended March 31,		\$	%	
	2024	2023	Variance	Variance	
	(As Restated)				
Net sales	\$ 418,408	\$ 377,692	\$ 40,716	10.8	%
Cost of sales	261,335	266,818	(5,483)	(2.1)	%
Gross profit	157,073	110,874	46,199	41.7	%
Selling, general and administrative expenses	83,198	74,211	8,987	12.1	%
Loss (gain) on disposal of property, plant and equipment	(87)	249	(336)	(134.9)	%
Operating income	73,962	36,414	37,548	103.1	%
Interest expense, net	8,680	10,774	(2,094)	(19.4)	%
Loss on sale of business	215	—	215		N/M
Income tax expense	15,309	7,415	7,894	106.5	%
Net income	\$ 49,758	\$ 18,225	\$ 31,533	173.0	%

"N/M" indicates the variance as a percentage is not meaningful.

Net Sales

Net sales for the three months ended March 31, 2024 increased by \$40.7 million, or 10.8%, to \$418.4 million from \$377.7 million for the three months ended March 31, 2023. The increase was primarily due to an increase in volume in our Residential segment attributable to key growth initiatives driving demand for our products, partially offset by the sale of our Vycom business in our Commercial segment. Net sales for the three months ended March 31, 2024 increased for our Residential segment by 17.7% and decreased for our Commercial segment by 55.4%, respectively, as compared to the prior year period.

Cost of Sales

Cost of sales for the three months ended March 31, 2024 decreased by \$5.5 million, or 2.1%, to \$261.3 million from \$266.8 million for the three months ended March 31, 2023, primarily due to lower raw material costs driven by certain commodity deflation and higher utilization of manufacturing capacity.

Gross Profit

Gross profit for the three months ended March 31, 2024 increased by \$46.2 million, or 41.7%, to \$157.1 million from \$110.9 million for the three months ended March 31, 2023. The increase in gross profit was primarily driven by higher net sales, lower raw material costs and higher plant utilization. Gross profit as a percent of net sales increased to 37.5% for the three months ended March 31, 2024 compared to 29.4% for the three months ended March 31, 2023.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by \$9.0 million, or 12.1%, to \$83.2 million, or 19.9% of net sales, for the three months ended March 31, 2024 from \$74.2 million, or 19.6% of net sales, for the three months ended March 31, 2023. The increase was primarily due to higher marketing, personnel and selling costs.

Loss (Gain) on Disposal of Property, Plant and Equipment

Loss (Gain) on disposal of property, plant and equipment decreased by \$0.3 million to a gain of \$0.1 million in the three months ended March 31, 2024 compared to a loss of \$0.2 million in the three months ended March 31, 2023, primarily due to the proceeds received from the disposition of property, plant and equipment in the normal course of business.

Interest Expense, net

Interest expense, net decreased by \$2.1 million, or 19.4%, to \$8.7 million for the three months ended March 31, 2024 from \$10.8 million for the three months ended March 31, 2023. Interest expense, net decreased due to interest income, partially offset by lower capitalized interest and a higher interest rate on outstanding debt during the three months ended March 31, 2024, when compared to the three months ended March 31, 2023.

Loss On Sale Of Business

Loss on sale of business was \$0.2 million during the three months ended March 31, 2024, which related to normal post-closing adjustments of the divestiture of our Vycom business within the Commercial segment.

Income Tax Expense

Income tax expense increased by \$7.9 million to \$15.3 million for the three months ended March 31, 2024 compared to \$7.4 million for the three months ended March 31, 2023. The increase in our income tax expense was primarily driven by our higher pre-tax income.

Net Income

Net income increased by \$31.5 million to \$49.8 million for the three months ended March 31, 2024 compared to \$18.2 million for the three months ended March 31, 2023, due to the factors described above.

Six Months Ended March 31, 2024 Compared to Six Months Ended March 31, 2023

The following tables summarizes certain financial information relating to our operating results that have been derived from our unaudited Consolidated Financial Statements for the six months ended March 31, 2024 and 2023.

(U.S. dollars in thousands)	Six Months Ended March 31,		\$ Variance	% Variance	
	2024	2023			
	(As Restated)				
Net sales	\$ 658,852	\$ 593,951	\$ 64,901	10.9	%
Cost of sales	411,129	440,890	(29,761)	(6.8)	%
Gross profit	247,723	153,061	94,662	61.8	%
Selling, general and administrative expenses	160,444	147,721	12,723	8.6	%
Loss on disposal of property, plant and equipment	2,098	183	1,915	1046.4	%
Operating income	85,181	5,157	80,024	1551.8	%
Interest expense, net	16,590	20,073	(3,483)	(17.4)	%
Gain on sale of business	(38,300)	—	(38,300)		N/M
Income tax expense (benefit)	31,985	(3,406)	35,391	1039.1	%
Net income (loss)	\$ 74,906	\$ (11,510)	\$ 86,416	750.8	%

"N/M" indicates the variance as a percentage is not meaningful.

Net Sales

Net sales for the six months ended March 31, 2024 increased by \$64.9 million, or 10.9%, to \$658.9 million from \$594.0 million for the six months ended March 31, 2023. The increase was primarily due to an increase in volume in our Residential segment attributable to key growth initiatives driving demand for AZEK products, partially offset by the sale of our Vycom business in our Commercial segment. Net sales for the six months ended March 31, 2024 increased for our Residential segment by 19.9% and decreased for our Commercial segment by 54.0%, respectively, as compared to the prior year period.

Cost of Sales

Cost of sales for the six months ended March 31, 2024 decreased by \$29.8 million, or 6.8%, to \$411.1 million from \$440.9 million for the six months ended March 31, 2023, primarily due to lower raw material costs driven by certain commodity deflation and higher utilization of manufacturing capacity.

Gross Profit

Gross profit for the six months ended March 31, 2024 increased by \$94.7 million, or 61.8%, to \$247.7 million from \$153.1 million for the six months ended March 31, 2023. The increase in gross profit was primarily driven by higher net sales, lower raw material costs and higher plant utilization. Gross profit as a percent of net sales increased to 37.6% for the six months ended March 31, 2024 compared to 25.8% for the six months ended March 31, 2023.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by \$12.7 million, or 8.6%, to \$160.4 million, or 24.4% of net sales, for the six months ended March 31, 2024 from \$147.7 million, or 24.9% of net sales, for the six months ended March 31, 2023. The increase was primarily due to the higher marketing, stock-based compensation and selling costs.

Loss on Disposal of Property, Plant and Equipment

Loss on disposal of property, plant and equipment increased by \$1.9 million to \$2.1 million for the six months ended March 31, 2024 compared to \$0.2 million for the six months ended March 31, 2023, primarily related to the removal of dispensable equipment resulting from a modification of our manufacturing process.

Interest Expense, net

Interest expense, net decreased by \$3.5 million, or 17.4%, to \$16.6 million for the six months ended March 31, 2024 from \$20.1 million for the six months ended March 31, 2023. Interest expense, net decreased due to interest income, partially offset by a higher interest rate on outstanding debt and lower capitalized interest during the six months ended March 31, 2024, when compared to the six months ended March 31, 2023.

Gain On Sale Of Business

Gain on sale of business was \$38.3 million for the six months ended March 31, 2024, which related to the divestiture of our Vycom business within the Commercial segment.

Income Tax Expense (Benefit)

Income tax expense increased by \$35.4 million to \$32.0 million for the six months ended March 31, 2024 compared to income tax benefit of \$3.4 million for the six months ended March 31, 2023. The increase in our income tax expense was primarily driven by our higher pre-tax income as well as the gain from the sale of our Vycom business.

Net Income (Loss)

Net income increased by \$86.4 million to \$74.9 million for the six months ended March 31, 2024 compared to net loss of \$11.5 million for the six months ended March 31, 2023, due to the factors described above.

Segment Results of Operations

We report our results in two segments: Residential and Commercial. The key segment measures used by our chief operating decision maker in deciding how to evaluate performance and allocate resources to each of the segments are Segment Adjusted EBITDA and Segment Adjusted EBITDA Margin. Depending on certain circumstances, Segment Adjusted EBITDA and Segment Adjusted EBITDA Margin may be calculated differently, from time to time, than our Adjusted EBITDA and Adjusted EBITDA Margin, which are further discussed under the heading "Non-GAAP Financial Measures." Segment Adjusted EBITDA and Segment Adjusted EBITDA Margin represent measures of segment profit reported to our chief operating decision maker for the purpose of making decisions about allocating resources to a segment and assessing its performance and are determined as disclosed in our Condensed Consolidated Financial Statements included elsewhere in this Quarterly Report on Form 10-Q consistent with the requirements of the Financial Accounting Standards Board's, or FASB, Accounting Standards Codification, or ASC 280, Segment Reporting. We define Segment Adjusted EBITDA as a segment's net income (loss) before income tax (benefit) expense and by adding to or subtracting therefrom interest expense, net, depreciation and amortization, share-based compensation costs, asset impairment and inventory revaluation costs, business transformation costs, capital structure transaction costs, acquisition costs, initial public offering costs and certain other costs. Segment Adjusted EBITDA Margin is equal to a segment's Segment Adjusted EBITDA divided by such segment's net sales.

Residential

The following table summarizes certain financial information relating to the Residential segment results that have been derived from our unaudited Condensed Consolidated Financial Statements for the three and six months ended March 31, 2024 and 2023.

(U.S. dollars in thousands)	Three Months Ended March 31,						Six Months Ended March 31,					
	2024	2023	Variance	%			2024	2023	Variance	%		
	(As Restated)						(As Restated)					
Net sales	\$ 402,541	\$ 342,116	\$ 60,425	17.7	%		\$ 625,541	\$ 521,600	\$ 103,941	19.9	%	
Segment Adjusted EBITDA ⁽¹⁾	110,386	68,483	41,903	61.2	%		162,365	72,237	90,128	124.8	%	
Segment Adjusted EBITDA Margin	27.4	%	20.0	%		N/A	26.0	%	13.8	%		N/A

- (1) Effective as of December 31, 2023, Residential segment Adjusted EBITDA includes all corporate expenses, such as selling, general and administrative costs related to our corporate offices, including payroll and other professional fees. The prior periods have been recast to reflect the change.

Net Sales

Net sales for the three months ended March 31, 2024 increased by \$60.4 million, or 17.7%, to \$402.5 million from \$342.1 million for the three months ended March 31, 2023. The increase was attributable to higher net sales related to our Deck, Rail & Accessories business.

Net sales for the six months ended March 31, 2024 increased by \$103.9 million, or 19.9%, to \$625.5 million from \$521.6 million for the six months ended March 31, 2023. The increase was attributable to higher net sales related to our Deck, Rail & Accessories business.

Segment Adjusted EBITDA

Segment Adjusted EBITDA for the three months ended March 31, 2024 increased by \$41.9 million, or 61.2%, to \$110.4 million from \$68.5 million for the three months ended March 31, 2023. The increase was mainly driven by higher net sales, lower raw material costs and higher plant utilization, partially offset by higher marketing and selling expenses.

Segment Adjusted EBITDA for the six months ended March 31, 2024 increased by \$90.1 million, or 124.8%, to \$162.4 million from \$72.2 million for the six months ended March 31, 2023. The increase was mainly driven by higher net sales, lower raw material costs and higher plant utilization, partially offset by higher marketing and selling expenses.

Commercial

The following table summarizes certain financial information relating to the Commercial segment results that have been derived from our unaudited Condensed Consolidated Financial Statements for the three and six months ended March 31, 2024 and 2023.

(U.S. dollars in thousands)	Three Months Ended March 31,				Six Months Ended March 31,			
	2024	2023	% Variance		2024	2023	% Variance	
Net sales	\$ 15,867	\$ 35,576	\$ (19,709)	(55.4) %	\$ 33,311	\$ 72,351	\$ (39,040)	(54.0) %
Segment Adjusted EBITDA	2,897	7,829	(4,932)	(63.0) %	5,802	12,983	(7,181)	(55.3) %
Segment Adjusted EBITDA Margin	18.3 %	22.0 %	N/A	N/A	17.4 %	17.9 %	N/A	N/A

Net Sales

Net sales for the three months ended March 31, 2024 decreased by \$19.7 million, or 55.4%, to \$15.9 million from \$35.6 million for the three months ended March 31, 2023, primarily due to the sale of our Vycom business.

Net sales for the six months ended March 31, 2024 decreased by \$39.0 million, or 54.0%, to \$33.3 million from \$72.4 million for the six months ended March 31, 2023, primarily due to the sale of our Vycom business.

Segment Adjusted EBITDA

Segment Adjusted EBITDA of the Commercial segment was \$2.9 million for the three months ended March 31, 2024, compared to \$7.8 million for the three months ended March 31, 2023. The decrease was primarily driven by lower net sales due to the sale of our Vycom business, partially offset by lower material costs.

Segment Adjusted EBITDA of the Commercial segment was \$5.8 million for the six months ended March 31, 2024, compared to \$13.0 million for the six months ended March 31, 2023. The decrease was primarily driven by lower net sales due to the sale of our Vycom business, partially offset by lower material costs.

Non-GAAP Financial Measures

To supplement our Condensed Consolidated Financial Statements prepared and presented in accordance with generally accepted accounting principles in the United States, or GAAP, we use certain non-GAAP performance financial measures, as described below, to provide investors with additional useful information about our financial performance, to enhance the overall understanding of our past performance and future prospects and to allow for greater transparency with respect to important metrics used by our management for financial and operational decision-making. We are presenting these non-GAAP financial measures to assist investors in seeing our financial performance from management's view and because we believe they provide an additional tool for investors to use in comparing our core financial performance over multiple periods with other companies in our industry. Our GAAP financial results include significant expenses that may not be indicative of our ongoing operations as detailed in the tables below.

However, non-GAAP financial measures have limitations in their usefulness to investors because they have no standardized meaning prescribed by GAAP and are not prepared under any comprehensive set of accounting rules or principles. In addition, non-GAAP financial measures may be calculated differently from, and therefore may not be directly comparable to, similarly titled measures used by other companies. As a result, non-GAAP financial measures should be viewed as supplementing, and not as an alternative or substitute for, our Condensed Consolidated Financial Statements prepared and presented in accordance with GAAP.

(U.S. dollars in thousands, except per share amounts)	Three Months Ended March 31,		Six Months Ended March 31,	
	2024	2023	2024	2023
	(As Restated)		(As Restated)	
	GAAP Financial Measures:			
Gross Profit	\$ 157,073	\$ 110,874	\$ 247,723	\$ 153,061
Gross Profit Margin	37.5%	29.4%	37.6%	25.8%
Net Income (Loss)	\$ 49,758	\$ 18,225	\$ 74,906	\$ (11,510)
Net Income (Loss) Per Common Share - Diluted	\$ 0.34	\$ 0.12	\$ 0.51	\$ (0.08)
Net Profit Margin	11.9%	4.8%	11.4%	(1.9)%
Net Cash Provided By (Used In) Operating Activities	\$ (14,806)	\$ 57,733	\$ (31,094)	\$ 64,142
Net Cash Provided By (Used In) Investing Activities	\$ (20,363)	\$ (17,083)	\$ 95,167	\$ (47,346)
Net Cash Used In Financing Activities	\$ (12,191)	\$ (1,256)	\$ (114,988)	\$ (11,354)

(U.S. dollars in thousands, except per share amounts)	Three Months Ended March 31,		Six Months Ended March 31,	
	2024	2023	2024	2023
	(As Restated)		(As Restated)	
	Non-GAAP Financial Measures:			
Adjusted Gross Profit	\$ 160,865	\$ 115,606	\$ 255,384	\$ 162,399
Adjusted Gross Profit Margin	38.4%	30.6%	38.8%	27.3%
Adjusted Net Income	\$ 58,320	\$ 28,944	\$ 73,352	\$ 11,193
Adjusted Diluted EPS	\$ 0.39	\$ 0.19	\$ 0.49	\$ 0.07
Adjusted EBITDA	\$ 113,283	\$ 76,312	\$ 168,167	\$ 85,220
Adjusted EBITDA Margin	27.1%	20.2%	25.5%	14.3%
Free Cash Flow	\$ (34,004)	\$ 40,777	\$ (67,973)	\$ 16,858

Adjusted Gross Profit, Adjusted Gross Profit Margin, Adjusted Net Income, Adjusted Diluted EPS, Adjusted EBITDA, Adjusted EBITDA Margin and Free Cash Flow

Beginning at December 31, 2023, we define Adjusted Gross Profit as gross profit before amortization, business transformation costs, acquisition costs and certain other costs as described below. Prior to December 31, 2023, depreciation was also excluded from Adjusted Gross Profit. We believe that including depreciation expense in our Adjusted Gross Profit definition will result in easier comparability to our peers. Adjusted Gross Profit Margin is equal to Adjusted Gross Profit divided by net sales. Presentations of Adjusted Gross Profit and Adjusted Gross Profit Margin for prior periods have been recast to conform to the current period presentation for comparability. We define Adjusted Net Income as net income (loss) before amortization, stock-based compensation costs, business transformation costs, acquisition costs, initial public offering and secondary offering costs, capital structure transaction costs and certain other costs as described below. We define Adjusted Diluted EPS as Adjusted Net Income divided by weighted average common shares outstanding—diluted, to reflect the conversion or exercise, as applicable, of all outstanding shares of restricted stock awards, restricted stock units and options to purchase shares of our common stock. We define Adjusted EBITDA as net income (loss) before interest expense, net, income tax (benefit) expense and depreciation and amortization and by adding to or subtracting therefrom items of expense and income as described below. Adjusted EBITDA Margin is equal to Adjusted EBITDA divided by net sales. We believe Adjusted Gross Profit, Adjusted Gross Profit Margin, Adjusted Net Income, Adjusted Diluted EPS, Adjusted EBITDA and Adjusted EBITDA Margin are useful to investors because they help identify underlying trends in our business that could otherwise be masked by certain expenses that can vary from company to company depending on, among other things, its financing, capital structure and the method by which its assets were acquired, and can also vary significantly from period to period. For example, we add back amortization and certain stock-based compensation costs when calculating Adjusted Gross Profit, Adjusted Gross Profit Margin, Adjusted Net Income and Adjusted Diluted EPS because we do not consider them indicative of our core operating performance. We believe their exclusion, and the exclusion of certain other expenses as described herein, facilitates comparisons of our operating performance on a period-to-period basis. Therefore, we believe that showing gross profit and net income, as adjusted to remove the impact of these expenses, is helpful to investors in assessing our gross profit and net income performance in a way that is similar to the way management assesses our performance. Additionally, EBITDA and EBITDA margin are common measures of operating performance in our industry, and we believe they facilitate operating comparisons. Our management also uses Adjusted Gross Profit, Adjusted Gross Profit Margin, Adjusted EBITDA and Adjusted EBITDA Margin in conjunction with other GAAP financial measures for planning purposes, including as a measure of our core operating results and the effectiveness of our business strategy, and in evaluating our financial performance.

Adjusted Gross Profit, Adjusted Gross Profit Margin, Adjusted Net Income, Adjusted Diluted EPS, Adjusted EBITDA and Adjusted EBITDA Margin have limitations as analytical tools, and you should not consider them in isolation or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are:

- These measures do not reflect our cash expenditures, future requirements for capital expenditures or contractual commitments;
- These measures do not reflect changes in, or cash requirements for, our working capital needs;
- Adjusted EBITDA and Adjusted EBITDA Margin do not reflect the significant interest expense, or the cash requirements necessary to service interest or principal payments, on our debt;
- Adjusted EBITDA and Adjusted EBITDA Margin do not reflect our income tax expense or the cash requirements to pay our taxes;
- Adjusted Gross Profit, Adjusted Gross Profit Margin, Adjusted Net Income, Adjusted Diluted EPS, Adjusted EBITDA and Adjusted EBITDA Margin exclude the expense of amortization of our assets, and Adjusted EBITDA and Adjusted EBITDA Margin also exclude the expense of depreciation of our assets, and, although these are non-cash expenses, the assets being depreciated or amortized may have to be replaced in the future;
- Adjusted Net Income, Adjusted Diluted EPS, Adjusted EBITDA and Adjusted EBITDA Margin exclude the expense associated with our equity compensation plan, although equity compensation has been, and will continue to be, an important part of our compensation strategy;
- Adjusted Gross Profit, Adjusted Net Income, Adjusted Diluted EPS, Adjusted EBITDA and Adjusted EBITDA Margin exclude certain business transformation costs, acquisition costs and other costs, each of which can affect our current and future cash requirements; and
- Other companies in our industry may calculate Adjusted Gross Profit, Adjusted Gross Profit Margin, Adjusted Net Income, Adjusted Diluted EPS, Adjusted EBITDA and Adjusted EBITDA Margin differently than we do, limiting their usefulness as comparative measures.

Because of these limitations, none of these metrics should be considered indicative of discretionary cash available to us to invest in the growth of our business or as measures of cash that will be available to us to meet our obligations.

In addition, we provide Free Cash Flow, which is a non-GAAP financial measure that we define as net cash provided by (used in) operating activities less purchases of property, plant and equipment. We believe Free Cash Flow is useful to investors as an important liquidity measure of the cash that is available to us after capital expenditures. Free Cash Flow is used by our management as a measure of our ability to generate and use cash, including in order to invest in future growth, fund acquisitions, return capital to our stockholders and repay indebtedness. Our use of Free Cash Flow has limitations as an analytical tool and should not be considered in isolation or as a substitute for an analysis of our results under GAAP. Some of these limitations are:

- Free Cash Flow is not a substitute for net cash provided by (used in) operating activities, including because our capital expenditures as a manufacturing company can be significant and can vary from period to period;
- Free Cash Flow does not reflect our future contractual commitments or mandatory debt repayments and accordingly does not represent residual cash flow available for discretionary expenditures or the total increase or decrease in our cash balance for a given period; and
- Other companies in our industry may calculate Free Cash Flow differently than we do, limiting its usefulness as a comparative measure.

The following table presents reconciliations of the most comparable financial measures calculated in accordance with GAAP to these non-GAAP financial measures for the periods indicated:

Adjusted Gross Profit and Adjusted Gross Profit Margin Reconciliation

(U.S. dollars in thousands)	Three Months Ended March 31,		Six Months Ended March 31,	
	2024	2023	2024	2023
	(As Restated)		(As Restated)	
Gross Profit	\$ 157,073	\$ 110,874	\$ 247,723	\$ 153,061
Amortization ⁽¹⁾	3,792	4,616	7,661	9,222
Other costs ⁽²⁾	—	116	—	116
Adjusted Gross Profit	\$ 160,865	\$ 115,606	\$ 255,384	\$ 162,399

	Three Months Ended March 31,		Six Months Ended March 31,	
	2024	2023	2024	2023
	(As Restated)		(As Restated)	
Gross Margin	37.5 %	29.4 %	37.6 %	25.8 %
Amortization	0.9 %	1.2 %	1.2 %	1.5 %
Other costs	0.0 %	0.0 %	0.0 %	0.0 %
Adjusted Gross Profit Margin	38.4 %	30.6 %	38.8 %	27.3 %

- (1) Effective as of December 31, 2023, we revised the definition of Adjusted Gross Profit to no longer exclude depreciation expense. The prior periods have been recast to reflect the change.
- (2) Other costs include costs related to a reduction in workforce of \$0.1 million in the three and six months ended March 31, 2023.

Adjusted Net Income and Adjusted Diluted EPS Reconciliation

(U.S. dollars in thousands, except per share amounts)	Three Months Ended March 31,		Six Months Ended March 31,	
	2024	2023	2024	2023
	(As Restated)		(As Restated)	
Net Income (Loss)	\$ 49,758	\$ 18,225	\$ 74,906	\$ (11,510)
Amortization	9,872	11,620	20,036	23,457
Stock-based compensation costs ⁽¹⁾	787	1,101	3,712	2,360
Acquisition and divestiture costs ⁽²⁾	156	1,581	648	4,535
Loss (gain) on sale of business ⁽³⁾	215	—	(38,300)	—
Other costs ⁽⁴⁾	662	255	3,430	469
Tax impact of adjustments ⁽⁵⁾	(3,130)	(3,838)	8,920	(8,118)
Adjusted Net Income	\$ 58,320	\$ 28,944	\$ 73,352	\$ 11,193

	Three Months Ended March 31,		Six Months Ended March 31,	
	2024	2023	2024	2023
	(As Restated)		(As Restated)	
Net Income (Loss)	\$ 0.34	\$ 0.12	\$ 0.51	\$ (0.08)
Amortization	0.06	0.08	0.13	0.15
Stock-based compensation costs	0.01	0.01	0.03	0.02
Acquisition and divestiture costs	—	0.01	—	0.03
Loss (gain) on sale of business	—	—	(0.26)	—
Other costs	—	—	0.02	—
Tax impact of adjustments	(0.02)	(0.03)	0.06	(0.05)
Adjusted Diluted EPS ⁽⁶⁾	\$ 0.39	\$ 0.19	\$ 0.49	\$ 0.07

- (1) Stock-based compensation costs reflect expenses related to our initial public offering. Expenses related to our recurring awards granted each fiscal year are excluded from the Adjusted Net Income reconciliation.
- (2) Acquisition and divestiture costs reflect costs related to acquisitions of \$0.1 million in the three and six months ended March 31, 2024, and \$1.4 million and \$3.9 million in the three and six months ended March 31, 2023, respectively, and costs related to divestiture of \$0.1 million and \$0.2 million for the three months ended March 31, 2024 and 2023, respectively, and \$0.5 million and \$0.7 million for the six months ended March 31, 2024 and 2023, respectively.
- (3) Loss (gain) on sale of business relates to the sale of the Vycom business.
- (4) Other costs include costs related to the removal of dispensable equipment resulting from a modification of our manufacturing process of \$2.4 million in the six months ended March 31, 2024, costs related to a reduction in workforce of \$0.3 million in the six months ended March 31, 2024 and \$0.2 million in the three and six months ended March 31, 2023, costs for legal expenses of \$0.3 million in the three months ended March 31, 2024, and \$0.3 million and \$0.2 million in the six months ended March 31, 2024 and 2023, respectively, and other costs of \$0.4 million for the three and six months ended March 31, 2024 and \$0.1 million for the three and six months ended March 31, 2023.
- (5) Tax impact of adjustments, except for loss (gain) on sale of business, are based on applying a combined U.S. federal and state statutory tax rate of 26.5% for the three and six months ended March 31, 2024 and 2023, respectively. Tax impact of adjustment for loss (gain) on sale of business is based on applying a combined U.S. federal and state statutory tax rate of 42.1% for the three and six months ended March 31, 2024, respectively.
- (6) Weighted average common shares outstanding used in computing diluted net income per common share of 147,738,277 and 151,268,535 for the three months ended March 31, 2024 and 2023, respectively, and 148,231,866 and 151,185,650 for the six months ended March 31, 2024 and 2023, respectively.

Adjusted EBITDA and Adjusted EBITDA Margin Reconciliation

(U.S. dollars in thousands)	Three Months Ended March 31,				Six Months Ended March 31,			
	2024		2023		2024		2023	
	(As Restated)				(As Restated)			
Net Income (Loss)	\$	49,758	\$	18,225	\$	74,906	\$	(11,510)
Interest expense, net		8,680		10,774		16,590		20,073
Depreciation and amortization		32,204		32,436		64,141		65,476
Income tax expense (benefit)		15,309		7,415		31,985		(3,406)
Stock-based compensation costs		6,299		5,626		14,767		9,583
Acquisition and divestiture costs ⁽¹⁾		156		1,581		648		4,535
Loss (gain) on sale of business ⁽²⁾		215		—		(38,300)		—
Other costs ⁽³⁾		662		255		3,430		469
Total adjustments		63,525		58,087		93,261		96,730
Adjusted EBITDA	\$	113,283	\$	76,312	\$	168,167	\$	85,220
	Three Months Ended March 31,				Six Months Ended March 31,			
	2024		2023		2024		2023	
	(As Restated)				(As Restated)			
Net Profit Margin	11.9	%	4.8	%	11.4	%	(1.9)	%
Interest expense, net	2.1	%	2.9	%	2.5	%	3.4	%
Depreciation and amortization	7.6	%	8.5	%	9.7	%	10.9	%
Income tax expense (benefit)	3.7	%	2.0	%	4.9	%	(0.6)	%
Stock-based compensation costs	1.5	%	1.5	%	2.2	%	1.6	%
Acquisition and divestiture costs	—	%	0.4	%	0.1	%	0.8	%
Loss (gain) on sale of business	0.1	%	—	%	(5.8)	%	—	%
Other costs	0.2	%	0.1	%	0.5	%	0.1	%
Total adjustments	15.2	%	15.4	%	14.1	%	16.2	%
Adjusted EBITDA Margin	27.1	%	20.2	%	25.5	%	14.3	%

- (1) Acquisition and divestiture costs reflect costs related to acquisitions of \$0.1 million in the three and six months ended March 31, 2024, and \$1.4 million and \$3.9 million in the three and six months ended March 31, 2023, respectively, and costs related to divestiture of \$0.1 million and \$0.2 million for the three months ended March 31, 2024 and 2023, respectively, and \$0.5 million and \$0.7 million for the six months ended March 31, 2024 and 2023, respectively.
- (2) Loss (gain) on sale of business relates to the sale of the Vycom business.
- (3) Other costs include costs related to the removal of dispensable equipment resulting from a modification of our manufacturing process of \$2.4 million in the six months ended March 31, 2024, costs related to a reduction in workforce of \$0.3 million in the six months ended March 31, 2024 and \$0.2 million in the three and six months ended March 31, 2023, costs for legal expenses of \$0.3 million in the three months ended March 31, 2024, and \$0.3 million and \$0.2 million in the six months ended March 31, 2024 and 2023, respectively, and other costs of \$0.4 million for the three and six months ended March 31, 2024 and \$0.1 million for the three and six months ended March 31, 2023.

Free Cash Flow Reconciliation

(U.S. dollars in thousands)	Three Months Ended March 31,		Six Months Ended March 31,	
	2024	2023	2024	2023
	(As Restated)		(As Restated)	
Net cash provided by (used in) operating activities	\$ (14,806)	\$ 57,733	\$ (31,094)	\$ 64,142
Less: Purchases of property, plant and equipment	(19,198)	(16,956)	(36,879)	(47,284)
Free Cash Flow	<u>\$ (34,004)</u>	<u>\$ 40,777</u>	<u>\$ (67,973)</u>	<u>\$ 16,858</u>
Net cash provided by (used in) investing activities	\$ (20,363)	\$ (17,083)	\$ 95,167	\$ (47,346)
Net cash used in financing activities	\$ (12,191)	\$ (1,256)	\$ (114,988)	\$ (11,354)

Liquidity and Capital Resources

Liquidity Outlook

Our primary cash needs are to fund operations, working capital, capital expenditures, debt service, share repurchases and any acquisitions we may undertake. As of March 31, 2024, we had cash and cash equivalents of \$227.4 million and total indebtedness of \$591.0 million. The AZEK Group LLC (f/k/a CPG International LLC), our direct, wholly owned subsidiary, had approximately \$147.8 million available under the borrowing base for future borrowings as of March 31, 2024. The AZEK Group LLC also has the option to increase the commitments under the Revolving Credit Facility by up to \$100.0 million, subject to certain conditions.

We believe we will have adequate liquidity over the next 12 months to operate our business and to meet our cash requirements as a result of cash flows from operating activities, available cash balances and availability under our Revolving Credit Facility after consideration of our debt service and other cash requirements. In the longer term, our liquidity will depend on many factors, including our results of operations, our future growth, the timing and extent of our expenditures to develop new products and improve our manufacturing capabilities, the expansion of our sales and marketing activities and the extent to which we make acquisitions. Changes in our operating plans, material changes in anticipated sales, increased expenses, acquisitions or other events may cause us to seek additional equity and/or debt financing in future periods.

Holding Company Status

We are a holding company and do not conduct any business operations of our own. As a result, we are largely dependent upon cash dividends and distributions and other transfers from our subsidiaries to meet our obligations. The agreements governing the indebtedness of our subsidiaries impose restrictions on our subsidiaries' ability to pay dividends or make other distributions to us.

The AZEK Group LLC is party to the Revolving Credit Facility and the Term Loan Agreement, or, together, the Senior Secured Credit Facilities. The obligations under the Senior Secured Credit Facilities are secured by specified assets. The obligations under the Senior Secured Credit Facilities are guaranteed by us and the wholly owned domestic subsidiaries of The AZEK Group LLC other than certain immaterial subsidiaries and other excluded subsidiaries.

The Senior Secured Credit Facilities contain covenants restricting payments of dividends by The AZEK Group LLC unless certain conditions, as provided in the Senior Secured Credit Facilities, are met. The covenants under our Senior Secured Credit Facilities provide for certain exceptions for specific types of payments. However, other than restricted payments under the specified exceptions, the covenants under our Term Loan Agreement generally prohibit the payment of dividends unless the Total Net Leverage Ratio (as defined in the Term Loan Agreement) of The AZEK Group LLC, on a pro forma basis, is no greater than 4.25:1.00 and no event of default has occurred and is occurring.

Since our and our subsidiaries' restricted net assets exceed 25% of our consolidated net assets, in accordance with Rule 12-04, Schedule 1 of Regulation S-X, refer to our Condensed Consolidated Financial Statements included elsewhere in this Quarterly Report on Form 10-Q for condensed parent company financial statements of the Company.

Cash Sources

We have historically relied on cash flows from operations generated by The AZEK Group LLC, borrowings under the credit facilities, issuances of notes and other forms of debt financing and capital contributions to fund our cash needs.

On September 30, 2013, our subsidiary, The AZEK Group LLC (as successor-in-interest to CPG Merger Sub LLC, a limited liability company formed to effect the acquisition of The AZEK Group LLC), and the lenders party thereto entered into the Revolving Credit Facility. On March 9, 2017, the Revolving Credit Facility was amended and restated to provide for maximum aggregate borrowings of up to \$150.0 million, subject to an asset-based borrowing base. The borrowing base is limited to a specified percentage of eligible accounts receivable and inventory, less reserves that may be established by the Revolver Administrative Agent in the exercise of its reasonable credit judgment. As of March 31, 2024 and September 30, 2023, The AZEK Group LLC had no outstanding borrowings under the Revolving Credit Facility and had \$2.2 million and \$2.8 million of outstanding letters of credit held against the Revolving Credit Facility, respectively. As of March 31, 2024 and September 30, 2023, The AZEK Group LLC had approximately \$147.8 million and \$147.2 million, respectively available under the borrowing base for future borrowings in addition to cash and cash equivalents on hand of \$227.4 million and \$278.3 million, respectively. As our borrowing capacity under the Revolving Credit Facility depends, in part, on inventory, accounts receivable and other assets that fluctuate from time to time, the amount available under the borrowing base may not reflect actual borrowing capacity under the Revolving Credit Facility.

Cash Uses

Our principal cash requirements have included working capital, capital expenditures, payments of principal and interest on our debt, share repurchases, and, if market conditions warrant, making selected acquisitions. We may elect to use cash from operations, debt proceeds, equity or a combination thereof to finance future acquisition opportunities.

The table below details the total operating, investing and financing activity cash flows for the six months ended March 31, 2024 and 2023.

Cash Flows

(U.S. dollars in thousands)	Six Months Ended March 31,		\$	%
	2024	2023	Variance	Variance
	(As Restated)			
Net cash provided by (used in) operating activities	\$ (31,094)	\$ 64,142	\$ (95,236)	(148.5) %
Net cash provided by (used in) investing activities	95,167	(47,346)	142,513	301.0 %
Net cash used in financing activities	(114,988)	(11,354)	(103,634)	(912.8) %
Net increase (decrease) in cash and cash equivalents	\$ (50,915)	\$ 5,442	\$ (56,357)	(1035.6) %

Operating Activities

Net cash provided by (used in) operating activities was \$(31.1) million and \$64.1 million for the six months ended March 31, 2024 and 2023, respectively. The \$95.2 million decrease in cash provided by (used in) operating activities is primarily related to the increase in inventory, higher trade receivables and the timing of our annual rebate payments, partially offset by increased profitability due to higher net sales and lower raw material costs.

Investing Activities

Net cash provided by (used in) investing activities was \$95.2 million and \$(47.3) million for the six months ended March 31, 2024 and 2023, respectively. Net cash provided by investing activities for the six months ended March 31, 2024 primarily consisted of \$(36.9) million for purchases of property, plant and equipment in the normal course of business and \$131.8 million net proceeds from the sale of the Vycom business, while net cash used in investing activities for the six months ended March 31, 2023, consisted of \$(47.3) million for purchases of property, plant and equipment in the normal course of business.

Financing Activities

Net cash used in financing activities was \$115.0 million and \$11.4 million for the six months ended March 31, 2024 and 2023, respectively. Net cash used in financing activities for the six months ended March 31, 2024 primarily consisted of \$125.0 million of treasury stock repurchases and \$3.0 million of debt principal payments offset by \$18.6 million of exercise of vested stock options, while net cash used in financing activities for the six months ended March 31, 2023, consisted of \$7.5 million of treasury stock repurchases and \$3.0 million of debt principal payments.

Share Repurchase Program

On May 5, 2022, the Board of Directors authorized us to repurchase up to \$400 million of our Class A common stock. The program allows us to repurchase our shares opportunistically from time to time. Purchases may be effected through one or more open market transactions, privately negotiated transactions, transactions structured through investment banking institutions, accelerated share repurchases or tender offers, some of which may be effected through Rule 10b5-1 plans, or a combination of the foregoing. The timing of repurchases will depend upon several factors, including market and business conditions, and repurchases may be discontinued at any time.

On December 4, 2023, we entered into a \$100 million accelerated share repurchase agreement, or the "ASR" with Goldman Sachs & Co. LLC, or "Goldman Sachs". Goldman Sachs delivered 2,291,607 initial shares to us on December 6, 2023, based on the closing price of our Class A common stock of \$34.91 on December 4, 2023. The total value of the initial shares represents 80% of the ASR. Goldman Sachs terminated the ASR on February 5, 2024 and delivered 434,100 additional shares of Class A common stock to us on February 7, 2024 upon final settlement for no additional consideration. The average purchase price per share for shares purchased by us pursuant to the ASR was \$36.69.

During the three and six months ended March 31, 2024, we repurchased 526,718 shares of our Class A common stock on the open market at an average price of \$47.93 per share, totaling an approximately \$25.2 million reacquisition cost. During the six months ended March 31, 2023, we repurchased 352,760 shares of our Class A common stock on the open market at an average price of \$21.23 per share, totaling an approximately \$7.5 million reacquisition cost.

On August 16, 2022, the U.S. government enacted the Inflation Reduction Act of 2022 (the "Inflation Reduction Act"), that includes, among other provisions, a one percent excise tax on net repurchases of stock after December 31, 2022. We recognized \$0.4 million and \$1.2 million excise tax as reacquisition cost of share repurchases for the three and six months ended March 31, 2024, respectively.

As of March 31, 2024, we had approximately \$75.7 million available for repurchases under the Share Repurchase Program.

See Note 13 in the Notes to Condensed Consolidated Financial Statements for additional information.

Revolving Credit Facility

On January 26, 2023, The AZEK Group LLC amended the Revolving Credit Facility, replacing all LIBOR-based provisions with provisions reflecting the Secured Overnight Financing Rate, or SOFR, including, without limitation, the use of a new Adjusted Term SOFR benchmark rate equal to Term SOFR (as defined in the Revolving Credit Agreement) plus 0.10%.

The Revolving Credit Facility provides for maximum aggregate borrowings of up to \$150.0 million, subject to an asset-based borrowing base. As of March 31, 2024, outstanding revolving loans under the Revolving Credit Facility bore interest at a rate which equaled, at our option, either (i) for alternative base rate, or ABR, borrowings, the highest of (a) the Federal Funds Rate plus 50 basis points, (b) the prime rate and (c) the Adjusted Term SOFR, as of such date for a deposit in U.S. dollars with a maturity of one month plus 100 basis points, plus, in each case, a spread of 25 to 75 basis points based on average historical availability, or (ii) for SOFR borrowings, the Adjusted Term SOFR plus a spread of 125 to 175 basis points, based on average historical availability. The maturity of the Revolving Credit Facility is the earlier of March 31, 2026 and the date that is 91 days prior to the maturity of the Term Loan Agreement or any permitted refinancing thereof.

A "commitment fee" accrues on any unused portion of the revolving commitments under the Revolving Credit Facility during the preceding three calendar month period. If the average daily used percentage is greater than 50%, the commitment fee equals 25 basis points, and if the average daily used percentage is less than or equal to 50%, the commitment fee equals 37.5 basis points.

The obligations under the Revolving Credit Facility are secured by a first priority security interest in certain assets, including substantially all of the accounts receivable, inventory, deposit accounts, securities accounts and cash assets of the Company, The AZEK Group LLC and the subsidiaries of The AZEK Group LLC that are guarantors under the Revolving Credit Facility, and the proceeds thereof (subject to certain exceptions), or the Revolver Priority Collateral, plus a second priority security interest in all of the Term Loan Priority Collateral (as defined below). The obligations under the Revolving Credit Facility are guaranteed by us and the wholly owned domestic subsidiaries of The AZEK Group LLC other than certain immaterial subsidiaries and other excluded subsidiaries.

Revolving loans under the Revolving Credit Facility may be voluntarily prepaid in whole, or in part, in each case without premium or penalty. The AZEK Group LLC is also required to make mandatory prepayments (i) when aggregate borrowings exceed commitments or the applicable borrowing base and (ii) during "cash dominion," which occurs if (a) the availability under the Revolving Credit Facility is less than the greater of (i) \$12.5 million and (ii) 10% of the lesser of (x) \$150.0 million and (y) the borrowing base, for five consecutive business days or (b) certain events of default have occurred and are continuing.

The Revolving Credit Facility contains affirmative covenants that are customary for financings of this type, including allowing the Revolver Administrative Agent to perform periodic field exams and appraisals to evaluate the borrowing base. The Revolving Credit Facility contains various negative covenants, including limitations on, subject to certain exceptions, the incurrence of

indebtedness, the incurrence of liens, dispositions, investments, acquisitions, restricted payments, transactions with affiliates, as well as other negative covenants customary for financings of this type. The Revolving Credit Facility also includes a financial maintenance covenant, applicable only when the excess availability is less than the greater of (i) 10% of the lesser of the aggregate commitments under the Revolving Credit Facility and the borrowing base, and (ii) \$12.5 million. In such circumstances, we would be required to maintain a minimum fixed charge coverage ratio (as defined in the Revolving Credit Facility) for the trailing four quarters equal to at least 1.0 to 1.0; subject to our ability to make an equity cure (no more than twice in any four quarter period and up to five times over the life of the facility). As of March 31, 2024 and September 30, 2023, The AZEK Group LLC was in compliance with the financial and nonfinancial covenants imposed by the Revolving Credit Facility. The Revolving Credit Facility also includes customary events of default, including the occurrence of a change of control. On May 22, 2024, as a result of our delayed filing of its Form 10-Q for the quarter ended March 31, 2024, The AZEK Group LLC was not in compliance with the financial reporting requirements in the Revolving Credit Facility, which non-compliance was subject to a 30-day grace period. Because we are filing this Form 10-Q on June 14, 2024, which is within the grace period, The AZEK Group LLC has regained compliance and no event of default occurred.

We also have the option to increase the commitments under the Revolving Credit Facility by up to \$100.0 million, subject to certain conditions.

Term Loan Agreement

The Term Loan Agreement is a first lien term loan and will mature on April 28, 2029, subject to acceleration or prepayment. The Term Loan Agreement will amortize in equal quarterly installments of 0.25% of the aggregate principal amount of the loans outstanding, subject to reduction for certain prepayments.

The obligations under the Term Loan Agreement are secured by a first priority security interest in the membership interests of The AZEK Group LLC owned by us, the equity interests of The AZEK Group LLC's domestic subsidiaries, other than certain immaterial subsidiaries and other excluded subsidiaries, and all remaining assets not constituting Revolver Priority Collateral (subject to certain exceptions) of the Company, The AZEK Group LLC and the subsidiaries of The AZEK Group LLC that are guarantors under the Term Loan Agreement, and a second priority security interest in the Revolver Priority Collateral. The obligations under the Term Loan Agreement are guaranteed by us and the wholly owned domestic subsidiaries of The AZEK Group LLC other than certain immaterial subsidiaries and other excluded subsidiaries.

The interest rate applicable to the outstanding principal under the Term Loan Agreement equals, at our option, (i) in the case of alternative base rate borrowings, the highest of (a) the Federal Funds Rate (as defined in the Term Loan Agreement) plus 0.50%, (b) the Prime Rate (as defined in the Term Loan Agreement) as in effect on such day and (c) the one-month Term SOFR (as defined in the Term Loan Agreement) plus 1.00% per annum, provided that in no event will the alternative base rate be less than 1.50% per annum, plus an applicable margin of 1.50% and (ii) in the case of SOFR borrowings, Term SOFR for the applicable interest period, plus an applicable margin of 2.50%.

Loans under the Term Loan Agreement may be voluntarily prepaid in whole, or in part, in each case without premium or penalty, subject to certain customary conditions. The Term Loan Agreement also requires mandatory prepayments of loans under the Term Loan Agreement from the proceeds of certain debt issuances and certain asset dispositions (subject to certain reinvestment rights) and, commencing with the fiscal year ending September 30, 2023, a percentage of excess cash flow (subject to step-downs upon The AZEK Group LLC achieving certain leverage ratios and other reductions in connection with other debt prepayments).

The Term Loan Agreement contains affirmative covenants, negative covenants and events of default, which are broadly consistent with those in the Revolving Credit Facility (with certain differences consistent with the differences between a revolving loan and term loan) and that are customary for facilities of this type. The Term Loan Agreement does not have any financial maintenance covenants. The Term Loan Agreement also includes customary events of default, including the occurrence of a change of control. On May 22, 2024, as a result of our delayed filing of its Form 10-Q for the quarter ended March 31, 2024, The AZEK Group LLC was not in compliance with the financial reporting requirements in the Term Loan Agreement, which non-compliance was subject to a 30-day grace period. Because we are filing this Form 10-Q on June 14, 2024, which is within the grace period, The AZEK Group LLC has regained compliance and no event of default occurred.

We have the right to arrange for incremental term loans under the Credit Agreement in an amount that shall not exceed the sum of (i) the Fixed Incremental Amount, as defined in the Term Loan Agreement, and (ii) the Ratio Amount, as defined in the Term Loan Agreement.

Restrictions on Dividends

The Senior Secured Credit Facilities each restrict payments of dividends unless certain conditions, as provided in the Revolving Credit Facility or the Term Loan Agreement, as applicable, are met.

Contingent Commitments

We have contractual commitments for purchases of certain minimum quantities of raw materials at index-based prices, and non-cancelable capital and operating leases, outstanding letters of credit and fixed asset purchase commitments. For a description of our

contractual obligations and commitments, see Notes 8 "Debt", 10 "Leases" and 17 "Commitments and Contingencies" to our Condensed Consolidated Financial Statements included elsewhere in this Quarterly Report on Form 10-Q.

Critical Accounting Policies and Estimates

Our unaudited Condensed Consolidated Financial Statements are prepared in accordance with U.S. GAAP. The preparation of these unaudited Condensed Consolidated Financial Statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses and related disclosures. We evaluate our estimates and assumptions on an ongoing basis. Our estimates are based on historical experience and various other assumptions that we believe to be reasonable under the circumstances. Actual results could differ materially from those estimates.

There have been no material changes to our critical accounting policies as compared to the critical accounting policies and significant judgments and estimates disclosed in our 2023 Form 10-K/A, except as updated in Note 1 of our Condensed Consolidated Financial Statements in this Quarterly Report on Form 10-Q.

Recently Issued Accounting Pronouncements

In November 2023, the Financial Accounting Standards Board ("FASB") issued ASU 2023-07, Segment Reporting (Topic 280) : Improvements to Reportable Segment Disclosures. This standard requires all public entities that are subject to segment reporting requirements to disclose additional information, including significant segment expenses and other segment items on an annual and interim basis. It also requires the disclosure of the title and the position of the chief operating decision maker and how the reported measures are used for making business decisions. This standard is effective for fiscal years beginning after December 15, 2023 and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. We intend to adopt the updated standard during the fiscal year beginning October 1, 2024. We are currently evaluating the impact the adoption of this standard will have on our disclosures.

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures. This standard expands the disclosure requirements primarily on the rate reconciliation and income tax paid. For public entities, this standard is effective for annual reporting periods beginning after December 15, 2024, with early adoption permitted. We intend to adopt the updated standard during the fiscal year beginning October 1, 2025. We are currently evaluating the impact the adoption of this standard will have on our disclosures.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

We are subject to interest rate risk in connection with our long-term debt. Our principal interest rate risk relates to the Senior Secured Credit Facilities. To meet our seasonal working capital needs, we borrow periodically on our variable rate revolving line of credit under the Revolving Credit Facility. As of March 31, 2024 and September 30, 2023, we had \$591.0 million and \$594.0 million outstanding under the Term Loan Agreement, respectively, and no outstanding amounts under the Revolving Credit Facility, respectively. The Term Loan Agreement and Revolving Credit Facility bear interest at variable rates. An increase or decrease of 100 basis points in the floating rates on the amounts outstanding under the Senior Secured Credit Facilities, after giving effect to related derivatives, as of March 31, 2024 and 2023, would have increased or decreased annual cash interest by approximately \$2.9 million and \$3.0 million, respectively.

We have entered into and may continue to enter into, agreements such as floating for fixed-rate interest rate swaps and other hedging contracts in order to hedge against interest rate volatility associated with our Senior Secured Credit Facilities. For example, effective November 2022, we entered into interest rate swaps, which swapped interest at a rate based on SOFR on a notional amount of \$300 million for a fixed rate. We do not intend or expect to enter into interest rate swaps or other derivative transactions for speculative purposes. In the future, in order to manage our interest rate risk, we may refinance our existing debt.

Credit Risk

As of March 31, 2024 and September 30, 2023, our cash and cash equivalents were maintained at major financial institutions in the United States, and our current deposits are likely in excess of insured limits. We believe these institutions have sufficient assets and liquidity to conduct their operations in the ordinary course of business with little or no credit risk to us.

Foreign Currency Risk

Substantially all of our business is currently conducted in U.S. dollars. We do not believe that an immediate 10% increase or decrease in the relative value of the U.S. dollar as compared to other currencies would have a material effect on our operating results.

Inflation

Our cost of sales is subject to inflationary pressures and price fluctuations of the raw materials we use and other costs, including freight and labor costs. Geopolitical tensions and other economic uncertainties may increase inflationary pressures, including causing increases in the prices for goods and services and exacerbating global supply chain disruptions, which have resulted in, and may continue to result in, shortages in materials and services and related issues. Historically, we have generally been able over time to offset, in whole or in part, the effects of inflation and price fluctuations through sales price increases and production efficiencies associated with technological enhancements and volume growth; however, we cannot reasonably estimate our ability to offset any increases in raw material prices or freight or labor costs or other inflationary pressures in the future. Sustained or increased inflationary pressures may have an adverse effect on our business, financial condition and results of operations if the selling prices of our products do not increase with these increased costs or we cannot identify cost efficiencies.

Raw Materials

We rely upon the supply of certain raw materials in our production processes; however, we do not typically enter into fixed price contracts with our suppliers and currently have no fixed price contracts with our major vendors. The primary raw materials we use in the manufacture of our products are various petrochemical resins, including polyethylene, polypropylene and PVC resins, reclaimed polyethylene and PVC material, waste wood fiber and aluminum. In addition, we utilize a variety of other additives including modifiers, TiO₂ and pigments. The exposures associated with these costs are primarily managed through terms of the sales and by maintaining relationships with multiple vendors. Prices for spot market purchases are negotiated on a continuous basis in line with the market at the time. We have not entered into hedges with respect to our raw material costs at this time, but we may choose to enter into such hedges in the future. Other than short term supply contracts for resins with indexed based pricing and occasional strategic purchases of larger quantities of certain raw materials, we generally buy materials on an as-needed basis.

The cost of some of the raw materials we use in the manufacture of our products is subject to significant price volatility. For example, the cost of petrochemical resins used in our manufacturing processes has historically varied significantly and has been affected by changes in supply and demand and in the price of crude oil. Substantially all of our resins are purchased under supply contracts that average approximately one to two years, for which pricing is variable based on an industry benchmark price index. The resin supply contracts are negotiated annually and generally provide that we are obligated to purchase a minimum amount of resins from each supplier. In addition, the price of reclaimed polyethylene material, waste wood fiber, aluminum, other additives (including modifiers, TiO₂ and pigments) and other raw materials fluctuates depending on, among other things, overall market supply and demand and general business conditions.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)) as of the end of the period covered by this report. Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and to provide reasonable assurance that such information is accumulated and communicated to the Company's management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure. Based on such evaluation, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures were not effective as of March 31, 2024 because of the material weaknesses in our internal control over financial reporting described in Part II, Item 9A of our 2023 Form 10-K/A for the year ended September 30, 2023.

Management's Plan to Remediate the Material Weaknesses

As it relates to the material weaknesses that exist as of March 31, 2024, we are currently in the process of designing and implementing remediation plans and taking steps to address the root cause of the material weaknesses described above. Such plans include, but may not be limited to, the following:

- We have hired an external consultant to assist us in an evaluation of the design and implementation of certain internal controls impacted by the material weaknesses.
- We are enhancing controls, both within our information technology environment and business process controls, to establish and maintain appropriate segregation of duties.
- We will provide training over the execution and review of manual journal entry controls.
- We will provide additional training regarding prompt internal reporting of identified issues and concerns.
- We will provide technical accounting training to individuals involved in the process to reconcile inventory on a monthly basis.
- We will enhance the design of the inventory reconciliation controls to standardize the review to improve the reliability of information used by accounting personnel.
- We are enhancing our monitoring level controls to detect material and unusual variances in inventory account balances and cost of sales activity.

While we believe these efforts will improve our internal controls and address the root cause of the material weaknesses, such material weaknesses will not be remediated until our remediation plan has been fully implemented and we have concluded, through testing, that our controls are operating effectively for a sufficient period of time.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended March 31, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II

OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we may be involved in litigation relating to claims arising out of our operations and businesses that cover a wide range of matters, including, among others, contract and employment claims, personal injury claims, product liability claims and warranty claims. Currently, there are no claims or proceedings against us that we believe will have a material adverse effect on our business, financial condition, results of operations or cash flows. However, the results of any current or future litigation cannot be predicted with certainty and, regardless of the outcome, we may incur significant costs and experience a diversion of management resources as a result of litigation.

Item 1A. Risk Factors.

There have been no material changes to the risk factors previously disclosed under the heading "Risk Factors" in our 2023 Form 10-K/A. You should carefully consider the risk factors in our 2023 Form 10-K/A 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.

Issuer Purchases of Equity Securities

The following table provides information with respect to our purchases of our Class A common stock during the three months ended March 31, 2024:

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs ^{(1), (2), (3), (4)}	Maximum approximate dollar value of shares that may yet be purchased under the plans or programs ^{(1), (2), (3), (4)}
January 1, 2024 – January 31, 2024	—	\$ —	—	\$ 101,138,443
February 1, 2024 – February 29, 2024	630,558	41.91	630,558	91,877,767
March 1, 2024 – March 31, 2024	330,260	48.92	330,260	75,723,021
Total	960,818	\$ 44.32	960,818	

- (1) On May 5, 2022, the Board of Directors authorized us to repurchase up to \$400 million of our Class A common stock.
- (2) On December 4, 2023, we entered into the ASR with Goldman Sachs. Goldman Sachs delivered 2,291,607 initial shares to us on December 6, 2023, based on the closing price of our Class A common stock of \$34.91 on December 4, 2023. The total value of the initial shares represents 80% of the ASR. Goldman Sachs terminated the ASR on February 5, 2024 and delivered 434,100 additional shares of Class A common stock to us on February 7, 2024 upon final settlement for no additional consideration. The average purchase price per share for shares of Class A common stock purchased by us pursuant to the ASR was \$36.69.
- (3) During the three months ended March 31, 2024, we repurchased 526,718 shares of our Class A common stock on the open market at an average price of \$47.93 per share, totaling an approximately \$25.2 million reacquisition cost.
- (4) We recognized \$0.4 million excise tax as reacquisition cost of share repurchases for the three months ended March 31, 2024.

See Note 13 in the Notes to Condensed Consolidated Financial Statements for additional information on share repurchase program.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

None.

Item 5. Other Information

Amended and Restated Bylaws

On June 12, 2024, our Board of Directors approved and adopted amendments to our Amended and Restated Bylaws (as amended and restated, the "Amended Bylaws"), effective as of such date. The amendments:

- align the Amended Bylaws with developments in Delaware law and jurisprudence;
- revise the Amended Bylaws' advance notice provisions regarding procedural and disclosure requirements for stockholder-nominated director nominees and stockholders intending to nominate directors or propose other business at annual or special meetings of stockholders;
- clarify the rules and regulations for the conduct of a stockholders' meeting;
- revise the indemnification provisions to (i) clarify the group of officers entitled to indemnification and advancement and (ii) remove provisions regarding the priority of indemnification liability for representatives of our former private equity sponsors; and
- implement non-substantive, technical, or conforming changes, including removing obsolete provisions related to our former private equity sponsors, such as references to the Stockholders Agreement, dated as of June 11, 2020 (which is no longer in effect).

The foregoing description does not purport to be complete and is qualified in its entirety by reference to the full text of the Amended Bylaws, a copy of which is attached as Exhibit 3.2 hereto and is incorporated by reference herein.

Item 6. Exhibits

Exhibit No.	Description	Form	Exhibit	Incorporated by Reference	
				Filing Date	File No.
3.1	Second Restated Certificate of Incorporation of The AZEK Company Inc.	8-K	3.2	03/01/2023	001-39322
3.2	Amended and Restated Bylaws of The AZEK Company Inc. (Effective June 12, 2024)*				
4.2	Registration Rights Agreement, by and among The AZEK Company Inc. and the other parties named therein	10-Q	4.2	08/14/2020	001-39322
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*				
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*				
32.1	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.+				
32.2	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.+				
101.INS	Inline XBRL Instance Document*				
101.SCH	Inline XBRL Taxonomy Extension Schema with Embedded Linkbase Documents*				
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)				

* Filed herewith.

+ Furnished herewith. This certification is deemed furnished and not filed for purpose of Section 18 of the Exchange Act or otherwise subject to the liability of that Section, nor shall it be deemed incorporated by reference into any filing under the Securities Act or the Exchange Act.

SIGNATURE

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

The AZEK Company Inc.

Date: June 14, 2024

By:

/s/ Peter Clifford

Peter Clifford
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

AMENDED AND RESTATED BYLAWS**OF****THE AZEK COMPANY INC.**

(Adopted as of June 12, 2024)

ARTICLE IOffices

Section 1.1 Registered Office. The registered office of The AZEK Company Inc. (the "Corporation") in the State of Delaware, and the name of its registered agent at such address, shall be as set forth in the certificate of incorporation of the Corporation, as the same may be amended and/or restated from time to time (the "certificate of incorporation").

Section 1.2 Other Offices. The Corporation may have a principal or other office or offices at such other place or places, either within or without the State of Delaware, as the board of directors of the Corporation (the "Board of Directors" or the "Board") may from time to time determine or as shall be necessary or appropriate for the conduct of the business of the Corporation.

ARTICLE IIStockholders

Section 2.1 Annual Meetings. An annual meeting of stockholders shall be held for the election of directors at such date, time and place either within or without the State of Delaware. Alternatively, the annual meeting may not be held at any place, but may instead be held solely by means of remote communication, as may be designated by the Board of Directors from time to time. Any other proper business may be transacted at the annual meeting.

Section 2.2 Special Meetings. Special meetings of stockholders may only be called in the manner provided in the certificate of incorporation. Special meetings of stockholders shall be held at such date, time and place either within or without the State of Delaware. Alternatively, the special meeting may not be held at any place, but may instead be held by means of remote communication, as may be stated in the notice of the meeting. At a special meeting of stockholders, only such business shall be conducted as shall be specified in the notice of meeting (or any supplement to the notice of meeting). Except in the case of a special meeting of stockholders called at the request of the stockholders pursuant to the express terms of the certificate of incorporation, the Board of Directors may postpone, reschedule or cancel any previously scheduled special meeting of stockholders.

Section 2.3 Notice of Meetings. Whenever stockholders are required or permitted to take any action at a meeting, a written notice of the meeting shall be given. The

written notice shall state: (i) the place, if any, date and hour of the meeting; (ii) the means of remote communications, if any, by which stockholders and proxyholders may be deemed to be present in person and vote at such meeting; (iii) the record date for determining the stockholders entitled to vote at the meeting, if such date is different from the record date for determining stockholders entitled to notice of the meeting; and (iv) in the case of a special meeting, the purpose or purposes for which the meeting is called. Unless otherwise provided by law, the written notice of any meeting shall be given not less than ten nor more than sixty days before the date of the meeting to each stockholder entitled to vote at such meeting. If mailed, such notice shall be deemed to be given when deposited in the United States mail, postage prepaid, directed to the stockholder at such stockholder's address as it appears on the records of the Corporation. If delivered by courier service, such notice shall be deemed given when the notice is received or left at such stockholder's address. Notice by electronic transmission shall be deemed given in accordance with Section 232 of the Delaware General Corporation Law. Notice shall be deemed to have been given to all stockholders of record who share an address if notice is given in accordance with the "householding" rules set forth in the rules of the Securities and Exchange Commission under the Securities Exchange Act of 1934 (the "Exchange Act") and Section 233 of the Delaware General Corporation Law. For purposes of these bylaws, "electronic transmission" means any form of communication, not directly involving the physical transmission of paper, that creates a record that may be retained, retrieved and reviewed by a recipient of the communication, and that may be directly reproduced in paper form through an automated process.

Section 2.4 Adjournments. Subject to Section 2.2, any meeting of stockholders, annual or special, may be adjourned from time to time, to reconvene at the same or some other place. In such event, notice of the adjournment need not be given if the time, place, if any, and the means of remote communications, if any, of the adjourned meeting are: (i) announced at the meeting at which the adjournment is taken; (ii) displayed, during the time scheduled for the meeting, on the same electronic network used to enable stockholders and proxyholders to participate in the meeting by means of remote communication; or (iii) set forth in the notice of meeting given in accordance with Section 2.3 of these bylaws. At the adjourned meeting, the Corporation may transact any business which might have been transacted at the original meeting. If the adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

Section 2.5 Quorum. Except where otherwise provided by law or the certificate of incorporation or these amended and restated bylaws, as the same may be amended and/or restated from time to time (the "bylaws"), at each meeting of stockholders, the holders of a majority of the outstanding shares of stock entitled to vote on a matter at the meeting, present in person or represented by proxy, shall constitute a quorum. For purposes of the foregoing, where a separate vote by class or classes is required for any matter, the holders of a majority of the outstanding shares of such class or classes, present in person or represented by proxy, shall constitute a quorum to take action with respect to that vote on that matter. Two or more classes or series of stock shall be considered a single class if the holders of the classes or series of stock are entitled to vote together as a single class at the meeting. In the absence of a quorum of the

holders of any class of stock entitled to vote on a matter, either: (i) by majority vote, the holders of such class so present or represented may adjourn the meeting of such class from time to time in the manner provided by Section 2.4 of these bylaws until a quorum of such class shall be so present or represented; or (ii) the Chairperson of the meeting may on his or her own motion adjourn the meeting from time to time in the manner provided by Section 2.4 of these bylaws until a quorum of such class shall be so present and represented without the approval of the stockholders who are present in person or represented by proxy and entitled to vote.

Section 2.6 Organization. Meetings of stockholders shall be presided over by the Chairperson of the Board of Directors, if any. In the absence of the Chairperson of the Board of Directors, meetings of stockholders shall be presided over by an officer or director designated by the Board of Directors. In the absence of such chairperson or of such designation, meetings of stockholders shall be presided over by a chairperson chosen at the meeting by the holders of a majority of the shares entitled to vote who are present, in person or by proxy. The Secretary, or in the absence of the Secretary an Assistant Secretary, shall act as secretary of the meeting. In the absence of the Secretary and any Assistant Secretary, the chairperson of the meeting may appoint any person to act as secretary of the meeting.

The Board of Directors may adopt by resolution or resolutions such rules and regulations for the conduct of any meeting of the stockholders as it shall deem appropriate. Except to the extent inconsistent with such rules and regulations as adopted by the Board of Directors, the order of business at each such meeting shall be as determined by the chairperson of the meeting. The chairperson of the meeting shall have the right and authority to prescribe such rules, regulations and procedures and to do all such acts and things as are necessary or desirable for the proper conduct of the meeting. Without limitation with respect to other rules, regulations, procedures, actions or things with respect to the conduct of any stockholder meeting, the chairperson shall have the authority to: (i) establish procedures for the maintenance of order and safety; (ii) limit the time allotted to questions or comments on the affairs of the Corporation; (iii) restrict entry to such meeting after the time prescribed for the commencement of the meeting and the opening and closing of the voting polls for each item on which a vote is to be taken; (iv) limit attendance at or participation in the meeting to stockholders entitled to vote at the meeting, their duly authorized and constituted proxies, qualified representatives (including rules around who qualifies as such) and such other persons as the chairperson of the meeting shall permit; and (v) procedures (if any) requiring attendees to provide the Corporation advance notice of their intent to attend the meeting. Unless and to the extent determined by the Board of Directors or the chairperson presiding over the meeting, meetings of stockholders shall not be required to be held in accordance with the rules of parliamentary procedure.

Section 2.7 Inspectors. Prior to any meeting of stockholders, the Board of Directors or the Chief Executive Officer: (i) shall appoint one or more inspectors to act at such meeting and make a written report of such meeting; and (ii) may designate one or more persons as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate inspector is able to act, the person presiding at the stockholders meeting shall appoint one or more inspectors to act at the meeting. Before entering upon the discharge of his or her duties, each inspector 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: (i) ascertain the number of shares outstanding and the voting power of each; (ii) determine the shares represented at the meeting and the validity of proxies and ballots; (iii) count all votes and ballots; (iv) determine and retain for a reasonable period a record of the disposition of any challenges made to any determination by the inspectors; and (v) certify their determination of the number of shares represented at the meeting and their count of all votes and ballots. The inspectors may appoint or retain other persons to assist them in the performance of their duties.

The date and time of the opening and closing of the polls for each matter upon which the stockholders will vote at a meeting shall be announced at the meeting. No ballot, proxy or vote, nor any revocation of or change to a ballot, proxy or vote, shall be accepted by the inspectors after the closing of the polls. In determining the validity and counting of proxies and ballots, the inspectors shall be limited to: (i) an examination of the proxies, and any envelopes submitted with such proxies; (ii) any information provided by a stockholder who submits a proxy by telegram, cablegram, or other electronic transmission from which it can be determined that the proxy was authorized by the stockholder; (iii) any written ballot or, if authorized by the Board, a ballot submitted by electronic transmission together with any information from which it can be determined that the electronic transmission was authorized by the stockholder; (iv) any information provided in a record of a vote if such vote was taken at the meeting by means of remote communication along with any information used to verify that any person deemed present and permitted to vote at the meeting by means of remote communication is a stockholder; and (v) the regular books and records of the Corporation. The inspectors may also consider other reliable information for the limited purpose of reconciling proxies and ballots submitted by or on behalf of banks, brokers, their nominees or similar persons which represent more votes than the holder of a proxy is authorized by the record owner to cast or more votes than the stockholder holds of record. If the inspectors consider other reliable information for such purpose, at the time they make their certification, the inspectors shall specify (i) the precise information considered by them, including the person or persons from whom they obtained the information; (ii) when the information was obtained; (iii) the means by which the information was obtained; and (iv) the basis for the inspectors' belief that such information is accurate and reliable.

Section 2.8 Voting: Proxies. Unless otherwise provided in the certificate of incorporation, each stockholder entitled to vote at any meeting of stockholders shall be entitled to one vote for each share of stock held by such stockholder which has voting power upon the matter in question. If the certificate of incorporation provides for more or less than one vote for any share on any matter, every reference in these bylaws to a majority or other proportion of stock shall refer to such majority or other proportion of the votes of such stock. Each stockholder entitled to vote at a meeting of stockholders or to express consent or dissent to corporate action in writing without a meeting may authorize another person or persons to act for such stockholder by proxy. Notwithstanding the foregoing, no such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period. A duly executed proxy shall be irrevocable if it states that it is irrevocable but only if the proxy is coupled with an interest sufficient in law to support an irrevocable power. Any such interest may be in the stock itself or an interest in the Corporation generally. A stockholder may revoke any proxy which is not irrevocable by attending the meeting and voting in person or by filing a

written instrument revoking the proxy or another duly executed proxy bearing a later date with the Secretary of the Corporation. Voting at stockholders meetings need not be by written ballot unless the holders of a majority of the outstanding shares of all classes of stock entitled to vote thereon present in person or represented by proxy at such meeting shall so determine. Directors shall be elected by a plurality of the votes of the shares present in person or represented by proxy at the meeting and entitled to vote on the election of directors. In all other matters, unless otherwise provided by law or by the certificate of incorporation or these bylaws, the affirmative vote of the holders of a majority of the shares present in person or represented by proxy at the meeting and entitled to vote on the subject matter shall be the act of the stockholders. Where a separate vote by class or classes is required, the affirmative vote of the holders of a majority of the shares of such class or classes present in person or represented by proxy at the meeting shall be the act of such class or classes, except as otherwise provided by law or by the certificate of incorporation or these bylaws. For purposes of this Section 2.8, votes cast "for" or "against" and "abstentions" with respect to such matter shall be counted as shares of stock of the Corporation entitled to vote on such matter, while "broker non-votes" (or other shares of stock of the Corporation similarly not entitled to vote) shall not be counted as shares entitled to vote on such matter.

Section 2.9 Notice of Stockholder Business and Nominations

(a) Annual Meeting of Stockholders

(i) At any annual meeting of the stockholders, only such nominations of persons for election to the Board of Directors and only other business shall be considered or conducted, as shall have been properly brought before the meeting. For nominations to be properly made at an annual meeting, and proposals of other business to be properly brought before an annual meeting, nominations and proposals of other business must be: (A) pursuant to the Corporation's notice of meeting (or any supplement to the notice of meeting) delivered pursuant to Section 2.3 of these bylaws; (B) by or at the direction of the Board of Directors or any duly authorized committee of the Board of Directors; or (C) by any stockholder of the Corporation who (x) was a stockholder of record at the time of giving of notice provided for in these bylaws and at the time of the annual meeting, (y) is entitled to vote at the meeting and (z) complies with the notice procedures set forth in this bylaw as to such business or nomination. Clause (C) of this Section 2.9(a)(i) shall be the exclusive means for a stockholder to make nominations or submit other business (other than matters properly brought under Rule 14a-8 under the Exchange Act and included in the Corporation's notice of meeting) before an annual meeting of stockholders.

(ii) Without qualification or limitation, for any nominations or any other business to be properly brought before an annual meeting by a stockholder pursuant to paragraph (a)(i)(C) of this bylaw, the stockholder must have given timely notice of the nominations or other business in writing to the Secretary, and such other business must otherwise be a proper matter for stockholder action. To be timely, a stockholder's notice shall be delivered to the Secretary at the principal executive offices of the Corporation not earlier than the close of business on the one hundred twentieth day and not later than the close of business on the ninetieth day prior to the

first anniversary of the preceding year's annual meeting. Notwithstanding the previous sentence, in the event that the date of the annual meeting is more than thirty days before or more than sixty days after such anniversary date, or if no annual meeting was held in the preceding year, notice by the stockholder to be timely must be so delivered not earlier than the close of business on the one hundred twentieth day prior to the date of such annual meeting and not later than the close of business on the later of the ninetieth day prior to the date of such annual meeting or, if the first public announcement of the date of such annual meeting is less than one hundred days prior to the date of such annual meeting, the tenth day following the day on which public announcement of the date of such meeting is first made by the Corporation. In no event shall any adjournment or postponement of an annual meeting for which notice has been given (or the public announcement thereof) commence a new time period (or extend any time period) for the giving of a stockholder's notice as described above. In addition, to be timely, a stockholder's notice shall further be updated and supplemented, if necessary, so that the information provided or required to be provided in such notice shall be true and correct as of the record date for the meeting and as of the date that is ten business days prior to the meeting or any adjournment or postponement of the meeting. Such update and supplement shall be delivered to the Secretary at the principal executive offices of the Corporation not later than five business days after the record date for the meeting in the case of the update and supplement required to be made as of the record date, and not later than eight business days prior to the date for the meeting, any adjournment or postponement of the meeting in the case of the update and supplement required to be made as of ten business days prior to the meeting or any adjournment or postponement of the meeting. Whether given pursuant to this paragraph (a)(ii) or paragraph (b), to be in proper form, a stockholder's notice to the Secretary must set forth, as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made, and if such stockholder or beneficial owner is an entity, as to each individual who is a director, executive officer, general partner or managing member of such entity or of any other entity that has or shares control of such entity (any such individual or entity, a "related person"): (A) the name and address of such stockholder, as they appear on the Corporation's books and records, of such beneficial owner, if any, and of any related person; (B) the class or series and number of shares of the Corporation which are, directly or indirectly, owned beneficially and of record by such stockholder, such beneficial owner, and any related person; (C) any option, warrant, convertible security, stock appreciation right, or similar right with an exercise or conversion privilege or a settlement payment or mechanism at a price related to any class or series of shares of the Corporation or with a value derived in whole or in part from the value of any class or series of shares of the Corporation directly or indirectly owned beneficially by such stockholder, the beneficial owner or by any related person; (D) any derivative or synthetic arrangement having the characteristics of a long position in any class or series of shares of the Corporation directly or indirectly owned beneficially by such stockholder, the beneficial owner or by any related person that has been entered into; (E) any contract, derivative, swap or other transaction or series of transactions designed to produce economic benefits and risks that correspond substantially to the ownership of any class or series of shares of the Corporation, including due to the fact that the value of such contract, derivative, swap or other transaction or series of transactions is determined by reference to the price, value or volatility of any class or series of shares of the Corporation, whether or not such instrument, contract or right shall be subject to settlement in the underlying class or series of capital stock of the Corporation or otherwise,

through the delivery of cash or other property, or otherwise, and without regard of whether the stockholder of record, the beneficial owner, if any, or any related person, may have entered into transactions that hedge or mitigate the economic effect of such instrument, contract or right, or any other direct or indirect opportunity to profit or share in any profit derived from any increase or decrease in the value of shares of the Corporation (any of the foregoing, a "Derivative Instrument") directly or indirectly owned beneficially by such stockholder, the beneficial owner or any related person; (F) any proxy, contract, arrangement, understanding, or relationship pursuant to which such stockholder has a right to vote any shares of any security of the Corporation; (G) any contract, arrangement, understanding, relationship or otherwise, including any repurchase or similar so-called "stock borrowing" agreement or arrangement, engaged in, directly or indirectly, by such stockholder, beneficial owner or any related person that has been entered into, the purpose or effect of which is to mitigate loss to, reduce the economic risk (of ownership or otherwise) of any class or series of the shares of the Corporation by, manage the risk of share price changes for, or increase or decrease the voting power of, such stockholder with respect to any class or series of the shares of the Corporation, or which provides, directly or indirectly, the opportunity to profit or share in any profit derived from any decrease in the price or value of any security of the Corporation (any of the foregoing, a "Short Interest"); (H) any rights to dividends on the shares of the Corporation owned beneficially by such stockholder, beneficial owner or any related person that are separated or separable from the underlying shares of the Corporation; (I) any proportionate interest in shares of the Corporation or Derivative Instruments held, directly or indirectly, by a general or limited partnership in which such stockholder, beneficial owner or any related person is a general partner or, directly or indirectly, beneficially owns an interest in a general partner of such general or limited partnership; (J) a description of all agreements, arrangements and understandings between such stockholder, beneficial owner or any related person and any other person or persons (including their names) in connection with the nomination(s) by such stockholder; (K) any significant equity interests or any Derivative Instruments or Short Interests in any principal competitor of the Corporation (for purposes of this Section 2.9(a)(ii), as defined for the purposes of Section 8 of the Clayton Antitrust Act of 1914) held by such stockholder, beneficial owner or any related person; (L) any direct or indirect interest of such stockholder, beneficial owner or any related person in any contract 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); and (M) a representation as to whether the stockholder, beneficial owner, related person or a participant (as defined in Item 4 of Schedule 14A under the Exchange Act) will engage in a solicitation with respect to such nomination or proposal and, if so, whether such solicitation will be conducted as an exempt solicitation under Rule 14a-2(b) of the Exchange Act, the name of each participant in such solicitation and the amount of the cost of solicitation that has been and will be borne, directly or indirectly, by each participant in such solicitation and (1) in the case of a proposal of business other than nominations, whether such person or group intends to deliver, through means satisfying each of the conditions that would be applicable to the Corporation under either Exchange Act Rule 14a-16(a) or Exchange Act Rule 14a-16(n), a proxy statement and form of proxy to holders (including any beneficial owners pursuant to Rule 14b-1 and Rule 14b-2 of the Exchange Act) of at least the percentage of the Corporation's voting shares required under applicable law to carry the proposal, (2) in the case of any solicitation that is subject to Rule 14a-19 of the Exchange Act, confirming that such

person or group will deliver, through means satisfying each of the conditions that would be applicable to the Corporation under either Exchange Act Rule 14a-16(a) or Exchange Act Rule 14a-16(n), a proxy statement and form of proxy to holders (including any beneficial owners pursuant to Rule 14b-1 and Rule 14b-2 of the Exchange Act) of at least 67% of the voting power of the Corporation's stock entitled to vote generally in the election of directors, and (3) a representation that immediately after soliciting the percentage of stockholders referred to in the representation required under the immediately preceding clauses (1) and (2) of this bylaw, such stockholder, beneficial owner or participant will provide the Corporation with evidence, which may take the form of a statement and documentation from a proxy solicitor, confirming that the necessary steps have been taken to deliver a proxy statement and form of proxy to holders of such percentage of the Corporation's stock. The notice described in the preceding sentence shall also set forth, as to each person, if any, whom the stockholder proposes to nominate for election or reelection to the Board of Directors (i) all information relating to such person that would be 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 a contested election pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder (including such person's written consent to being named as a nominee in a proxy statement and form of proxy relating to the meeting at which directors are to be elected and to serving as a director if elected) and (ii) a description of all direct and indirect compensation and other material monetary agreements, arrangements and understandings during the past three years, and any other material relationships, between or among such stockholder and beneficial owner, if any, or any related person, on the one hand, and each proposed nominee, on the other hand that would be required to be disclosed pursuant to Item 404 promulgated under Regulation S-K if the stockholder making the nomination and any beneficial owner on whose behalf the nomination is made, if any, or any related person, were the "registrant" for purposes of such rule and the nominee were a director or executive officer of such registrant. In addition, with respect to each nominee for election or reelection to the Board of Directors, each such nomination must include, at the time made, a completed and signed questionnaire, representation and agreement required by Section 2.10 of these bylaws. At its sole discretion, the Corporation may also require any proposed nominee to furnish such information as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as an independent director of the Corporation. The Corporation may also require any proposed nominee to furnish such information as may reasonably be required, pursuant to applicable law, to be disclosed in the proxy materials concerning all persons nominated (by the Corporation or otherwise) for election as a director of the Corporation, whether or not the nominee is to be included in the Corporation's proxy statement. The proposed nominee shall furnish to the Corporation the requested information pursuant to the preceding two sentences within five business days after receipt of any such request.

(iii) If the notice described in Section 2.9(a)(ii) relates to any business other than a nomination of a director or directors that the stockholder proposes to bring before the meeting, then, to be in proper form, the notice shall set forth: (i) a brief description of the business desired to be brought before the meeting; (ii) the reasons for conducting such business at the meeting and any material interest of such stockholder and beneficial owner, if any, in such business; (iii) the text of the proposal or business (including the text of any resolutions proposed

for consideration, and, in the event that such business includes a proposal to amend the bylaws, the text of such proposed amendment); and (iv) a description of all agreements, arrangements and understandings between such stockholder, beneficial owner, or any related person and any other person or persons (including their names) in connection with the proposal of such business by such stockholder. For the avoidance of doubt, if the notice described in Section 2.9(a)(ii) relates to both a nomination of a director or directors and other business, the notice shall set forth all of the required information pursuant to this paragraph and the immediately preceding paragraph.

(iv) Notwithstanding anything in the second sentence of paragraph (a)(ii) of this bylaw to the contrary, in the event that the number of directors to be elected to the Board of Directors is increased and there is no public announcement by the Corporation naming all of the nominees for director or specifying the size of the increased Board of Directors at least one hundred days prior to the first anniversary of the preceding year's annual meeting, a stockholder's notice required by this bylaw shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the tenth day following the day on which such public announcement is first made by the Corporation.

(b) Special Meetings of Stockholders The only business that shall be conducted at a special meeting of stockholders shall be as set forth in the Corporation's notice of meeting, delivered prior to the special meeting in accordance with these bylaws. 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 by or at the direction of the Board of Directors. In addition, nominations for election of directors at a special meeting may be made by any stockholder of the Corporation who: (i) is a stockholder of record at the time of giving of notice provided for in this bylaw and at the time of the special meeting; (ii) is entitled to vote at the meeting, and (iii) complies with the notice procedures set forth in this bylaw as to such nomination. With respect to the immediately preceding sentence, however, such nominations by stockholders shall only be made where the Board of Directors have determined that directors will be elected at the meeting. The immediately preceding two sentences shall be the exclusive means by which a stockholder may make nominations before a special meeting of stockholders at which directors are to be elected or appointed. In the event that the Corporation calls a special meeting of stockholders for the purpose of electing one or more directors to the Board of Directors, any stockholder may nominate a person or persons (as the case may be) for election to such position(s) as specified in the Corporation's notice of meeting only if the stockholder's notice required by paragraph (a)(ii) of this bylaw with respect to any nomination shall be delivered to the Secretary at the principal executive offices of the Corporation not earlier than the close of business on the one hundred twentieth day prior to the date of such special meeting and not later than the close of business on the ninetieth day prior to the date of such special meeting. For the avoidance of doubt, the stockholder's notice so delivered shall include, at the time made, the completed and signed questionnaire, representation and agreement required by Section 2.10 of these bylaws. If the first public announcement of the date of such special meeting is less than one hundred days prior to the date of such special

meeting, such notice shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the tenth day following the day on which the Corporation first makes a public announcement of the date of the special meeting at which directors are to be elected. In no event shall any adjournment or postponement of a special meeting or the announcement of any 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 in the immediately preceding sentence.

(c) General.

(i) Only such persons who are nominated in accordance with the procedures set forth in this bylaw shall be eligible to be elected as directors. Only such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this bylaw. Except as otherwise provided by law, the certificate of incorporation or these bylaws, and subject to the supervision, direction and control of the Board, the chairperson of the meeting shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made or proposed, as the case may be, in accordance with the procedures set forth in this bylaw (including whether a stockholder or beneficial owner provided all information and complied with all representations required under this bylaw and/or complied with the requirements of Rule 14a-19 under the Exchange Act). In the event any proposed nomination or business is not in compliance with this bylaw, including due to a failure to comply with the requirements of Rule 14a-19 under the Exchange Act, the chairperson shall declare the defective proposal or nomination to be invalid. Unless otherwise required by law, if the stockholder (or a qualified representative of the stockholder) does not appear at the Corporation's annual or special meeting of stockholders to make a nomination or present a proposal of other business, such nomination shall be disregarded and such proposed business shall not be transacted, notwithstanding that proxies and votes in respect of such matter may have been received by the Corporation. For purposes of this bylaw, to be considered a qualified representative of the stockholder, a person must be authorized by a writing executed by such stockholder or an electronic transmission delivered by such stockholder to act for such stockholder as proxy at the meeting of stockholders. Such person must provide such writing or electronic transmission, or a reliable reproduction of the writing or electronic transmission, to the Secretary at the principal executive offices of the Corporation at least five business days before the meeting of stockholders.

(ii) For purposes of this bylaw, (a) "public announcement" shall mean disclosure in a press release reported by a national news service or in a document publicly filed or furnished by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act and the rules and regulations promulgated thereunder and (b) "close of business" shall mean 6:00 p.m. local time at the principal executive offices of the Corporation on any calendar day, whether or not a business day.

(iii) Notwithstanding the foregoing provisions of this bylaw, a stockholder (and any beneficial owner on whose behalf a nomination is made or other business is proposed, and if such stockholder or beneficial owner is an entity, any related person) 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 bylaw; provided, however, that any references in these bylaws to the Exchange Act or the rules and regulations promulgated thereunder are not intended to and shall not limit any requirements applicable to nominations or proposals as to any other business to be considered pursuant to this bylaw. Notwithstanding the previous sentence, any references in these bylaws to the Exchange Act or the rules promulgated thereunder are not intended to and shall not limit the requirements applicable to nominations or proposals as to any other business to be considered pursuant to paragraph (a)(i)(C) or paragraph (b) of this bylaw. Nothing in this bylaw 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, if and to the extent provided for under law, the certificate of incorporation or these bylaws. Subject to Rule 14a-8 under the Exchange Act, nothing in these bylaws shall be construed to permit any stockholder, or give any stockholder the right, to include or have disseminated or described in the Corporation's proxy statement any nomination of director or directors or any other business proposal.

(iv) 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 2.10 Submission of Questionnaire, Representation and Agreement As to each person whom a stockholder proposes to nominate for election or reelection as a director of the Corporation, a person must deliver to the Secretary at the principal executive offices of the Corporation a written questionnaire with respect to the background and qualification of such person. In the case of a person nominated for election as a director of the Corporation, such delivery shall be made at the same time as delivery of notice under Section 2.9 of these bylaws. The questionnaire shall be provided by the Secretary to the proposed nominee within five business days upon written request by the proposed nominee or the nominating stockholder on such person's behalf. A nominee of a stockholder for election or reelection as a director of the Corporation must also deliver a written representation and agreement that such person: (A) is not and will not become a party to (1) any agreement, arrangement or understanding with, and has not given any commitment or assurance to, any person or entity as to how such person, if elected as a director of the Corporation, will act or vote on any issue or question (a "Voting Commitment") that has not been disclosed to the Corporation or (2) any Voting Commitment that could limit or interfere with such person's ability to comply, if elected as a director of the Corporation, with such person'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, reimbursement or indemnification in connection with service or action as a director that has not been disclosed in the questionnaire; and (C) in such person's individual capacity and on behalf of any person or entity on whose behalf the nomination is being made, would be in compliance, if elected as a director of the Corporation, and will comply with all applicable publicly disclosed corporate governance, conflict of interest, confidentiality and stock ownership and trading policies and guidelines of the Corporation. The form of written representation and agreement shall also be

provided by the Secretary to the proposed nominee within five business days upon written request by the proposed nominee or the nominating stockholder on such person's behalf.

Section 2.11 Fixing Date for Determination of Stockholders of Record In order that the Corporation may determine the stockholders entitled to notice of any meeting of stockholders or any adjournment of a meeting of stockholders, the Board of Directors may fix a record date. The record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board, and the record date shall not be more than sixty nor less than ten days before the meeting date. If the Board fixes a date, that date shall also be the record date for determining the stockholders entitled to vote at such meeting unless the Board determines, at the time it fixes such record date, that a later date on or before the date of the meeting shall be the date for making such determination. If no record date is fixed by the Board, the record date for determining stockholders entitled to notice of and to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. 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. Notwithstanding the previous sentence, the Board may fix a new record date for determination of stockholders entitled to vote at the adjourned meeting. In such case, the Board shall also fix the record date for stockholders entitled to notice of such adjourned meeting as the same or an earlier date as that fixed for determination of stockholders entitled to vote at the adjourned meeting in accordance with this Section 2.11.

In order that the Corporation may determine the stockholders entitled to consent to corporate action in writing without a meeting, the Board of Directors may fix a record date. The record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board, and the record date shall not be more than ten days after the date upon which the resolution fixing the record date is adopted by the Board. If no record date has been fixed by the Board and when no prior action by the Board is required by law, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the Corporation by delivery to its registered office in the State of Delaware, its principal place of business, or an officer or agent of the Corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to the Corporation's registered office shall be by hand or by certified or registered mail, return receipt requested. If no record date has been fixed by the Board and prior action by the Board is required by law, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting shall be at the close of business on the day on which the Board adopts the resolution taking such prior action.

In order that the Corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or the stockholders 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 a record date. The record date shall not precede the date upon which the resolution fixing the record date is adopted, and

the record date shall be not more than sixty days prior to such action. If no record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the Board adopts the resolution relating to that purpose.

Section 2.12 List of Stockholders Entitled to Vote At least ten days before every meeting of stockholders, the Secretary shall prepare and make a complete list of the stockholders entitled to vote at the meeting. Notwithstanding the previous sentence, if the record date for determining the stockholders entitled to vote is less than ten days before the meeting date, the list shall reflect the stockholders entitled to vote as of the tenth day before the meeting date. The list shall be arranged in alphabetical order, showing the address of each stockholder and the number of shares registered in the name of each stockholder. Nothing in this Section shall require the Corporation to include electronic mail addresses or other electronic content information on such list. Such list shall be open to the examination of any stockholder for any purpose germane to the meeting for a period of at least ten days prior to the meeting: (i) on a reasonably accessible electronic network, provided that the information required to gain access to such list is provided with the notice of the meeting; or (ii) during ordinary business hours, at the principal place of business of the Corporation. In the event that the Corporation determines to make the list available on an electronic network, the Corporation may take reasonable steps to ensure that such information is available only to stockholders of the Corporation.

ARTICLE III

Board of Directors

Section 3.1 Powers; Number; Qualifications. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors, except as may be otherwise provided by law or in the certificate of incorporation. The Board shall consist of one or more members, each of whom shall be a natural person. From time to time, the Board shall determine the number of members.

Section 3.2 Election; Term of Office; Resignation; Removal; Vacancies Each director shall hold office as provided in the certificate of incorporation. Any director may resign at any time upon notice given in writing or by electronic transmission to the Board of Directors or to the Chief Executive Officer or the Secretary of the Corporation. Such resignation shall be effective upon delivery, unless the resignation specifies a later effective date or an effective date determined upon the happening of an event or events. Unless otherwise specified in the resignation, no acceptance of such resignation shall be necessary to make the resignation effective. Any director or the entire Board may be removed in accordance with the certificate of incorporation. Unless otherwise provided in the certificate of incorporation or these bylaws, vacancies and newly created directorships resulting from any increase in the authorized number of directors elected by all of the stockholders having the right to vote as a single class or from any other cause may be filled by a majority of the directors then in office, although less than a quorum, or by the sole remaining director. Whenever the holders of any class or classes of stock or series of stock are entitled to elect one or more directors by the certificate of incorporation, vacancies and newly created directorships of such class or classes or series may be filled by a

majority of the directors elected by such class or classes or series then in office, or by the sole remaining director so elected. Any director elected or appointed to fill a vacancy shall hold office as provided in the certificate of incorporation.

Section 3.3 Regular Meetings. Regular meetings of the Board of Directors may be held at such places within or without the State of Delaware and at such times as the Board may from time to time determine, and, if so determined, notice of the meetings need not be given.

Section 3.4 Special Meetings. Special meetings of the Board of Directors may be held at any time or place within or without the State of Delaware whenever called by the Chairperson of the Board, if any, the Chief Executive Officer or by any two or more directors. Reasonable notice of the date, time and place (if any) of special meetings shall be given by the person or persons calling the meeting. The notice of a special meeting need not set forth the purpose of such meeting.

Section 3.5 Participation in Meetings by Conference Telephone Permitted. Unless otherwise restricted by the certificate of incorporation or these bylaws, members of the Board of Directors, or any committee designated by the Board, may participate in a meeting of the Board or of such committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other. Participation in a meeting pursuant to this bylaw shall constitute presence in person at such meeting.

Section 3.6 Quorum; Vote Required for Action. At all meetings of the Board of Directors, a majority of the entire Board shall constitute a quorum for the transaction of business. The vote of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board unless the certificate of incorporation or these bylaws shall require a vote of a greater number. If, at any meeting of the Board a quorum shall not be present, the members of the Board present may adjourn the meeting from time to time until a quorum shall be present.

Section 3.7 Organization. Meetings of the Board of Directors shall be presided over by the Chairperson of the Board, if any. In the absence of the Chairperson of the Board, meetings of the Board shall be presided over by the Chief Executive Officer, or, in his or her absence, by a chairperson chosen at the meeting. The Secretary, or in the absence of the Secretary, an Assistant Secretary, shall act as secretary of the meeting. In the absence of the Secretary and all Assistant Secretaries, the chairperson of the meeting may appoint any person to act as secretary of the meeting.

Section 3.8 Action by Directors Without a Meeting. Unless otherwise restricted by the certificate of incorporation or these bylaws, any action required or permitted to be taken at any meeting of the Board of Directors, or of any committee of the Board of Directors, may be taken without a meeting if all members of the Board or of such committee consent in writing or by electronic transmission, and the writing or writings or electronic transmission or transmissions are filed with the minutes of proceedings of the Board or committee. Such filing

shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form.

Section 3.9 Compensation of Directors. Unless otherwise restricted by the certificate of incorporation or these bylaws, the Board of Directors shall have the authority to fix the compensation, including fees, reimbursement of expenses and equity compensation, of directors for services to the Corporation in any capacity, including for attendance of meetings of the Board or participation on any committees. Directors who are officers or employees of the Corporation may receive, if the Board desires, compensation for service as directors. Nothing in these bylaws shall be construed to preclude any director from serving the Corporation in any other capacity and receiving compensation for such service.

Section 3.10 Chairperson of the Board. The Chairperson of the Board, if any, shall preside at all meetings of the Board of Directors and of the stockholders at which he or she is present. The Chairperson of the Board shall have and may exercise such powers as may, from time to time, be assigned to him or her by the Board or as may be provided by law.

Section 3.11 Vice Chairperson of the Board. In the absence of the Chairperson of the Board, the Vice Chairperson of the Board, if any, shall preside at all meetings of the Board of Directors and of the stockholders at which he or she is present. The Vice Chairperson shall have and may exercise such powers as may, from time to time, be assigned to him or her by the Board or as may be provided by law.

ARTICLE IV

Committees

Section 4.1 Committees. The Board of Directors may designate one or more committees, each committee to consist of one or more of the directors of the Corporation. The Board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee, and in the absence of a designation by the Board of an alternate member to replace the absent or disqualified member, the member or members of the committee present at any meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another member of the Board to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent permitted by law and provided in the resolution of the Board establishing such committee or in these bylaws, shall have and may exercise all the powers and authority of the Board in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it. No committee shall have the power or authority in reference to the following matters: (i) approving or adopting, or recommending to the stockholders, any action or matter (other than the election or removal of directors) expressly required by law to be submitted to stockholders for approval; (ii) adopting, amending or repealing these bylaws; or (iii) indemnifying directors.

Section 4.2 Committee Rules. Unless the Board of Directors otherwise provides, each committee designated by the Board may adopt, amend and repeal rules for the conduct of its business. In the absence of a provision by the Board or a provision in the rules of such committee to the contrary, a majority of the entire authorized number of members of such committee shall constitute a quorum for the transaction of business. The vote of a majority of the members present at a meeting at the time of such vote if a quorum is then present shall be the act of such committee. In other respects, each committee shall conduct its business in the same manner as the Board conducts its business pursuant to Article III of these bylaws.

ARTICLE V

Officers

Section 5.1 Officers: Election. As soon as practicable after the annual meeting of stockholders in each year, the Board of Directors shall elect a Chief Executive Officer and a Secretary. The Board may also elect one or more Presidents, one or more Senior Vice Presidents, one or more Vice Presidents, one or more Assistant Secretaries, a Chief Financial Officer, a Chief Legal Officer, a Chief Human Resource Officer, a Chief Marketing Officer, a Treasurer and one or more Assistant Treasurers and such other officers as the Board may deem desirable or appropriate and may give any of them such further designations or alternate titles as it considers desirable. Any number of offices may be held by the same person unless prohibited by law or the certificate of incorporation or these bylaws otherwise provide.

Section 5.2 Term of Office; Resignation; Removal; Vacancies. Unless otherwise provided in the resolution of the Board of Directors electing any officer, each officer shall hold office until his or her successor is elected and qualified or until his or her earlier resignation or removal. Any officer may resign at any time upon written notice or electronic transmission to the Board or to the Chief Executive Officer or the Secretary of the Corporation. Such resignation shall be effective upon delivery, unless the resignation specifies a later effective date or an effective date determined upon the happening of an event or events. Unless otherwise specified in the resignation, no acceptance of such resignation shall be necessary to make it effective. The Board may remove any officer with or without cause at any time. Any such removal shall be without prejudice to the contractual rights of such officer, if any, with the Corporation. The election of an officer shall not of itself create contractual rights. Any vacancy occurring in any office of the Corporation by death, resignation, removal or otherwise, may be filled by the Board at any regular or special meeting.

Section 5.3 Chief Executive Officer. In the absence of the Chairperson of the Board and Vice Chairperson of the Board, the Chief Executive Officer shall preside at all meetings of the Board of Directors and of the stockholders at which he or she is present. The Chief Executive Officer shall be the chief executive officer and shall have general charge and supervision of the business of the Corporation. The Chief Executive Officer shall perform all duties incident to the office of president of a corporation and such other duties as may, from time to time, be assigned to him or her by the Board or as may be provided by law.

Section 5.4 President. Each President shall have such general powers and duties of supervision and management as shall be assigned to him or her by the Board of Directors.

Section 5.5 Vice Presidents. Each Vice President shall have such powers and shall perform such duties as shall be assigned to him or her by the Board of Directors.

Section 5.6 Chief Financial Officer. The Board of Directors may appoint a Chief Financial Officer of the Corporation to serve at the pleasure of the Board of Directors. The Chief Financial Officer of the Corporation shall: (a) have the custody of the corporate funds and securities, except as otherwise provided by the Board of Directors; (b) keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation; (c) deposit all moneys and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the Board of Directors; (d) disburse the funds of the Corporation as may be ordered by the Board of Directors, taking proper vouchers for such disbursements; and (e) render to the Chief Executive Officer and the Board of Directors, whenever they may require it, an account of all his or her transactions as Chief Financial Officer and of the financial condition of the Corporation.

Section 5.7 Secretary. The Secretary shall have the duty to record the proceedings of the meetings of the stockholders, the Board of Directors and any committees in a book to be kept for that purpose. The Secretary (a) shall see that all notices are given in accordance with the provisions of these bylaws or as required by law; (b) shall be custodian of the records of the Corporation; and (c) may affix the corporate seal to any document, the execution of which, on behalf of the Corporation, is duly authorized, and when so affixed may attest to that authorization. The Secretary shall perform all other duties incident to the office of secretary of a corporation and such other duties as may, from time to time, be assigned to him or her by the Board or the Chief Executive Officer or as may be provided by law.

Section 5.8 Other Officers. The Corporation's other officers shall have such powers and duties in the management of the Corporation as shall be stated in a resolution of the Board of Directors. Any such resolution shall not be inconsistent with these bylaws and, to the extent not so stated, such other officers shall have such powers and duties as generally pertain to their respective offices and shall be subject to the Board's control. The Board may require any officer, agent or employee to give security for the faithful performance of his or her duties.

ARTICLE VI

Stock

Section 6.1 Stock Certificates and Uncertificated Shares. The shares of stock in the Corporation may be represented by certificates. The Board of Directors may provide by resolution or resolutions that some or all of any or all classes or series of the Corporation's stock shall be uncertificated shares. Any such resolution shall not apply to shares represented by a certificate previously issued until such certificate is surrendered to the Corporation. Every holder of stock represented by certificates shall be entitled to have a certificate signed by or in

the name of the Corporation by any two authorized officers of the Corporation, including, without limitation, the Chief Executive Officer, a President, or by the Treasurer or an Assistant Treasurer, if any, or the Secretary or an Assistant Secretary, of the Corporation, representing the number of shares of stock registered in certificate form owned by such holder. Any or all of the signatures on a certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if such person were such officer, transfer agent or registrar at the date of issue. The Corporation may not issue stock certificates in bearer form.

If the Corporation is authorized to issue more than one class of stock or more than one series of any class, the powers, designations, preferences and relative, participating, optional or other special rights of each class or series of stock and the qualifications, limitations or restrictions of such preferences and/or rights shall be set forth in full or summarized on the face or back of the certificate which the Corporation shall issue to represent such class or series of stock. Except as otherwise provided by law, in lieu of the foregoing requirements, there may be set forth on the face or back of the certificate, which the Corporation shall issue to represent such class or series of stock, a statement that the Corporation will furnish without charge to each stockholder who so requests the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series of stock and the qualifications, limitations or restrictions of such preferences and/or rights. Within a reasonable time after the issuance or transfer of uncertificated shares, the Corporation shall send to the registered owner of the shares a written notice containing the information required by law to be set forth or stated on certificates or a statement that the Corporation will furnish without charge to each stockholder who so requests the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series of stock and the qualifications, limitations or restrictions of such preferences and/or rights.

Except as otherwise expressly provided by law, the rights and obligations of the holders of uncertificated shares and the rights and obligations of the holders of certificates representing stock of the same class and series shall be identical.

Section 6.2 Lost, Stolen or Destroyed Stock Certificates; Issuance of New Certificates. The Corporation may issue a new certificate of stock or uncertificated shares in the place of any certificate previously issued by it, alleged to have been lost, stolen or destroyed. The Corporation may require the owner of the lost, stolen or destroyed certificate, or such owner's legal representative, to give the Corporation a bond sufficient to indemnify it against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate or uncertificated shares.

Section 6.3 Transfer. The shares of the stock of the Corporation shall be transferable in the manner prescribed by law and in these bylaws. In the case of certificated shares of stock, transfers shall be made on the books of the Corporation only by the holder of the shares or by such holder's attorney duly authorized in writing, upon surrender for cancellation of certificate(s) for at least the same number of shares, with an assignment and power of transfer

endorsed on or attached to the certificate, duly executed, with such proof of the authenticity of the signature as the Corporation or its agents may reasonably require. In the case of uncertificated shares of stock, transfers shall be made on the books of the Corporation only upon receipt of proper transfer instructions from the registered holder of the shares or by such person's attorney duly authorized in writing, and upon compliance with appropriate procedures for transferring shares in uncertificated form. No transfer of stock shall be valid as against the Corporation for any purpose until it shall have been entered in the stock records of the Corporation by an entry showing from and to whom transferred. Notwithstanding anything to the contrary in these bylaws, at all times that the Corporation's stock is listed on a stock exchange, the shares of the stock of the Corporation shall comply with all direct registration system eligibility requirements established by such exchange, including any requirement that shares of the Corporation's stock be eligible for issue in uncertificated or book-entry form. All issuances and transfers of shares of the Corporation's stock shall be entered on the books of the Corporation with all information necessary to comply with such direct registration system eligibility requirements, including the name and address of the person to whom the shares of stock are issued, the number of shares of stock issued and the date of issue. The Board of Directors shall have the power and authority to make such rules and regulations as it may deem necessary or proper concerning the issue, transfer and registration of shares of stock of the Corporation in both the certificated and uncertificated form.

Section 6.4 Record Owners. The stock ledger shall be the only evidence as to who are the stockholders of the Corporation. The Corporation shall be entitled to recognize the exclusive right of a person registered on its stock ledger as the owner of shares to receive dividends, to vote and to receive notice, and otherwise to exercise all of the rights and powers of an owner of such shares, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice of the claim, except as otherwise required by law.

ARTICLE VII

Indemnification

Section 7.1 Right to Indemnification. Each person who was or is made a party or is threatened to be made a party to or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "proceeding"), by reason of the fact that he or she is or was a director or an officer elected or appointed by the Board in accordance with Article V hereof (an "officer") of the Corporation or, while a director or officer of the Corporation, is or was serving at the request of the Corporation as a director, officer, employee, agent or trustee of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to an employee benefit plan (an "indemnatee"), whether the basis of such proceeding is alleged action in an official capacity as a director, officer, employee, agent or trustee or in any other capacity while serving as a director, officer, employee, agent or trustee, shall be indemnified and held harmless by the Corporation to the fullest extent permitted by Delaware law, as the same exists or may be amended. In the case of any such amendment, the amendment shall, if permitted, be limited to the Corporation providing broader indemnification

rights than such law permitted the Corporation to provide prior to such amendment. The right to indemnification shall cover any expense, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid in settlement) reasonably incurred or suffered by such indemnitee in connection therewith. Notwithstanding anything to the contrary in this Section 7.1, except as provided in Section 7.3 with respect to proceedings to enforce rights to indemnification or advancement of expenses or with respect to any compulsory counterclaim brought by such indemnitee, the Corporation shall indemnify any such indemnitee in connection with a proceeding (or part of a proceeding) initiated by such indemnitee only if such proceeding (or part of such proceeding) was authorized by the Board of Directors.

Section 7.2 Right to Advancement of Expenses In addition to the right to indemnification conferred in Section 7.1, an indemnitee shall also have the right to be paid by the Corporation for the expenses (including attorney's fees) incurred in appearing at, participating in or defending any such proceeding referred to in Section 7.1 in advance of its final disposition or in connection with a proceeding brought to establish or enforce a right to indemnification or advancement of expenses under this Article VII which shall be governed by Section 7.3 (an "advancement of expenses"). Notwithstanding the previous sentence, an advancement of expenses incurred by an indemnitee in his or her capacity as a director or officer shall be made solely upon delivery to the Corporation of an undertaking (an "undertaking"), by or on behalf of such indemnitee, if: (i) the General Corporation Law of the State of Delaware (the "DGCL") requires; or (ii), in the case of an advance made in a proceeding brought to establish or enforce a right to indemnification or advancement. The undertaking required by the previous sentence shall not be required with respect to an advancement of expenses incurred by an indemnitee in any capacity other than as a director or officer. The indemnitee shall undertake to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal (a "final adjudication") that such indemnitee is not entitled to be indemnified or entitled to advancement of expenses under Section 7.1 and Section 7.2 or otherwise.

Section 7.3 Right of Indemnitee to Bring Suit If a claim under Section 7.1 or Section 7.2 is not paid in full by the Corporation within (a) sixty days after a written claim for indemnification has been received by the Corporation or (b) twenty days after a claim for an advancement of expenses has been received by the Corporation, the indemnitee may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim or to obtain advancement of expenses, as applicable. To the fullest extent permitted by law, if the indemnitee is successful in whole or in part in: (i) any suit to enforce his or her indemnification rights under these bylaws; or (ii) any suit brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the indemnitee shall be entitled to be reimbursed for all of the costs and expenses incurred in prosecuting or defending such suit, including, without limitation, reasonable attorneys' fees. In any suit brought by the indemnitee to enforce a right to indemnification under these bylaws it shall be a defense that the indemnitee has not met any applicable standard for indemnification set forth in the DGCL. No such defense shall apply, however, with respect to a suit brought by the indemnitee to enforce a right to an advancement of expenses. In any suit brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the Corporation shall be entitled to recover

such expenses upon a final adjudication that the indemnitee has not met any applicable standard for indemnification set forth in the DGCL. For the avoidance of doubt, such expenses shall include, without limitation, reasonable attorneys' fees. Neither: (i) the failure of the Corporation to have made a determination prior to the commencement of such suit that indemnification of the indemnitee is proper in the circumstances because the indemnitee has met the applicable standard of conduct set forth in the DGCL; nor (ii) an actual determination by the Corporation that the indemnitee has not met such applicable standard of conduct, shall create a presumption that the indemnitee has not met the applicable standard of conduct, or, in the case of such a suit brought by the indemnitee, be a defense to such suit. For the avoidance of doubt, the term Corporation as used in the immediately preceding sentence shall include the Corporation's directors who are not parties to such action, a committee of such directors, independent legal counsel or the Corporation's stockholders. Whether in an action brought by the indemnitee to enforce a right to indemnification or to an advancement of expenses under these bylaws, or in an action brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the burden of proving that the indemnitee is not entitled to be indemnified, or to such advancement of expenses, under this Article VII or otherwise shall be on the Corporation.

Section 7.4 Indemnification Not Exclusive. The provision of indemnification to or the advancement of expenses and costs to any indemnitee under this Article VII, or the entitlement of any indemnitee to indemnification or advancement of expenses and costs under this Article VII, shall not limit or restrict in any way the power of the Corporation to indemnify or advance expenses and costs to such indemnitee in any other way permitted by law. Nor shall the provision of such indemnification or advancement be deemed exclusive of, or invalidate, any right to which any indemnitee seeking indemnification or advancement of expenses and costs may be entitled under any law, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in such indemnitee's capacity as an officer, director, employee or agent of the Corporation and as to action in any other capacity.

Section 7.5 Corporate Obligations; Reliance. The rights granted pursuant to the provisions of this Article VII shall vest at the time a person becomes a director or officer of the Corporation. Such vested rights shall be deemed to create a binding contractual obligation on the part of the Corporation to the persons who from time to time are elected as officers or directors of the Corporation. Persons acting in their capacities as officers or directors of the Corporation or any subsidiary shall be entitled to rely on such provisions of this Article VII without giving notice of their reliance to the Corporation. Such rights shall continue as to an indemnitee who has ceased to be a director or officer and shall inure to the benefit of the indemnitee's heirs, executors and administrators. Any amendment, alteration or repeal of this Article VII that adversely affects any right of an indemnitee or its successors shall be prospective only. Any such amendment, alteration or repeal shall not limit, eliminate or impair any such right with respect to any proceeding involving any occurrence or alleged occurrence of any action or omission to act that took place prior to such amendment or repeal.

Section 7.6 Insurance. At its expense, the Corporation may maintain insurance to protect itself and any director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or

loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the DGCL.

Section 7.7 Indemnification of Employees and Agents of the Corporation. To the extent authorized from time to time by the Board of Directors, the Corporation may grant rights to indemnification and to the advancement of expenses to any employee or agent of the Corporation to the fullest extent of the provisions of this Article VII with respect to the indemnification and advancement of expenses of directors and officers of the Corporation.

ARTICLE VIII

Miscellaneous

Section 8.1 Fiscal Year. The fiscal year of the Corporation shall be determined by the Board of Directors.

Section 8.2 Seal. The Corporation may have a corporate seal which shall have the name of the Corporation inscribed thereon. The seal shall be in such form as approved from time to time by the Board of Directors. The corporate seal may be used by causing it or a facsimile of the seal to be impressed or affixed or in any other manner reproduced.

Section 8.3 Waiver of Notice of Meetings of Stockholders, Directors and Committees. Whenever notice is required to be given by law or under any provision of the certificate of incorporation or these bylaws, a written waiver of the notice, signed by the person entitled to notice, or a waiver by electronic transmission by the person entitled to notice, whether before or after the time that the notice is given or required to be given, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the stockholders, directors or members of a committee of directors need be specified in any written waiver of notice or any waiver by electronic transmission unless so required by the certificate of incorporation or these bylaws.

Section 8.4 Interested Directors; Quorum. No contract or transaction between the Corporation and one or more of its directors or officers, or between the Corporation and any other corporation, partnership, association or other organization in which one or more of its directors or officers are directors or officers, or have a financial interest, shall be void or voidable solely for this reason, or solely because the director or officer is present at or participates in the meeting of the Board of Directors or committee of the Board of Directors which authorizes the contract or transaction, or solely because such director's or officer's votes are counted for such purpose, if: (1) the material facts as to director's or officer's relationship or interest and as to the contract or transaction are disclosed or are known to the Board or the committee, and the Board or committee in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors, even though the disinterested directors be less than a quorum; or (2) the material facts as to the director's or officer's relationship or interest and as to

the contract or transaction are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the stockholders; or (3) the contract or transaction is fair as to the Corporation as of the time it is authorized, approved or ratified, by the Board, a committee of the Board of Directors or the stockholders. Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board or of a committee which authorizes the contract or transaction.

Section 8.5 Form of Records. Any records maintained by the Corporation in the regular course of its business, including its stock ledger, books of account and minute books, may be kept on, or by means of, or be in the form of, any information storage device, or method. Records so kept must be convertible into clearly legible paper form within a reasonable time. The Corporation shall so convert any records so kept upon the request of any person entitled to inspect such records in accordance with law.

Section 8.6 Amendment of Bylaws. These bylaws may be amended, altered or repealed, and new bylaws adopted, only in the manner set forth in the certificate of incorporation.

Certification of Chief Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities and Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Jesse Singh, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of The AZEK 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 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 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: June 14, 2024

By:

/s/ Jesse Singh

Jesse Singh

Chief Executive Officer
(Principal Executive Officer)

Certification of Chief Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities and Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Peter Clifford, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of The AZEK 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 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: June 14, 2024

By:

/s/ Peter Clifford

Peter Clifford

Chief Financial Officer
(Principal Financial Officer)

Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report on Form 10-Q of The AZEK Company Inc., (the "Company") for the period ended March 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 14, 2024

By:

/s/ Jesse Singh

Jesse Singh

Chief Executive Officer
(Principal Executive Officer)

Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report on Form 10-Q of The AZEK Company Inc., (the "Company") for the period ended March 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 14, 2024

By: _____

/s/ Peter Clifford

Peter Clifford

Chief Financial Officer

(Principal Financial Officer)