Quanex Building Products CORP
Form 10-Q
June 05, 2014

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

FORM 10-Q

(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended April 30, 2014
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 1-33913

QUANEX BUILDING PRODUCTS CORPORATION
(Exact name of registrant as specified in its charter)

DELAWARE	26-1561397
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1800 West Loop South, Suite 1500, Houston, Texas 77027
(Address of principal executive offices and zip code)
Registrant's telephone number, including area code: (713) 961-4600

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 x No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	x	Accelerated filer	¨
Non-accelerated filer	o (Do not check if a smaller reporting company)	Smaller reporting company	¨

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at June 2, 2014
Common Stock, par value $0.01 per share	37,514,676

QUANEX BUILDING PRODUCTS CORPORATION

INDEX

Table of Contents

PART I. FINANCIAL INFORMATION
Item 1. Financial Statements
QUANEX BUILDING PRODUCTS CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	April 30, 2014	October 31, 2013
	(In thousands, except share amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	$126,984	$49,734
Accounts receivable, net of allowance for doubtful accounts of $846 and $481	52,335	59,460
Inventories, net (Note 3)	54,986	41,679
Deferred income taxes (Note 8)	20,502	16,348
Prepaid and other current assets	5,068	4,912
Current assets of discontinued operations (Note 1)	—	64,151
Total current assets	259,875	236,284
Property, plant and equipment, net of accumulated depreciation of $197,233 and $185,269	111,906	106,821
Deferred income taxes (Note 8)	7,004	7,030
Goodwill (Note 4)	72,411	71,866
Intangible assets, net (Note 4)	75,106	78,962
Other assets	5,638	5,572
Non-current assets of discontinued operations (Note 1)	—	65,283
Total assets	$531,940	$571,818
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$42,134	$37,533
Accrued liabilities	31,262	34,810
Income taxes payable (Note 8)	998	—
Current maturities of long-term debt (Note 5)	178	162
Current liabilities of discontinued operations (Note 1)	—	49,364
Total current liabilities	74,572	121,869
Long-term debt (Note 5)	593	701
Deferred pension and postretirement benefits (Note 6)	3,935	3,479
Liability for uncertain tax positions (Note 8)	5,481	5,396
Other liabilities	11,351	14,640
Non-current liabilities of discontinued operations (Note 1)	—	9,539
Total liabilities	95,932	155,624
Commitments and contingencies (Note 9)		
Stockholders' equity:		
Preferred stock, no par value, shares authorized 1,000,000; issued and outstanding - none	—	—
Common stock, $0.01 par value, shares authorized 125,000,000; issued 37,640,432 and 37,653,639, respectively	376	377
Additional paid-in-capital	247,695	247,642

Retained earnings	190,690	177,456
Accumulated other comprehensive loss	(982)	(2,400)
Less: Treasury stock at cost, 125,756 and 488,385 shares, respectively	(1,771)	(6,881)
Total stockholders’ equity	436,008	416,194
Total liabilities and stockholders' equity	$531,940	$571,818

The accompanying notes are an integral part of the financial statements.

1

Table of Contents

QUANEX BUILDING PRODUCTS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS)
(Unaudited)

	Three Months Ended April 30,		Six Months Ended April 30,	
	2014	2013	2014	2013
	(In thousands, except per share amounts)			
Net sales	$135,208	$125,140	$261,587	$231,259
Cost and expenses:				
Cost of sales (excluding depreciation and amortization)	108,649	95,730	204,838	179,025
Selling, general and administrative	20,393	28,202	42,895	52,026
Depreciation and amortization	8,494	9,812	17,038	17,842
Asset impairment charges	500	—	505	—
Operating loss	(2,828)	(8,604)	(3,689)	(17,634)
Non-operating income (expense):				
Interest expense	(143)	(174)	(284)	(294)
Other, net	(22)	9	74	(82)
Loss from continuing operations before income taxes	(2,993)	(8,769)	(3,899)	(18,010)
Income tax benefit	963	1,906	658	5,977
Loss from continuing operations	(2,030)	(6,863)	(3,241)	(12,033)
Income (loss) from discontinued operations, net of tax of $13,481, $(283), $11,902 and $(2,010), respectively	22,161	(485)	19,472	(3,433)
Net income (loss)	$20,131	$(7,348)	$16,231	$(15,466)
Basic earnings (loss) per common share:				
Loss per share from continuing operations	$(0.05)	$(0.19)	$(0.09)	$(0.33)
Earnings (loss) per share from discontinued operations	0.59	(0.01)	0.53	(0.09)
Earnings (loss) per share, basic	$0.54	$(0.20)	$0.44	$(0.42)
Diluted earnings (loss) per common share:				
Loss per share from continuing operations	$(0.05)	$(0.19)	$(0.09)	$(0.33)
Earnings (loss) per share from discontinued operations	0.58	(0.01)	0.52	(0.09)
Earnings (loss) per share, diluted	$0.53	$(0.20)	$0.43	$(0.42)
Weighted-average common shares outstanding:				
Basic	37,217	36,850	37,108	36,830
Diluted	37,838	36,850	37,726	36,830
Cash dividends per share	$0.04	$0.04	$0.08	$0.08

The accompanying notes are an integral part of the financial statements.

Table of Contents

QUANEX BUILDING PRODUCTS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited)

	Three Months Ended April 30,		Six Months Ended April 30,	
	2014	2013	2014	2013
	(In thousands)			
Net income (loss)	$20,131	$(7,348)	$16,231	$(15,466)
Other comprehensive income (loss):				
Foreign currency translation adjustments gain (loss) (pretax)	1,227	(1,227)	1,282	(326)
Foreign currency translation adjustments tax benefit	—	148	14	273
Change in pension from net unamortized gain adjustment (pretax)	—	—	122	—
Other comprehensive income (loss), net of tax	1,227	(1,079)	1,418	(53)
Comprehensive income (loss)	$21,358	$(8,427)	$17,649	$(15,519)

The accompanying notes are an integral part of the financial statements.

Table of Contents

QUANEX BUILDING PRODUCTS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW
(Unaudited)

	Six Months Ended April 30, 2014	2013
	(In thousands)	
Operating activities:		
Net income (loss)	$16,231	$(15,466)
Adjustments to reconcile net income (loss) to cash used for operating activities:		
Depreciation and amortization	20,078	21,196
Stock-based compensation	1,944	3,408
Deferred income tax provision (benefit)	8,128	(8,740)
Excess tax benefit from share-based compensation	(639)	(171)
Asset impairment charges	1,007	—
Gain on sale of discontinued operations	(39,645)	—
Other, net	1,427	778
Changes in assets and liabilities, net of effects from acquisitions and dispositions:		
(Increase) decrease in accounts receivable	3,964	(6,380)
Increase in inventory	(22,834)	(6,267)
(Increase) decrease in other current assets	(583)	1,046
Increase (decrease) in accounts payable	10,127	(4,236)
Decrease in accrued liabilities	(6,234)	(7,468)
Increase in income taxes payable	1,667	1,766
Increase (decrease) in deferred pension and postretirement benefits	297	(1,475)
Increase (decrease) in other long-term liabilities	(3,539)	1,066
Other, net	(2,419)	160
Cash used for operating activities	(11,023)	(20,783)
Investing activities:		
Proceeds from sale of discontinued operations	110,000	—
Acquisitions, net of cash acquired	(5,161)	(22,096)
Capital expenditures	(18,597)	(24,983)
Proceeds from property insurance claim	1,400	—
Proceeds from disposition of capital assets	304	22
Cash provided by (used in) investing activities	87,946	(47,057)
Financing activities:		
Borrowings under credit facility	—	14,500
Repayments of credit facility borrowings	—	(4,500)
Repayments of other long-term debt	(144)	(142)
Common stock dividends paid	(2,989)	(2,964)
Issuance of common stock	2,882	694
Excess tax benefit from share-based compensation	639	171
Debt issuance costs	—	(1,163)
Other	35	—

Cash provided by financing activities	423	6,596
Effect of exchange rate changes on cash and cash equivalents	(96)	(383)
Increase (decrease) in cash and cash equivalents	77,250	(61,627)
Cash and cash equivalents at beginning of period	49,734	71,255
Cash and cash equivalents at end of period	$126,984	$9,628

The accompanying notes are an integral part of the financial statements.

Table of Contents

QUANEX BUILDING PRODUCTS CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(Unaudited)

Six Months Ended April 30, 2014	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total Stockholders' Equity
	(In thousands, no per share amounts shown except in verbiage)					
Balance at October 31, 2013	$377	$247,642	$177,456	$ (2,400)	$(6,881)	$ 416,194
Net income	—	—	16,231	—	—	16,231
Foreign currency translation adjustment (tax benefit of $14)	—	—	—	1,296	—	1,296
Change in pension from net unamortized gain				122		122
Common dividends ($0.08 per share)	—	—	(2,989)	—	—	(2,989)
Stock-based compensation activity:						
Expense related to stock-based compensation	—	1,944	—	—	—	1,944
Stock options exercised	—	(1,095)	—	—	3,977	2,882
Tax benefit from share-based compensation	—	499	—	—	—	499
Restricted stock awards granted	—	(1,133)	—	—	1,133	—
Other	(1)	(162)	(8)	—	—	(171)
Balance at April 30, 2014	$376	$247,695	$190,690	$ (982)	$(1,771)	$ 436,008

The accompanying notes are an integral part of the financial statements.

QUANEX BUILDING PRODUCTS CORPORATION
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of Operations and Basis of Presentation
Quanex Building Products Corporation is a leading component supplier of engineered products such as (1) energy efficient window components that include flexible insulating glass spacers, (2) extruded vinyl profiles, (3) window and door screens, (4) solar panel sealants and (5) precision-formed metal and wood products for original equipment manufacturers (OEMs). Quanex Building Products Corporation serves a primary customer base in North America and also serves customers in international markets through operating plants in the United Kingdom and Germany, as well as through sales and marketing efforts in other countries.
Unless the context indicates otherwise, references to "Quanex", the "Company", "we", "us" and "our" refer to the consolidated business operations of Quanex Building Products Corporation and its subsidiaries.
The accompanying interim condensed consolidated financial statements include the accounts of Quanex Building Products Corporation. All intercompany accounts and transactions have been eliminated in consolidation. These financial statements have been prepared by us, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) have been condensed or omitted pursuant to such rules and regulations. The consolidated balance sheet as of October 31, 2013 was derived from audited financial information, but does not include all disclosures required by U.S. GAAP. The accompanying financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto, included in our Annual Report on Form 10-K for the fiscal year ended October 31, 2013. In our opinion, the accompanying financial statements contain all adjustments (which consist of normal recurring adjustments, except as disclosed herein) necessary to fairly present our financial position, results of operations and cash flows for the interim periods. The results of operations for the periods presented are not necessarily indicative of the results to be expected for the full year or for any future periods.
In preparing financial statements, we make informed judgments and estimates that affect the reported amounts of assets and liabilities as of the date of the financial statements and affect the reported amounts of revenues and expenses during the reporting period. We review our estimates on an on-going basis, including those related to impairment of long lived assets and goodwill, contingencies and income taxes. Changes in facts and circumstances may result in revised estimates and actual results may differ from these estimates.
Discontinued Operations
Prior to April 1, 2014, we had two reportable business segments: (1) Engineered Products and (2) Aluminum Sheet Products. On April 1, 2014, we sold our interest in a limited liability company which held the assets of the Nichols Aluminum business (Nichols), the sole operating segment included in our Aluminum Sheet Products reportable segment, to Aleris International, Inc., a privately held, Delaware corporation which provides aluminum rolled products and extrusions, aluminum recycling and specification aluminum alloy production. We received proceeds of $110.0 million, subject to a working capital adjustment, resulting in a preliminary gain on the transaction of $24.6 million, net of related taxes of $15.1 million. We entered into a transition services agreement to provide certain administrative services to Nichols through May 31, 2014, including information technology support, benefit administration and payroll services.
Nichols represented a significant portion of our assets and operations. We accounted for this sale as a discontinued operation. We revised our financial statements and reclassified the assets and liabilities of Nichols as discontinued operations as of October 31, 2013, and removed the results of operations of Nichols from net income (loss) from continuing operations, and presented separately as income (loss) from discontinued operations, net of taxes, for each of the accompanying condensed consolidated statements of income (loss).
We have included cash held by Nichols as a component of current assets of discontinued operations for the accompanying condensed consolidated balance sheet at October 31, 2013, rather than including this amount as cash and cash equivalents of the consolidated entity at October 31, 2013. For cash flow statement presentation, the sources and uses of cash for Nichols are presented as operating, investing and financing cash flows, as applicable, combined

with such cash flows for continuing operations, as permitted by U.S. GAAP.

We have historically purchased approximately $12.0 million of rolled aluminum product from Nichols annually. We expect to continue to purchase aluminum from Nichols in the normal course of business. We considered whether these aluminum purchases and the services anticipated under the transition services agreement constituted significant continuing involvement with Nichols. Since these purchases are in the normal course of business and the services provided are for a relatively short period and are customary for similar transactions, we determined that this involvement was not deemed significant and does not preclude accounting for the transaction as a discontinued operation. Our purchases of aluminum product from Nichols for the three- and six-month periods ended April 30, 2014 and 2013 were $3.3 million and $6.8 million, respectively, and $2.4 million and $7.4 million, respectively.

As of April 30, 2014, we recorded a receivable from Aleris International, Inc. of $3.6 million, of which $0.3 million represented a service fee pursuant to the transition services agreement, and $3.3 million represented reimbursable costs, primarily payroll funding. In addition, we recorded accrued liabilities of $4.2 million related to the transaction, a portion of which related to a property casualty claim resulting from a fire in November 2013, and an estimate of liability pursuant to the working capital adjustment expected to be settled during the third quarter of 2014.

In November 2013, Nichols experienced a fire at its Decatur, Alabama facility, which damaged a cold mill used to roll aluminum sheet to a desired thickness. The loss was insured, subject to a $0.5 million deductible. We capitalized $6.5 million to rebuild the asset, which was returned to service as of March 31, 2014. We incurred cost of $2.3 million associated with this loss, including an impairment of $0.5 million to retire the asset, moving costs, outside service costs, clean-up and the deductible. To date, we have received insurance proceeds of $1.4 million. We expect to receive total proceeds of approximately $8.1 million, resulting in an expected gain on involuntary conversion of $5.7 million. We have recorded a receivable of $0.9 million as of April 30, 2014, equal to the loss incurred to date (difference between the expense incurred of $2.3 million and the proceeds received of $1.4 million), as we believe it is probable and estimable that we will receive proceeds at least equal to our loss incurred. We estimate the remaining gain on involuntary conversion at $4.8 million. We expect to recognize this gain during the third quarter of 2014, when and to the extent that insurance proceeds are received, which will result in an increase in income from discontinued operations, net of tax.

The following table presents the assets and liabilities of Nichols as of October 31, 2013:

	October 31, 2013
Current assets:	
Cash and cash equivalents	$2
Accounts receivable, net	39,374
Inventories, net	16,637
Income taxes receivable	2,314
Deferred income taxes	4,123
Prepaid and other current assets	1,701
Current assets of discontinued operations	$64,151
Non-current assets:	
Property, plant and equipment, net	$50,398
Deferred income taxes	6,413
Other assets	8,472
Non-current assets of discontinued operations	$65,283
Current liabilities:	
Accounts payable	$39,367
Accrued liabilities	9,975
Current maturities of long-term debt	22
Current liabilities of discontinued operations	$49,364
Non-current liabilities:	

Long-term debt	$51
Deferred pension and postretirement benefits	233
Non-current environmental reserves	9,255
Non-current liabilities of discontinued operations	$9,539

The following table summarizes the operating results for Nichols for the three-and six-month periods ended April 30, 2014 and 2013:

	Three Months Ended April 30,		Six Months Ended April 30,	
	2014	2013	2014	2013
	(In thousands, except per share amounts)			
Net sales	$63,306	$109,691	$142,797	$194,294
Operating loss	(4,931)	(768)	(9,182)	(5,425)
Loss before income taxes, before gain on sale	(4,003)	(768)	(8,271)	(5,443)
Income tax benefit, before gain on sale	1,584	283	3,163	2,010
Gain on sale, net of tax of $15,065, $0, $15,065 and $0, respectively	24,580	—	24,580	—
Net income (loss)	$22,161	$(485)	$19,472	$(3,433)
Basic earnings (loss) per common share	$0.59	$(0.01)	$0.53	$(0.09)
Diluted earnings (loss) per common share	$0.58	$(0.01)	$0.52	$(0.09)

2. Acquisitions

On December 31, 2013, we acquired certain vinyl extrusion assets of Atrium Windows and Doors, Inc. (Atrium) at a facility in Greenville, Texas, for $5.2 million in cash (Greenville). We accounted for this transaction as a business combination resulting in an insignificant gain on the purchase. We entered into a supply agreement with Atrium related to the products produced at Greenville. We believe this acquisition expands our vinyl extrusion capacity and positions us with a platform from which to better serve our customers in the southern United States.

The purchase price has been allocated to the fair value of the assets acquired and liabilities assumed, as indicated in the table below. This allocation is based on estimates and assumptions that are subject to change within the purchase price allocation period (generally one year from the acquisition date).

	As of Date of Opening Balance Sheet (In thousands)
Net assets acquired:	
Inventories	$161
Prepaid and other current assets	145
Property, plant and equipment	4,695
Intangible assets	290
Deferred income tax liability	(50)
Net assets acquired	$5,241
Consideration:	
Cash, net of cash and cash equivalents acquired	$5,161
Gain recognized on bargain purchase	$80

We used recognized valuation techniques to determine the fair value of the assets and liabilities, including the income approach for customer relationships, with a discount rate that reflects the risk of the expected future cash flows. The gain on bargain purchase of approximately $0.1 million is included in "Other, net" on our condensed consolidated statement of income (loss) for the six months ended April 30, 2014.

Pro forma results of operations were not presented because this acquisition was not deemed to be material to our results of operations for the six months ended April 30, 2014.

Alumco

On December 31, 2012, we acquired substantially all of the assets of Alumco, Inc. and its subsidiaries (Alumco), including its aluminum screen business, for $22.4 million in cash. The purchase agreement contains (1) a working capital clause that provides for an adjustment to the purchase price based on the working capital balance as of the acquisition date and (2) an earn-out clause that provides for the payment of an additional $0.5 million to Alumco contingent upon the achievement of certain financial targets. We received $0.4 million from the prior owner of Alumco pursuant to the working capital clause which reduced the consideration paid from $22.4 million to $22.1 million during the second quarter of 2013. We recorded contingent consideration of $0.3 million as the fair value of the earn-out included in the purchase price. As of October 31, 2013, we determined that the earn-out provision criteria would not be met and decreased expense by $0.3 million.

The purchase price has been allocated to the fair value of the assets acquired and liabilities assumed, as indicated in the table below.

	As of Date of Opening Balance Sheet (In thousands)
Net assets acquired:	
Accounts receivable	$3,638
Inventories	5,062
Prepaid and other current assets	140
Property, plant and equipment	4,682
Intangible assets	8,939
Accounts payable	(2,066)
Accrued liabilities	(993)
Current maturities of long-term debt	(14)
Long-term debt	(77)
Goodwill	2,785
Net assets acquired	$22,096
Consideration:	
Cash, net of cash and cash equivalents acquired	$22,096

We used recognized valuation techniques to determine the fair value of the assets and liabilities, including the income approach for customer relationships, with a discount rate that reflects the risk of the expected future cash flows. The goodwill balance is deductible for tax purposes. We believe that this acquisition expanded our product portfolio and geographic distribution capabilities particularly in the vinyl window segment in the screen market.

The Alumco acquisition was not deemed material to our results of operations for the six months ended April 30, 2013. Therefore, we have not presented pro forma results of operations.

3. Inventories

Inventories consisted of the following at April 30, 2014 and October 31, 2013:

	April 30, 2014	October 31, 2013
	(In thousands)	
Raw materials	$31,653	$26,201

Finished goods and work in process	27,446	19,767
Supplies and other	999	751
Total	60,098	46,719
Less: Inventory reserves	5,112	5,040
Inventories, net	$54,986	$41,679

Fixed costs related to excess manufacturing capacity, if any, have been expensed in the period they were incurred and, therefore, are not capitalized into inventory.

Table of Contents

Our inventories at April 30, 2014 and October 31, 2013 were valued using the following costing methods:

	April 30, 2014	October 31, 2013
	(In thousands)	
LIFO	$4,316	$2,090
FIFO	50,670	39,589
Total	$54,986	$41,679

During interim periods, we estimate a LIFO reserve based on our expectations of year-end inventory levels and costs. If our calculations indicate that an adjustment at year-end will be required, we record a proportionate share of this amount during the period. At year-end, we calculate the actual LIFO reserve and record an adjustment for the difference between the annual calculation and any estimates recognized during the interim periods. Because the interim projections are subject to many factors beyond our control, the results could differ significantly from the year-end LIFO calculation. We recorded no interim LIFO allocation for the three- and six-month periods ended April 30, 2014 and 2013.

For inventories valued under the LIFO method, replacement cost exceeded the LIFO value by approximately $1.5 million as of April 30, 2014 and October 31, 2013.

4. Goodwill and Intangible Assets

Goodwill

The change in the carrying amount of goodwill for the six months ended April 30, 2014 was as follows:

	Six Months Ended April 30, 2014
	(In thousands)
Beginning balance as of November 1, 2013	$71,866
Foreign currency translation adjustment	545
Balance as of the end of the period	$72,411

Identifiable Intangible Assets

Amortizable intangible assets consisted of the following as of April 30, 2014 and October 31, 2013:

	April 30, 2014		October 31, 2013	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
	(In thousands)			
Customer relationships	$53,351	$17,747	$52,793	$15,630
Trademarks and trade names	44,910	19,033	44,576	17,498
Patents and other technology	25,460	12,345	25,390	11,319
Other	1,392	882	1,392	742
Total	$125,113	$50,007	$124,151	$45,189

Included in intangible assets as of April 30, 2014 were customer relationships of $0.3 million associated with the Greenville acquisition. These assets have estimated useful lives of 5 years. See Note 2, "Acquisitions", included herewith.

For the three- and six-month periods ended April 30, 2014 and 2013, we had aggregate amortization expense of $2.3 million and $4.6 million, respectively, and $2.2 million and $4.4 million, respectively.

10

Table of Contents
QUANEX BUILDING PRODUCTS CORPORATION
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

Estimated remaining amortization expense, assuming current intangible balances and no new acquisitions, for each of the fiscal years ending October 31, was as follows (in thousands):

	Estimated Amortization Expense
2014 (remaining six months)	$4,560
2015	9,003
2016	8,732
2017	8,626
2018	8,371
Thereafter	35,814
Total	$75,106

5. Debt and Capital Lease Obligations

Debt consisted of the following at April 30, 2014 and October 31, 2013:

	April 30, 2014	October 31, 2013
	(In thousands)	
Revolving Credit Facility	$—	$—
City of Richmond, Kentucky Industrial Building Revenue Bonds	600	700
Capital lease obligations	171	163
Total debt	771	863
Less: Current maturities of long-term debt	178	162
Long-term debt	$593	$701

On January 28, 2013, we entered into a Senior Unsecured Revolving Credit Facility (the Credit Facility) that has a five-year term and permits aggregate borrowings at any time of up to $150 million, with a letter of credit sub-facility, a swing line sub-facility and a multi-currency sub-facility. Borrowings denominated in U.S. dollars bear interest at a spread above the London Interbank Borrowing Rate (LIBOR) or a base rate derived from the prime rate. Foreign denominated borrowings would bear interest at a spread above the LIBOR applicable to such currencies. Subject to customary conditions, we may request that the aggregate commitments under the Credit Facility be increased by up to $100 million, with total commitments not to exceed $250 million. The Credit Facility replaced our previous senior unsecured revolving credit facility (the Retired Facility) that was scheduled to expire on April 23, 2013.

The Credit Facility requires us to comply with certain financial covenants, the terms of which are defined therein. Specifically, we must not permit, on a quarterly basis, our ratio of consolidated EBITDA to consolidated interest expense as defined (Minimum Interest Coverage Ratio), to fall below 3.00:1 or our ratio of consolidated funded debt to consolidated EBITDA, as defined (Maximum Consolidated Leverage Ratio), to exceed 3.25:1. The Maximum Consolidated Leverage Ratio is the ratio of consolidated EBITDA to consolidated interest expense, in each case for the previous four consecutive fiscal quarters. EBITDA is defined by the indenture to include pro forma EBITDA of acquisitions and to exclude certain items such as goodwill and intangible asset impairments and certain other non-cash charges and non-recurring items. Subject to our compliance with the covenant requirements, the amount available under the Credit Facility is a function of: (1) our trailing twelve-month EBITDA; (2) the Minimum Interest Coverage Ratio and Maximum Consolidated Leverage Ratio allowed under the Credit Facility; and (3) the aggregate amount of our outstanding debt and letters of credit. As of April 30, 2014, we were in compliance with the financial covenants set forth in the Credit Facility.

As of April 30, 2014, the amount available to us for use under the Credit Facility was limited to $143.0 million and we had outstanding letters of credit of $6.2 million. For the six-month period ended April 30, 2014, we did not borrow any amounts under the Credit Facility, and thus had no outstanding borrowings at April 30, 2014. Our current borrowing rate under the Credit Facility was 3.25% and 1.20% for the swing-line sub facility and the revolver, respectively, at April 30, 2014. As of October 31, 2013, the amount available to us for use under the Credit Facility was limited to $139.0 million and we had outstanding letters of credit of $6.2 million. Our borrowing rate under the Credit Facility was 3.25% and 1.20% for the swing-line sub facility and the revolver, respectively, at October 31, 2013.

Table of Contents
QUANEX BUILDING PRODUCTS CORPORATION
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

Prior to January 28, 2013, we maintained a $270.0 million senior unsecured revolving credit facility (the Retired Facility) which had been executed on April 23, 2008 and was scheduled to mature on April 23, 2013. The Retired Facility provided for up to $50.0 million of standby letters of credit, limited based on availability, as defined. Amounts borrowed under the facility were to bear interest at a spread above LIBOR based on a combined leverage and ratings grid. In addition, the Retired Facility contained restrictive debt covenants, as defined in the indenture, and contained certain limits on additional indebtedness, asset or equity sales and acquisitions. During the period from November 1, 2012 through January 28, 2013, we were in compliance with our debt covenants and did not borrow funds pursuant to the Retired Facility.

6. Retirement Plans

Pension Plan

Our non-contributory, single employer defined benefit pension plan covers substantially all non-union employees. The net periodic pension cost for this plan for the three- and six-month periods ended April 30, 2014 and 2013 was as follows:

	Three Months Ended April 30,		Six Months Ended April 30,
	2014	2013	2014