NCI BUILDING SYSTEMS INC
Form 10-K
December 22, 2014

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

# Form 10-K

(Mark One)

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
**For the fiscal year ended November 2, 2014**

## or

o **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 1-14315**

# NCI BUILDING SYSTEMS, INC.

**(Exact name of registrant as specified in its charter)**

| | |
|---|---|
| Delaware<br>**(State or other jurisdiction of incorporation or organization)** | 76-0127701<br>**(I.R.S. Employer Identification No.)** |
| 10943 North Sam Houston Parkway West, Houston, TX<br>**(Address of principal executive offices)** | 77064<br>**(zip code)** |

# Registrant s telephone number, including area code: (281) 897-7788

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

| Title of Each Class | Name of Each Exchange on Which Registered |
|---|---|
| Common Stock, $0.01 par value | **New York Stock Exchange** |

# Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.Yes o No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.Yes o No x

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 o

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 (§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 o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

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 definition of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

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

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

The aggregate market value of the voting and non-voting common stock held by non-affiliates of the registrant on May 4, 2014, was $472,671,351, which aggregate market value was calculated using the closing sales price reported by the New York Stock Exchange as of the last business day of the registrant s most recently completed second fiscal quarter.

# APPLICABLE ONLY TO CORPORATE ISSUERS

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

The number of shares of common stock of the registrant outstanding on December 17, 2014 was 73,552,346.

# DOCUMENTS INCORPORATED BY REFERENCE

Certain information required by Part III of this Annual Report is incorporated by reference from the registrant s definitive proxy statement for its 2015 annual meeting of shareholders to be filed with the Securities and Exchange Commission within 120 days of November 2, 2014.

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# FORWARD LOOKING STATEMENTS

This Annual Report includes statements concerning our expectations, beliefs, plans, objectives, goals, strategies, future events or performance and underlying assumptions and other statements that are not historical facts. These statements are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Actual results may differ materially from those expressed or implied by these statements. In some cases, our forward-looking statements can be identified by the words anticipate, believe, continue, could, estimate, ex forecast, goal, intend, may, objective, plan, potential, predict, projection, should, will or other based our forward-looking statements on our management s beliefs and assumptions based on information available to our management at the time the statements are made. We caution you that assumptions, beliefs, expectations, intentions and projections about future events may and often do vary materially from actual results. Therefore, we cannot assure you that actual results will not differ materially from those expressed or implied by our forward-looking statements. Accordingly, investors are cautioned not to place undue reliance on any forward-looking information, including any earnings guidance, if applicable. Although we believe that the expectations reflected in the forward-looking statements are reasonable, these expectations and the related statements are subject to risks, uncertainties, and other factors that could cause the actual results to differ materially from those projected. These risks, uncertainties, and other factors include, but are not limited to:

industry cyclicality and seasonality and adverse weather conditions;

challenging economic conditions affecting the nonresidential construction industry;

volatility in the U.S. economy and abroad, generally, and in the credit markets;

ability to service or refinance our existing debt, and ability to obtain future financing, including significant additional debt to finance the acquisition of CENTRIA;

the Company s ability to comply with the financial tests and covenants in its existing and future debt obligations;

operational limitations or restrictions in connection with our debt;

recognition of asset impairment charges;

commodity price increases and/or limited availability of raw materials, including steel;

the ability to make strategic acquisitions accretive to earnings;

retention and replacement of key personnel;

enforcement and obsolescence of intellectual property rights;

fluctuations in customer demand;

costs related to environmental clean-ups and liabilities;

competitive activity and pricing pressure;

increases in energy prices;

the volatility of the Company s stock price;

the dilutive effect on the Company s common stockholders of potential future sales of the Company s Common Stock held by our sponsor;

substantial governance and other rights held by our sponsor;

breaches of our information system security measures and damage to our major information management systems;

hazards that may cause personal injury or property damage, thereby subjecting us to liabilities and possible losses, which may not be covered by insurance;

changes in laws or regulations, including the Dodd Frank Act;

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our ability to consummate the acquisition of CENTRIA on a timely basis, or at all;

our ability to integrate the acquisition of CENTRIA with the Company s business and to realize the anticipated benefits of such acquisition;

costs and other effects of legal and administrative proceedings, settlements, investigations, claims and other matters; and

other risks detailed under the caption Risk Factors in Item 1A of this report.

A forward-looking statement may include a statement of the assumptions or bases underlying the forward-looking statement. We believe that we have chosen these assumptions or bases in good faith and that they are reasonable. However, we caution you that assumed facts or bases almost always vary from actual results, and the differences between assumed facts or bases and actual results can be material, depending on the circumstances. When considering forward-looking statements, you should keep in mind the risk factors and other cautionary statements in this report, including those described under the caption Risk Factors in Item 1A of this report. We expressly disclaim any obligations to release publicly any updates or revisions to these forward-looking statements to reflect any changes in our expectations unless the securities laws require us to do so.

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# PART I

## Item 1. *Business.*

## General

NCI Building Systems, Inc. (together with its subsidiaries, unless the context requires otherwise, the Company, we, us or our ) is one of North America s largest integrated manufacturers and marketers of metal products for the nonresidential construction industry. Of the $201 billion nonresidential construction industry, we primarily serve the low-rise nonresidential construction market (five stories or less) which, according to FW Dodge/McGraw-Hill represented approximately 85% of the total nonresidential construction industry during our fiscal year 2014. Our broad range of products are used in repair, retrofit and new construction activities, primarily in North America.

We provide metal coil coating services for commercial and construction applications, servicing both internal and external customers. We design, engineer, manufacture and market what we believe is one of the most comprehensive lines of metal components and engineered building systems in the industry, with a reputation for high quality and superior engineering and design. We go to market with well-recognized brands, which allow us to compete effectively within a broad range of end-user markets including industrial, commercial, institutional and agricultural. Our service versatility allows us to support the varying needs of our diverse customer base, which includes general contractors and sub-contractors, developers, manufacturers, distributors and a current network of over 3,200 authorized builders across North America in our engineered building systems segment.

We are comprised of a family of companies operating 39 manufacturing facilities spanning the United States and Mexico, with additional sales and distribution offices throughout the United States and Canada. Our broad geographic footprint along with our hub-and-spoke distribution system allows us to efficiently supply a broad range of customers with high quality customer service and reliable deliveries.

The Company was founded in 1984 and reincorporated in Delaware in 1991. In 1998, we acquired Metal Building Components, Inc. ( MBCI ) and doubled our revenue base. As a result of the acquisition of MBCI, we became the largest domestic manufacturer of nonresidential metal components. In 2006, we acquired Robertson-Ceco II Corporation ( RCC ) which operates the Ceco Building Systems, Star Building Systems and Robertson Building Systems divisions and is a leader in the metal buildings industry. The RCC acquisition created an organization with greater product and geographic diversification, a stronger customer base and a more extensive distribution network than either company had individually, prior to the acquisition. In 2012, we completed the acquisition of Metl-Span LLC, a Texas limited liability company ( Metl-Span ). Metl-Span, prior to the completion of certain operational integration activities, operated five manufacturing facilities in the United States serving the nonresidential building products market with cost-effective and energy efficient insulated metal wall and roof panels. This transaction strengthened our position as a leading fully integrated supplier to the nonresidential building products industry in North America, providing our customers a comprehensive suite of building products.

In November 2014, we entered into a definitive agreement with CENTRIA, a Pennsylvania general partnership, to purchase CENTRIA for $245 million in cash. CENTRIA is a leader in the design, engineering and manufacturing of architectural insulated metal panel ( IMP ) wall and roof systems and a provider of integrated coil coating services for the nonresidential construction industry. CENTRIA operates four production facilities in the United States, 36 satellite sales locations and a new manufacturing facility in China. To fund this acquisition, we expect to incur $250 million of indebtedness. The transaction is subject to customary closing conditions and regulatory clearance and is expected to close during our first quarter of fiscal 2015.

The metal coil coating, metal components and engineered building systems businesses, and the construction industry in general, are seasonal in nature. Sales normally are lower in the first half of each fiscal year compared to the second half of the fiscal year because of unfavorable weather conditions for construction and typical business planning cycles affecting construction.

The nonresidential construction industry is highly sensitive to national and regional macroeconomic conditions. One of the primary challenges we face is that the United States economy is slowly recovering from a recession and a period of relatively low nonresidential construction activity, which began in the third quarter of 2008 and reduced demand for our products and adversely affected our business. In addition, the tightening of credit in financial markets over the same period adversely affected the ability of our customers to obtain financing for construction projects. As a result, we experienced a decrease in orders and cancellations of orders for our products. While economic growth has either resumed or remained flat, the nonresidential construction industry continues to be below previous cyclical troughs.

When assessing the state of the metal construction market, we review information from various industry associations, third-party research, and various government reports such as industrial production and capacity utilization. One such industry association is the Metal Building Manufacturers Association ( MBMA ), which provides summary member sales information and promotes the design and construction of metal buildings and metal roofing systems. Another is McGraw-Hill Construction Information Group ( McGraw-Hill Construction ), which we review for information regarding actual and forecasted growth in various construction related industries, including the overall nonresidential construction market. McGraw-Hill Construction s nonresidential construction forecast for calendar 2014, published in October 2014, indicates an expected increase of 5% in square footage as compared to the prior calendar year. This represented a decrease in the 2014 forecast published in August, which indicated an expected increase of 8% in square footage as compared to 2013. In calendar 2015, activity is expected to increase compared to calendar 2014, with an expected increase of 11% in square footage. Additionally, we review the American Institute of Architects ( AIA ) survey for inquiry and billing activity for the industrial, commercial and institutional sectors. The AIA s architectural billings index ( ABI ) is a closely watched metric, as billings growth for architecture services generally leads to construction spending growth in the following 9 to 12 months. An ABI reading above 50 indicates an increase in month-to-month seasonally adjusted billings and a reading below 50 indicates a decrease in month-to-month seasonally adjusted billings. AIA s ABI published for October 2014 was above 50 at 53.7 and the mixed use component of the index was at 54.1 for October 2014. The mixed use component of the index represents an improvement over October 2013, when the index was 53.0.

On October 20, 2009, we completed a financial restructuring that resulted in a change of control of the Company. As part of the restructuring, Clayton, Dubilier & Rice Fund VIII, L.P. and CD&R Friends & Family Fund VIII, L.P. (together, the CD&R Funds ), purchased an aggregate of 250,000 shares of a newly created class of our convertible preferred stock, designated the Series B Cumulative Convertible Participating Preferred Stock (the Convertible Preferred Stock, and shares thereof, the Preferred Shares ), then representing approximately 68.4% of the voting power and common stock of the Company on an as-converted basis (the Equity Investment ). Under the terms of the Certificate of Designations, Preferences and Rights of Series B Cumulative Convertible Participating Preferred Stock (the Certificate of Designations ), as initially adopted in October 2009, we were contractually obligated to pay quarterly dividends to the CD&R Funds, subject to certain dividend knock-out provisions.

On May 2, 2012, we entered into an Amended Asset-Based Lending Facility ( Amended ABL Facility ) to (i) permit the acquisition of Metl-Span, the entry by the Company into the Credit Agreement and the incurrence of debt thereunder and the repayment of existing indebtedness under NCI s existing Term Loan, (ii) increase the amount available for borrowing thereunder to $150 million (subject to a borrowing base), (iii) increase the amount available for letters of credit thereunder to $30 million, and (iv) extend the final maturity thereunder to May 2, 2017.

On May 8, 2012, we entered into an Amendment Agreement (the Amendment Agreement ) with the CD&R Funds to eliminate our quarterly dividend obligation with respect to the Preferred Shares, which does not preclude the payment of contingent default dividends. The Amendment Agreement provided for the Certificate of Designations to be amended to terminate the dividend obligation from and after March 15, 2012 (the Dividend Knock-out ). On July 5, 2012, the Company filed an Amended and Restated Certificate of Designations with the Secretary of State for the state of Delaware effecting the elimination of the quarterly obligation on the Preferred Shares.

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As consideration for the Dividend Knock-out, the CD&R Funds received a total of 37,834 additional shares of Convertible Preferred Stock, representing (i) approximately $6.5 million of dividends accrued from March 15, 2012 through May 18, 2012 (20 trading days after April 20, 2012, on which date the dividend knock-out measurement period commenced) and (ii) approximately $31.4 million in additional liquidation preference of Convertible Preferred Stock, or 10% of the approximate total $313.7 million of accreted value as of May 18, 2012. Upon the closing of the transactions in the Amendment Agreement, the CD&R Funds held Convertible Preferred Stock with an aggregate liquidation preference and accrued dividends of approximately $345 million. The Convertible Preferred Stock and accrued dividends entitle the funds managed by CD&R to receive approximately 54.1 million shares of Common Stock, representing 72.7% of the voting power and Common Stock of the Company on an as-converted basis.

On June 22, 2012, we completed the acquisition of Metl-Span ( the Metl-Span Acquisition ) acquiring all of its outstanding membership interests for approximately $145.7 million in cash, which includes $4.7 million of cash acquired. Upon the closing of the Metl-Span Acquisition, Metl-Span became a direct, wholly-owned subsidiary of NCI Group, Inc. Metl-Span s operations are now conducted through NCI Group, Inc. and its results are included in the results of our metal components segment. The Metl-Span Acquisition has strengthened our position as a leading fully integrated supplier to the nonresidential building products industry in North America, providing our customers a comprehensive suite of building products.

On June 22, 2012, in connection with the Metl-Span Acquisition, the Company entered into a Credit Agreement (the Credit Agreement ) among the Company, as Borrower, Credit Suisse AG, Cayman Islands Branch, as Administrative Agent and Collateral Agent and the lenders party thereto. The Credit Agreement provided for a term loan credit facility in an aggregate principal amount of $250.0 million. Proceeds from borrowings under the Credit Agreement were used, together with cash on hand, (i) to finance the Metl-Span Acquisition, (ii) to extinguish the existing amended and restated credit agreement, due April 2014 (the Refinancing ), and (iii) to pay fees and expenses incurred in connection with the Metl-Span Acquisition and the Refinancing.

On May 14, 2013, the CD&R Funds delivered a formal notice requesting the conversion of all of their Preferred Shares into shares of our Common Stock (the Conversion ). In connection with the Conversion request, we issued the CD&R Funds 54,136,817 shares of our Common Stock, representing 72.4% of the Common Stock of the Company then outstanding. Under the terms of the Preferred Shares, no consideration was required to be paid by the CD&R Funds to the Company in connection with the Conversion of the Preferred Shares. As a result of the Conversion, the CD&R Funds no longer have rights to dividends or default dividends as specified in the Certificate of Designations. The Conversion eliminated all the outstanding Convertible Preferred Stock and increased stockholders equity by nearly $620.0 million, returning our stockholders equity to a positive balance during fiscal 2013.

On June 24, 2013, the Company entered into Amendment No. 1 (the Amendment ) to its existing Credit Agreement (the Credit Agreement ), dated as of June 22, 2012, between NCI, as borrower, and Credit Suisse AG, Cayman Islands Branch, as administrative agent and collateral agent and the other financial institutions party thereto from time to time (the Term Loan Facility ), primarily to extend the maturity date and reduce the interest rate applicable to all of the outstanding term loans under the Term Loan Facility.

Pursuant to the Amendment, the maturity date of the $238 million of outstanding term loans (the Initial Term Loans ) was extended and such loans were converted into a new tranche of term loans (the Tranche B Term Loans ) that will mature on June 24, 2019 and, prior to such date, will amortize in nominal quarterly installments equal to one percent of the aggregate initial principal amount thereof per annum. Pursuant to the Amendment, the Tranche B Term Loans will bear interest at a floating rate measured by reference to, at NCI s option, either (i) an adjusted LIBOR not less than 1.00% plus a borrowing margin of 3.25% per annum or (ii) an alternate base rate plus a borrowing margin of 2.25% per annum.

On January 15, 2014, the CD&R Funds completed a registered underwritten offering, in which the CD&R Funds offered 8.5 million shares of Common Stock at a price to the public of $18.00 per share (the Secondary Offering ). The underwriters also exercised their option to purchase 1.275 million additional shares of Common Stock. The aggregate offering price for the 9.775 million shares sold in the Secondary Offering was approximately $167.6 million, net of underwriting discounts and commissions. The

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CD&R Funds received all of the proceeds from the Secondary Offering and no shares in the Secondary Offering were sold by NCI or any of its officers or directors (although certain of our directors are affiliated with the CD&R Funds).

On January 6, 2014, NCI entered into an agreement with the CD&R Funds to repurchase 1.15 million shares of its Common Stock at the price per share equal to the price per share paid by the underwriters to the CD&R Funds in the underwritten offering (the Stock Repurchase ). The Stock Repurchase, which was completed at the same time as the Secondary Offering, represented a private, non-underwritten transaction between NCI and the CD&R Funds that was approved and recommended by the Affiliate Transactions Committee of NCI s board of directors. Following completion of the Stock Repurchase, NCI canceled the shares repurchased from the CD&R Funds, resulting in a $19.7 million decrease in both additional paid in capital and treasury stock.

Our principal offices are located at 10943 North Sam Houston Parkway West, Houston, Texas 77064, and our telephone number is (281) 897-7788.

We file annual, quarterly and current reports and other information with the Securities and Exchange Commission (the SEC ). Our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, along with any amendments to those reports, are available free of charge at our corporate website at *http://www.ncigroup.com* as soon as practicable after such material is electronically filed with, or furnished to, the SEC. In addition, our website includes other items related to corporate governance matters, including our corporate governance guidelines, charters of various committees of our board of directors and the code of business conduct and ethics applicable to our employees, officers and directors. You may obtain copies of these documents, free of charge, from our corporate website. However, the information on our website is not incorporated by reference into this Form 10-K.

# Operating Segments

Operating segments are defined as components of an enterprise that engage in business activities and by which discrete financial information is available that is evaluated on a regular basis by the chief operating decision maker to make decisions about how to allocate resources to the segment and assess the performance of the segment. We have three operating segments: metal coil coating; metal components; and engineered building systems. All operating segments operate primarily in the nonresidential construction market. Sales and earnings are influenced by general economic conditions, the level of nonresidential construction activity, metal roof repair and retrofit demand and the availability and terms of financing available for construction. Our operating segments are vertically integrated and benefit from similar basic raw materials. The metal coil coating segment consists of cleaning, treating, painting and slitting continuous steel coils before the steel is fabricated for use by construction and industrial users. The metal components segment products include metal roof and wall panels, doors, metal partitions, metal trim, insulated panels and other related accessories. Metl-Span is included in the metal components segment. The engineered building systems segment includes the manufacturing of main frames, Long Bay® Systems and value-added engineering and drafting, which are typically not part of metal components or metal coil coating products or services. The manufacturing and distribution activities of our segments are effectively coupled through the use of our nationwide hub-and-spoke manufacturing and distribution system, which supports and enhances our vertical integration. The operating segments follow the same accounting policies used for our consolidated financial statements.

We evaluate a segment s performance based primarily upon operating income before corporate expenses. Intersegment sales are recorded based on standard material costs plus a standard markup to cover labor and overhead and consist of: (i) hot-rolled, light gauge painted, and slit material and other services provided by the metal coil coating segment to both the metal components and engineered building systems segments; (ii) building components provided by the metal components segment to the engineered building systems segment; and (iii) structural framing provided by the engineered building systems segment to the metal components segment.

Corporate assets consist primarily of cash but also include deferred financing costs, deferred taxes and property, plant and equipment associated with our headquarters in Houston, Texas. These items (and income and expenses related to these items) are not allocated to the operating segments. Corporate unallocated expenses include share-based compensation expenses, and executive, legal, finance, tax, treasury, human

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resources, information technology, purchasing, marketing and corporate travel expenses. Additional unallocated expenses include interest income, interest expense, debt extinguishment costs and other (expense) income.

Our total sales, external sales, operating income (loss) and total assets attributable to these operating segments were as follows for the fiscal years indicated (in thousands):

| | 2014 | % | 2013 | % | 2012 | % |
|---|---|---|---|---|---|---|
| Total sales: | | | | | | |
| Metal coil coating | **$246,582** | 18 | $222,064 | 17 | $210,227 | 18 |
| Metal components | **694,858** | 51 | 663,094 | 51 | 534,853 | 46 |
| Engineered building systems | **669,843** | 49 | 655,767 | 50 | 643,473 | 56 |
| Intersegment sales | **(240,743 )** | (18 ) | (232,530 ) | (18 ) | (234,543 ) | (20 ) |
| Total net sales | **$1,370,540** | 100 | $1,308,395 | 100 | $1,154,010 | 100 |
| External sales: | | | | | | |
| Metal coil coating | **$113,602** | 8 | $92,970 | 7 | $81,106 | 7 |
| Metal components | **607,594** | 45 | 581,772 | 44 | 446,720 | 39 |
| Engineered building systems | **649,344** | 47 | 633,653 | 49 | 626,184 | 54 |
| Total net sales | **$1,370,540** | 100 | $1,308,395 | 100 | $1,154,010 | 100 |
| Operating income (loss): | | | | | | |
| Metal coil coating | **$23,982** | | $24,027 | | $22,322 | |
| Metal components | **33,306** | | 36,167 | | 34,147 | |
| Engineered building systems | **32,525** | | 23,405 | | 37,596 | |
| Corporate | **(64,717 )** | | (64,411 ) | | (62,376 ) | |
| Total operating income | **$25,096** | | $19,188 | | $31,689 | |
| Unallocated other expense | **(12,421 )** | | (40,927 ) | | (22,692 ) | |
| Income (loss) before income taxes | **$12,675** | | $(21,739 ) | | $8,997 | |
| Total assets as of fiscal year end 2014, 2013 and 2012: | | | | | | |
| Metal coil coating | **$84,519** | 11 | $71,118 | 9 | $60,169 | 8 |
| Metal components | **365,874** | 48 | 380,488 | 49 | 381,028 | 51 |
| Engineered building systems | **209,281** | 28 | 199,551 | 26 | 214,227 | 29 |
| Corporate | **99,009** | 13 | 129,106 | 16 | 96,060 | 12 |
| Total assets | **$758,683** | 100 | $780,263 | 100 | $751,484 | 100 |

## Metal Coil Coating.

*Products.* Metal coil coating consists of cleaning, treating and painting various flat-rolled metals, in coil form, as well as slitting and/or embossing the metal, before the metal is fabricated for use by various industrial users. Light gauge and heavy gauge metal coils that are painted, either for decorative or corrosion protection purposes, are utilized in the building industry by manufacturers of metal components and engineered building systems. In addition, these painted metal coils are utilized by manufacturers of other products, such as water heaters, lighting fixtures, ceiling grids, HVAC and appliances. We clean, treat and coat both heavy gauge (hot-rolled) and light gauge metal coils for our other operating segments and for third party customers, who utilize them in a variety of applications, including construction products, heating and air conditioning systems, water heaters, lighting fixtures, ceiling grids, office furniture, appliances and other products. We provide toll coating services under which the customer provides the metal coil and we provide only the coil coating process. We also provide a painted metal package under which we sell both the metal coil and the coil coating service together.

We believe that pre-painted metal coils provide manufacturers with a higher quality, environmentally cleaner and more cost-effective solution to operating their own in-house painting operations. Pre-painted metal coils also offer manufacturers the opportunity to produce a broader and more aesthetically pleasing range of products.

*Manufacturing.* We currently operate six metal coil coating facilities located in six U.S. states. Two of our facilities coat hot-rolled, heavy gauge metal coils and four of our facilities coat light gauge metal coils. In January 2013, we began commercial operations at our Middletown, Ohio coating facility. This facility was acquired in 2010 and remained idle until we determined that it was needed to support the growth of our business. Additional capital expenditures were invested to meet our purposes and required efficiencies prior to opening the facility.

Our coil coating processes have multiple stages. In the first stage, the metal surface is cleaned and a chemical pretreatment is applied. The pretreatment is designed to promote adhesion of the paint system and enhance the corrosion resistance of the metal. After the pretreatment stage, a paint system is roll-applied to the metal surface, then baked at a high temperature to cure the coating and achieve a set of physical properties that not only make the metal more attractive, but also allows it to be formed into a manufactured product, all while maintaining the integrity of the paint system so that it can endure the final end use requirements. After the coating system has been cured, the metal substrate is rewound into a finished metal coil and packaged for shipment. Slitting and embossing processes can also be performed on the finished coil in accordance with customer specifications, prior to shipment.

*Sales, Marketing and Customers.* We process metal coils to supply substantially all the coating requirements of our own metal components and engineered building systems operating segments. We also process metal coils to supply external customers in a number of different industries.

We market our metal coil coating products and processes under the brand names Metal Coaters and Metal Prep . Each of our metal coil coating facilities has an independent sales staff.

We sell our products and processes principally to original equipment manufacturer customers who utilize pre-painted metal, including other manufacturers of engineered building systems and metal components. Our customer base also includes steel mills, metal service centers and painted coil distributors who in-turn supply various manufacturers of engineered building systems, metal components, lighting fixtures, ceiling grids, water heaters, appliances and other manufactured products. During fiscal 2014, the largest customer of our metal coil coating segment accounted for less than 2% of our total consolidated sales and external sales of our metal coil coating segment represented 8.3% of total consolidated sales for that year.

## Metal Components.

*Products.* Metal components include metal roof and wall systems, metal partitions, metal trim, doors and other related accessories. These products are used in new construction and in repair and retrofit applications for industrial, commercial, institutional, agricultural and rural uses. Metal components are used in a wide variety of construction applications, including purlins and girts, roofing, standing seam roofing, walls, doors, trim and other parts of traditional buildings, as well as in architectural applications and engineered building systems. Purlins and girts are medium gauge, roll-formed steel components, which builders use for secondary structural framing. Although precise market data is limited, we estimate the metal components market including roofing applications to be a multi-billion dollar market. We believe that metal products have gained and continue to gain a greater share of new construction and repair and retrofit markets due to increasing acceptance and recognition of the benefits of metal products in building applications.

Our metal components consist of individual components, including secondary structural framing, metal roof and wall systems and associated metal trims. We sell directly to contractors or end users for use in the building industry, including the construction of metal buildings. We also stock and market metal component parts for use in the maintenance and repair of existing buildings. Specific component products we manufacture include metal roof and wall systems, purlins, girts, partitions, header panels and related trim and screws. We are continuously developing and marketing new products such as our Eco-ficient™ panel systems, Soundwall™, Nu-Roof™ system and Energy Star cool roofing. We believe we offer the widest selection of metal components in the building industry. We custom produce purlins and girts for our customers and offer one of the widest selections of sizes and profiles in the United States. Metal roof and wall systems protect the rest of the structure and the contents of the building from the weather. They may also contribute to the structural integrity of the building.

Metal roofing systems have several advantages over conventional roofing systems, including the following:

*Lower life cycle cost.* The total cost over the life of metal roofing systems is lower than that of conventional roofing systems for both new construction and retrofit roofing. For new construction, the cost of installing metal roofing is greater than the cost of conventional roofing. Yet, the longer life and lower maintenance costs of metal roofing make the cost more attractive. For retrofit roofing, although installation costs are higher for metal roofing due to the need for a sloping support system, over time the lower ongoing costs more than offset the initial cost.

*Increased longevity.* Metal roofing systems generally last for a minimum of 20 years without requiring major maintenance or replacement. This compares to five to ten years for conventional roofs. The cost of leaks and roof failures associated with conventional roofing can be very high, including damage to building interiors and disruption of the functional usefulness of the building. Metal roofing prolongs the intervals between costly and time-consuming repair work.

*Attractive aesthetics and design flexibility.* Metal roofing systems allow architects and builders to integrate colors and geometric design into the roofing of new and existing buildings, providing an increasingly fashionable means of enhancing a building s aesthetics. Conventional roofing material is generally tar paper or a gravel surface, and building designers tend to conceal roofs made with these materials.

Our metal roofing products are attractive and durable. We use standing seam roof technology to replace traditional built-up and single-ply roofs as well as to provide a distinctive look to new construction.

*Manufacturing.* We currently operate 25 facilities in 13 states used for manufacturing of metal components for the nonresidential construction industry, including three facilities for our door operations and seven facilities for our insulated panel systems.

Metal component products are roll-formed or fabricated at each plant using roll-formers and other metal working equipment. In roll-forming, pre-finished coils of steel are unwound and passed through a series of progressive forming rolls that form the steel into various profiles of medium-gauge structural shapes and light-gauge roof and wall panels.

*Sales, Marketing and Customers.* We are one of the largest domestic suppliers of metal components to the nonresidential building industry. We design, manufacture, sell and distribute one of the widest selections of components for a variety of new construction applications as well as for repair and retrofit uses.

We manufacture and design metal roofing systems for sales to regional metal building manufacturers, general contractors and subcontractors. We believe we have the broadest line of standing seam roofing products in the building industry. In addition, we have granted 21 non-exclusive, on-going license agreements to 18 companies, both domestic and international, relating to our standing seam roof technology.

These licenses, for a fee, are provided with MBCI s technical know-how relating to the marketing, sales, testing, engineering, estimating, manufacture and installation of the licensed product. The licensees buy their own roll forming equipment to manufacture the roof panels and typically buy accessories for the licensed roof system from MBCI.

We estimate that metal roofing currently accounts for less than 10% of total roofing material volume. However, metal roofing accounts for a significant portion of the overall metal components market. As a result, we believe that significant opportunities exist for metal roofing, with its advantages over conventional roofing materials, to increase its overall share of this market.

One of our strategic objectives and a major part of our green initiative is to expand our insulated panel product lines which are increasingly desirable because of their energy efficiency, noise reduction and aesthetic qualities. We completed the acquisition of Metl-Span on June 22, 2012. Metl-Span operates seven manufacturing facilities in the United States serving the nonresidential building products market with cost-effective and energy efficient insulated metal wall and roof panels. This transaction strengthened our position as a leading fully integrated supplier to the nonresidential building products industry in

North America, providing our customers a comprehensive suite of building products. In fiscal 2014 and 2013, Metl-Span, after completion of certain operational integration activities, contributed revenue of $195.2 million and $189.5 million, respectively, and contributed operating income of $8.5 million and $13.3 million, respectively. For the period from June 22, 2012 to October 28, 2012, Metl-Span contributed revenue and operating income of $64.0 million and $4.7 million, respectively. We retooled one facility in Jackson, Mississippi and another facility in Mattoon, Illinois to manufacture insulated panels and these facilities are now operational. One previously idled facility was retooled to produce an architectural line for insulated metal panels and became operational in early 2014.

Our green initiative enables us to capitalize on increasing consumer preferences for environmentally-friendly construction. We believe this will allow us to further service the needs of our existing customer base and to gain new customers. For more information about our green initiatives, see Business Strategy.

We sell metal components directly to regional manufacturers, contractors, subcontractors, distributors, lumberyards, cooperative buying groups and other customers under the brand names MBCI , American Building Components ( ABC ), Eco-ficient , Metl-Span and Metal Depots. In addition to metal roofing systems, we manufacture roll-up do and sell interior and exterior walk doors for use in the self-storage industry and metal and other buildings. Roll-up doors, interior and exterior doors, interior partitions and walls, header panels and trim are sold directly to contractors and other customers under the brand Doors and Buildings Components ( DBCI ). These components also are produced for integration into self-storage and engineered building systems sold by us. In addition to a traditional business-to-business channel, we sell components through Metal Depots, which has eight retail stores throughout the United States and specifically targets end-use consumers and small general contractors.

We market our components products within six market segments: commercial/industrial, architectural, standing seam roof systems, agricultural, residential and cold storage. In addition, our previously mentioned insulated panel product lines service each of our six market segments. Customers include small, medium and large contractors, specialty roofers, regional fabricators, regional engineered building fabricators, post frame contractors, material resellers and end users. Commercial and industrial businesses, including self-storage, are heavy users of metal components and metal buildings systems. Standing seam roof and architectural customers have emerged as an important part of our customer base. As metal buildings become a more acceptable building alternative and aesthetics become an increasingly important consideration for end users of metal buildings, we believe that architects will participate more in the design and purchase decisions and will use metal components to a greater extent. Wood frame builders also purchase our metal components through distributors, lumberyards, cooperative buying groups and chain stores for various uses, including agricultural buildings.

Our metal components sales operations are organized into geographic regions. Each region is headed by a general sales manager supported by individual plant sales managers. Each local sales office is located adjacent to a manufacturing plant and is staffed by a direct sales force responsible for contacting customers and architects and a sales coordinator who supervises the sales process from the time the order is received until it is shipped and invoiced. The regional and local focus of our customers requires extensive knowledge of local business conditions. During fiscal 2014, our largest customer for metal components accounted for less than 2% of our total consolidated sales and external sales of our metal components segment accounted for 44.3% of total consolidated sales for that year.

## Engineered Building Systems.

*Products.* Engineered building systems consist of engineered structural members and panels that are fabricated and roll-formed in a factory. These systems are custom designed and engineered to meet project requirements and then shipped to a construction site complete and ready for assembly with no additional field welding required. Engineered building systems manufacturers design an integrated system that meets applicable building code and designated end use requirements. These systems consist of primary structural framing, secondary structural members (purlins and girts) and metal roof and wall systems or conventional wall materials manufactured by others, such as masonry and concrete tilt-up panels.

Engineered building systems typically consist of three systems:

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*Primary structural framing.* Primary structural framing, fabricated from heavy-gauge plate steel, supports the secondary structural framing, roof, walls and all externally applied loads. Through the primary framing, the force of all applied loads is structurally transferred to the foundation.

*Secondary structural framing.* Secondary structural framing is designed to strengthen the primary structural framing and efficiently transfer applied loads from the roof and walls to the primary structural framing. Secondary structural framing consists of medium-gauge, roll-formed steel components called purlins and girts. Purlins are attached to the primary frame to support the roof. Girts are attached to the primary frame to support the walls.

*Metal roof and wall systems.* Metal roof and wall systems not only lock out the weather but may also contribute to the structural integrity of the overall building system. Roof and wall panels are fabricated from light-gauge, roll-formed steel in many architectural configurations.

Accessory components complete the engineered building system. These components include doors, windows, specialty trims, gutters and interior partitions.

The following characteristics of engineered building systems distinguish them from other methods of construction:

*Shorter construction time.* In many instances, it takes less time to construct an engineered building than other building types. In addition, because most of the work is done in the factory, the likelihood of weather interruptions is reduced.

*More efficient material utilization.* The larger engineered building systems manufacturers use computer-aided analysis and design to fabricate structural members with high strength-to-weight ratios, minimizing raw materials costs.

*Lower construction costs.* The in-plant manufacture of engineered building systems, coupled with automation, allows the substitution of less expensive factory labor for much of the skilled on-site construction labor otherwise required for traditional building methods.

*Greater ease of expansion.* Engineered building systems can be modified quickly and economically before, during or after the building is completed to accommodate all types of expansion. Typically, an engineered building system can be expanded by removing the end or side walls, erecting new framework and adding matching wall and roof panels.

*Lower maintenance costs.* Unlike wood, metal is not susceptible to deterioration from cracking, rotting or insect damage. Furthermore, factory-applied roof and siding panel coatings resist cracking, peeling, chipping, chalking and fading.

*Environmentally friendly.* Our buildings utilize between 30% and 60% recycled content and our roofing and siding utilize painted surfaces with high reflectance and emissivity, which help conserve energy and operating costs.

*Manufacturing.* We currently operate 8 facilities for manufacturing and distributing engineered building systems throughout the United States and Monterrey, Mexico.

After we receive an order, our engineers design the engineered building system to meet the customer s requirements and to satisfy applicable building codes and zoning requirements. To expedite this process, we use computer-aided design and engineering systems to generate engineering and erection drawings and a bill of materials for the manufacture of the engineered building system. From time to time, depending on our volume, we outsource to third parties portions of our drafting requirements.

Once the specifications and designs of the customer s project have been finalized, the manufacturing of frames and other building systems begins at one of our frame manufacturing facilities. Fabrication of the primary structural framing consists of a process in which steel plates are punched and sheared and then routed through an automatic welding machine and sent through further fitting and welding processes. The secondary structural framing and the covering system are roll-formed steel products that are manufactured at our full manufacturing facilities as well as our components plants.

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Upon completion of the manufacturing process, structural framing members and metal roof and wall systems are shipped to the job site for assembly. Since on-site construction is performed by an unaffiliated, independent general contractor, usually one of our authorized builders, we generally are not responsible for claims by end users or owners attributable to faulty on-site construction. The time elapsed between our receipt of an order and shipment of a completed building system has typically ranged from six to twelve weeks, although delivery varies depending on engineering and drafting requirements and the length of the permitting process.

*Sales, Marketing and Customers.* We are one of the largest domestic suppliers of engineered building systems. We design, engineer, manufacture and market engineered building systems and self-storage building systems for all nonresidential markets including commercial, industrial, agricultural, governmental and community.

Throughout the twentieth century, the applications of metal buildings have significantly evolved from small, portable structures that prospered during World War II into fully customizable building solutions spanning virtually every commercial low-rise end-use market. According to the MBMA, domestic and export sales of engineered building systems by its members, which represent a portion of the number of actual buildings manufactured totaled approximately $2.4 billion and $2.3 billion for 2013 and 2012, respectively. Although final calendar 2014 sales information is not yet available from the MBMA, we estimate that sales in dollars of engineered building systems will increase in 2014 compared with 2013. McGraw-Hill Construction reported that the low-rise nonresidential market, measured in square footage, increased by 4.1% during our fiscal year 2014. McGraw-Hill Construction s nonresidential construction forecast for calendar 2014, published in October 2014, indicates an expected increase of 5% in square footage as compared to the prior calendar year. This represented a decrease in the 2014 forecast published in August, which indicated an expected increase of 8% in square footage as compared to 2013. In calendar 2015, activity is expected to increase compared to calendar 2014, with an expected increase of 11% in square footage.

We believe the cost of an engineered building system, excluding the cost of the land, generally represents approximately 15% to 20% of the total cost of constructing a building, which includes such elements as labor, plumbing, electricity, heating and air conditioning systems, installation and interior finish. Technological advances in products and materials, as well as significant improvements in engineering and design techniques, have led to the development of structural systems that are compatible with more traditional construction materials. Architects and designers now often combine an engineered building system with masonry, concrete, glass and wood exterior facades to meet the aesthetic requirements of end users while preserving the inherent characteristics of engineered building systems. As a result, the uses for engineered building systems now include office buildings, showrooms, retail shopping centers, banks, schools, places of worship, warehouses, factories, distribution centers, government buildings and community centers for which aesthetics and architectural features are important considerations of the end users. In addition, advances in our products such as insulated steel panel systems for roof and wall applications give buildings the desired balance of strength, thermal efficiency and aesthetic attractiveness.

We sell engineered building systems to builders, general contractors, developers and end users nationwide under the brand names Metallic, Mid-West Steel, A & S, All American, Mesco, Star, Ceco, Robertson, Garco SteelBuilding.com. We market engineered building systems through an in-house sales force to authorized builder networks of over 3,200 builders. We also sell engineered building systems via direct sale to owners and end users as well as through private label companies. In addition to a traditional business-to-business channel, we sell small custom-engineered metal buildings through two other consumer-oriented marketing channels targeting end-use purchasers and small general contractors. We sell through Heritage Building Systems ( Heritage ) which is a direct-response, phone-based sales organization and Steelbuilding.com which allows customers to design, price and buy small metal buildings online. During fiscal 2014, our largest customer for engineered building systems accounted for less than 1% of our total consolidated sales and external sales of our engineered building systems segment accounted for 47.4% of total consolidated sales for that year.

The majority of our sales of engineered building systems are made through our authorized builder networks. We enter into an authorized builder agreement with independent general contractors that market

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our products and services to users. These agreements generally grant the builder the non-exclusive right to market our products in a specified territory. Generally, the agreement is cancelable by either party with between 30 and 60 days notice. The agreement does not prohibit the builder from marketing engineered building systems of other manufacturers. In some cases, we may defray a portion of the builder s advertising costs and provide volume purchasing and other pricing incentives to encourage those businesses to deal exclusively or principally with us. The builder is required to maintain a place of business in its designated territory, provide a sales organization, conduct periodic advertising programs and perform construction, warranty and other services for customers and potential customers. An authorized builder usually is hired by an end-user to erect an engineered building system on the customer s site and provide general contracting, subcontracting and/or other other services related to the completion of the project. We sell our products to the builder, which generally includes the price of the building as a part of its overall construction contract with its customer. We rely upon maintaining a satisfactory business relationship for continuing job orders from our authorized builders.

# Business Strategy

We intend to expand our business, enhance our market position and increase our sales and profitability by focusing on the implementation of a number of key initiatives that we believe will help us grow and reduce costs. Our current strategy focuses primarily on organic initiatives, but also considers the use of opportunistic acquisitions to achieve our growth objectives:

*Corporate-Wide Initiatives.* We will continue our focus on leveraging technology, automation and supply chain efficiencies to be one of the lowest cost producers, and improve plant utilization through expanded use of our integrated business model. To further distinguish the value of our products and services, our manufacturing platform has been reorganized into a single, integrated organization, to rapidly incorporate the benefits of lean manufacturing best practices and efficiencies across all of our facilities.

*Metal Coil Coating Segment.* Through diversification of our external customer base and national footprint, we plan to grow non-construction sales as a supply chain partner to national manufacturers. We will continue to leverage efficiency improvements to be one of the lowest cost producers.

*Metal Components Segment.* We intend to maintain our leading positions in these markets and seek opportunities to profitably expand our customer base by providing industry leading customer service. One previously idled facility was retooled to produce an architectural line of insulated metal panels and became operational in early 2014.

*Engineered Building Systems Segment.* We intend to enhance the performance of our differentiated brands by aligning our operations to achieve the best total value building solution, delivered complete and on-time, every time. We are focused on providing industry leading cycle times, service and quality, while improving customer satisfaction.

# Raw Materials

The principal raw material used in manufacturing of our metal components and engineered building systems is steel which we purchase from multiple steel producers. Our various products are fabricated from steel produced by mills including bars, plates, structural shapes, hot-rolled coils and galvanized or Galvalume®-coated coils.

Our raw materials on hand increased to $93.4 million at November 2, 2014 from $87.6 million at November 3, 2013 due to higher levels of business activity.

Our business is heavily dependent on the price and supply of steel. The steel industry is highly cyclical in nature, and steel prices have been volatile in recent years and may remain volatile in the future. Steel prices are influenced by numerous factors beyond our control, including general economic conditions domestically and internationally, currency fluctuations, the availability of raw materials, competition, labor costs, freight and transportation costs, production costs, import duties and other trade restrictions. We believe the CRU North American Steel Price Index, published by the CRU Group since 1994, appropriately depicts the

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volatility we have experienced in steel prices. See Item 7A. Quantitative and Qualitative Disclosures About Market Risk Steel Prices. During fiscal 2014 and 2013, steel prices fluctuated due to market conditions ranging from a high point on the CRU Index of 183 to a low point of 172 in fiscal 2014 and fluctuated from a high point on the CRU Index of 173 to a low point of 161 in fiscal 2013. Based on the cyclical nature of the steel industry, we expect steel prices will continue to be volatile.

Although we have the ability to purchase steel from a number of suppliers, a production cutback by one or more of our current suppliers could create challenges in meeting delivery schedules to our customers. Because we have periodically adjusted our contract prices, particularly in the engineered building systems segment, we have generally been able to pass increases in our raw material costs through to our customers. We normally do not maintain an inventory of steel in excess of our current production requirements. However, from time to time, we may purchase steel in advance of announced steel price increases. For additional information about the risks of our raw material supply and pricing, see Item 1A. Risk Factors.

# Backlog

At November 2, 2014 and November 3, 2013, the total backlog of orders, primarily consisting of engineered building systems orders, for our products we believe to be firm was $334.7 million and $323.2 million, respectively. Job orders included in backlog are generally cancelable by customers at any time for any reason; however, cancellation charges may be assessed. See Item 1A. Risk Factors Our industry is cyclical and highly sensitive to macroeconomic conditions; as a result, our industry is currently experiencing a downturn which, if sustained, will materially and adversely affect our business, liquidity and results of operations. Occasionally, orders in the backlog are not completed and shipped for reasons that include changes in the requirements of the customers and the inability of customers to obtain necessary financing or zoning variances. We anticipate that less than 10% of this backlog will extend beyond one year.

# Competition

We and other manufacturers of metal components and engineered building systems compete in the building industry with all other alternative methods of building construction such as tilt-wall, concrete and wood, single-ply and built up, all of which may be perceived as more traditional, more aesthetically pleasing or having other advantages over our products. We compete with all manufacturers of building products, from small local firms to large national firms.

In addition, competition in the metal components and engineered building systems market of the building industry is intense. We believe it is based primarily on:

- quality;
- service;
- on-time delivery;
- ability to provide added value in the design and engineering of buildings;
- price;
- speed of construction; and
- personal relationships with customers.

We compete with a number of other manufacturers of metal components and engineered building systems for the building industry, ranging from small local firms to large national firms. Many of these competitors operate on a regional basis. We have two primary nationwide competitors in the engineered building systems market and three primary nationwide competitors in the metal components market.

We are comprised of a family of companies operating 39 manufacturing facilities across the United States and Mexico, with additional sales and distribution offices throughout the United States and Canada. These facilities are used for the manufacturing of metal components and engineered building systems for the building industry, including three for our door operations. We believe this broad geographic distribution gives us an advantage over our components and building competitors because major elements of a customer s

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decision are the speed and cost of delivery from the manufacturing facility to the product s ultimate destination. We operate a fleet of trucks to deliver our products to our customers in a more timely manner than most of our competitors.

We compete with a number of other providers of metal coil coating services to manufacturers of metal components and engineered building systems for the building industry, ranging from small local firms to large national firms. Most of these competitors operate on a regional basis. Competition in the metal coil coating industry is intense and is based primarily on quality, service, delivery and price.

## Consolidation

Over the last several years, there has been a consolidation of competitors within the industries of the metal coil coating, metal components and engineered building systems segments, which include many small local and regional firms. We believe that these industries will continue to consolidate, driven by the needs of manufacturers to increase anticipated long-term manufacturing capacity, achieve greater process integration and add geographic diversity to meet customers product and delivery needs, improve production efficiency and manage costs. When beneficial to our long-term goals and strategy, we have sought to consolidate our business operations with other companies. The resulting synergies from these consolidation efforts have allowed us to reduce costs while continuing to serve our customers needs. We entered into a definitive agreement to acquire CENTRIA in November 2014, and we acquired Metl-Span in 2012, Garco Building Systems, Inc. in 2007 and RCC in 2006. For more information, see Acquisitions.

In addition to the consolidation of competitors within the industries of the metal coil coating, metal components and engineered building systems segments, in recent years there has been consolidation between those industries and steel producers. Several of our competitors have been acquired by steel producers, and further similar acquisitions are possible. For a discussion of the possible effects on us of such consolidations, see Item 1A. Risk Factors.

## Acquisitions

We have a history of making acquisitions within our industry, and we regularly evaluate growth opportunities both through acquisitions and internal investment. We believe that there remain opportunities for growth through consolidation in the metal buildings and components segments, and our goal is to continue to grow through opportunistic strategic acquisitions, as well as organically.

In November 2014, we entered into a definitive agreement with CENTRIA, a Pennsylvania general partnership, to purchase CENTRIA for $245 million in cash. CENTRIA is a leader in the design, engineering and manufacturing of architectural insulated metal panel ( IMP ) wall and roof systems and a provider of integrated coil coating services for the nonresidential construction industry. CENTRIA operates four production facilities in the United States, 36 satellite sales locations and a new manufacturing facility in China. The transaction is subject to customary closing conditions and regulatory clearance and is expected to close during our first quarter of fiscal 2015. In June 2012, we completed the acquisition of Metl-Span which operates five manufacturing facilities in the United States serving the nonresidential building products market with cost-effective and energy efficient insulated metal wall and roof panels. In January 2007, we completed the purchase of substantially all of the assets of Garco Building Systems, Inc. which designs, manufactures and distributes steel building systems primarily for markets in the northwestern United States and western Canada. In April 2006, we acquired 100% of the issued and outstanding shares of RCC. RCC operates the Ceco Building Systems, Star Building Systems and Robertson Building Systems divisions and is a leader in the metal buildings segment.

Consistent with our growth strategy, we frequently engage in discussions with potential sellers regarding the possible purchase by us of businesses, assets and operations that are strategic and complementary to our existing operations. Such assets and operations include engineered building systems and metal components, but may also include assets that are closely related to, or intertwined with, these business lines, and enable us to leverage our asset base, knowledge base and skill sets. Such acquisition efforts may involve participation by us in processes that have been made public, involve a number of potential buyers and are commonly referred to as auction processes, as well as situations in which we believe we are the only party or one of the very

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limited number of potential buyers in negotiations with the potential seller. These acquisition efforts often involve assets that, if acquired, would have a material effect on our financial condition and results of operations.

We also evaluate from time to time possible dispositions of assets or businesses when such assets or businesses are no longer core to our operations and do not fit into our long-term strategy.

The Credit Agreement contains a number of covenants that, among other things, limit or restrict the ability of the Company and its subsidiaries to dispose of assets, make acquisitions and engage in mergers. See Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Debt.

# Environmental Matters

The operation of our business is subject to stringent and complex laws and regulations pertaining to health, safety and the environment. As an owner or operator of manufacturing facilities, we must comply with these laws and regulations at the federal, state and local levels. These laws and regulations can restrict or impact our business activities in many ways, such as:

requiring investigative or remedial action to mitigate or control certain environmental conditions that may have been caused by our operations or practices, or by former owners or operators at properties we have acquired; or
enjoining or restricting the operations of facilities found to be out of compliance with environmental laws and regulations, permits or other legal authorizations issued pursuant to such laws or regulations.

The trend in environmental regulation is to place more restrictions and limitations on activities that potentially impact human health and welfare or the environment. As a result, there can be no assurance as to the amount or timing of future expenditures for environmental compliance or remediation efforts, and actual future expenditures may differ from what we presently anticipate. However, we strategically anticipate future regulatory requirements that might be imposed and plan accordingly to meet and maintain compliance with such environmental laws and regulations, and minimize the associated costs of compliance while not intruding on our ability to comply.

Failure to comply with these environmental laws and regulations may trigger a variety of administrative, civil or criminal enforcement measures, including the assessment of monetary penalties, the imposition of investigative or remedial requirements, the issuance of orders enjoining or limiting current or future operations, or the denial or revocation of permits or other legal authorizations. Certain environmental statutes impose strict, joint and several liability for costs required to clean up and restore sites where hazardous substances or industrial wastes have been mismanaged or otherwise released. Moreover, neighboring landowners and other third parties may file claims for personal injury and property damage allegedly caused by the release of substances or contaminants into the environment.

We do not believe that compliance with federal, state or local environmental laws and regulations will have a material adverse effect on our business, financial position or results of operations. In addition, we believe that the various environmental compliance activities we are presently engaged in are not expected to materially interrupt or diminish our operational ability to manufacture our products. We cannot assure, however, that future events, such as changes in existing laws, the promulgation of new laws, or the development or discovery of new facts or conditions related to our operations will not cause us to incur significant costs.

The following are representative environmental and safety requirements relating to our business:

*Air Emissions.* Our operations are subject to the federal Clean Air Act Amendments of 1990, or CAAA, and comparable state laws and regulations. These laws and regulations govern emissions of air pollutants from industrial stationary sources (including our manufacturing facilities) and impose various permitting, monitoring, recordkeeping and reporting requirements. Such laws and regulations may require us to: obtain pre-approval for the construction or modification of applicable projects or facility changes with the potential to produce new or increased air emissions; obtain and comply with operating permits that restrict air

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emissions or certain operational parameters; or employ best available emission control technologies to minimize or reduce emissions from our facilities.

Our failure to comply with these requirements could subject us to monetary penalties, injunctions, restrictions on operations, and potential administrative, civil or criminal enforcement actions. We may be required to incur certain capital expenditures in the future for air pollution control equipment in conjunction with obtaining and complying with pre-construction authorizations or operating permits for air emissions. We do not believe that our operations will be materially adversely affected by such requirements.

*Greenhouse Gases.* More stringent laws and regulations relating to climate change and greenhouse gases, or GHGs, may be adopted in the future and could cause us to incur additional operating costs or reduced demand for our products. On December 15, 2009, the federal Environmental Protection Agency, or EPA, published its findings that emissions of carbon dioxide, methane, and other GHGs present an endangerment to public health, the economy and the environment because emissions of such gases, according to the EPA, contribute to the warming of the earth s atmosphere and other climate changes. These findings allowed the EPA to adopt and implement regulations that would restrict emissions of GHGs under existing provisions of the federal CAAA.

The EPA adopted regulations that would require a reduction in emissions of GHGs and could trigger permit review for GHGs produced from certain industrial stationary sources. In June 2010, the EPA adopted the Prevention of Significant Deterioration ( PSD ) and Title V Greenhouse Gas Tailoring Rule, which phases in permitting requirements for stationary sources of GHGs beginning January 2, 2011. This rule tailors these permitting programs to apply to certain significant stationary sources of GHG emissions in a multistep process, with the largest sources first subject to permitting. In June 2014, the Supreme Court restricted applicability of the Tailoring Rule to GHG-emitting stationary sources that also emit conventional non-GHG National Ambient Air Quality Standard criteria pollutants at levels greater than PSD and Title V threshold amounts.

Several North American state and multi-state climate change initiatives are either actively studying, or have already implemented, measures to reduce GHG emissions, primarily through the development of emission source performance standards, GHG tracking systems and GHG emission cap-and-trade programs. These programs typically require major sources of GHGs to acquire and surrender emission allowances and offsets, with the number of allowances available for purchase reduced each year until an overall GHG emission reduction goal is achieved.

In October 2011, the California Air Resources Board adopted a cap-and-trade program that will require the state to reduce GHG emissions to 1990-levels by 2020. This program, along with mandatory GHG reporting and other complementary measures, was authorized by the California Global Warming Solutions Act (AB 32) of 2006. Effective January 1, 2013, cap-and-trade regulations apply to all major industrial sources and electricity generators, and will expand in 2015 to cover the distributors of transportation fuels, natural gas and other fuels. The amount of allowances available to these sources is set to decline by about three percent each year through 2020 as the cap is lowered and emissions are reduced.

Although it is not possible to accurately predict how new GHG legislation or regulations would impact our business, any new federal, regional or state restrictions on emissions of carbon dioxide or other GHGs that may be imposed in areas where we conduct business could result in increased compliance costs or additional operating restrictions on our facilities, raw material suppliers, the transportation and distribution of our products, and our customers. Such restrictions could potentially make our products more expensive and thus reduce their demand, which could have a material adverse effect on our business.

*Hazardous and Solid Industrial Waste.* Our operations generate industrial solid wastes, including some hazardous wastes that are subject to the federal Resource Conservation and Recovery Act, or RCRA, and comparable state laws. RCRA imposes requirements for the handling, storage, treatment and disposal of hazardous wastes. Industrial wastes we generate, such as paint waste, spent solvents and used oils, may be regulated as hazardous waste. However, RCRA currently exempts many of our manufacturing wastes from classification as hazardous waste, although non-hazardous or exempted industrial wastes are still regulated

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under state law or the less stringent industrial solid waste requirements of RCRA. We do not believe that our operations will be materially adversely affected by such requirements.

*Site Remediation.* The Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, or CERCLA, and comparable state laws impose liability, without regard to fault or the legality of the original conduct, on certain classes of persons responsible for the release of hazardous substances into the environment. Such classes of persons include the current and past owners or operators of sites where a hazardous substance was released, and companies that disposed or arranged for disposal of hazardous substances at off-site locations such as landfills. In the course of our typical operations, we use materials and generate industrial solid wastes that fall within the definition of a hazardous substance.

CERCLA authorizes the EPA and, in some cases, third parties to take actions in response to threats to the public health and welfare or the environment and seek to recover from the responsible classes of persons the costs incurred for remedial activities or other corrective actions. Under CERCLA, we could be subject to joint and several liability for: the full or partial costs of cleaning up and restoring sites where hazardous substances historically generated by us have been released; for damages to natural resources; and for the costs of risk assessment studies and containment measures.

We currently own or lease, and have in the past owned or leased, numerous properties that for many decades have been used for industrial manufacturing operations. Hazardous substances or industrial wastes may have been mismanaged, disposed of or released on or under the properties owned or leased by us, or on or under other locations where such wastes have been transported for disposal. In addition, some of these properties have been operated by third parties or previous owners whose management, release or disposal of hazardous substances or wastes were not under our control. These properties and the substances disposed or released on them may be subject to CERCLA, RCRA and analogous state laws.

Under such laws, we could be required to remove hazardous substances or previously disposed of industrial wastes (including wastes disposed by prior owners or operators); to investigate or remediate contaminated property (including contaminated soil and groundwater, whether from prior owners or operators or other historic activities or releases); or perform remedial closure activities to control or prevent future contamination. Moreover, neighboring landowners and other affected parties may file claims for personal injury and property damage allegedly caused by the release of hazardous substances into the environment.

*Wastewater Discharges.* Our operations are subject to the federal Water Pollution Control Act of 1972, as amended, also known as the Clean Water Act, and analogous state laws and regulations. These laws and regulations impose requirements and strict controls regarding the discharge of pollutants from industrial activity into waters of the United States. Such laws and regulations may require that we obtain and comply with categorical industrial waste water standards and pretreatment or discharge permits containing limits on various water pollutant and discharge parameters.

Our failure to comply with these requirements could subject us to monetary penalties, injunctions, restrictions on operations, and potential, administrative, civil or criminal enforcement actions. We may be required to incur certain capital expenditures in the future for wastewater treatment equipment in connection with maintaining compliance with wastewater pretreatment or discharge permits and water quality standards. Any unauthorized release of pollutants to waters of the United States from our facilities could result in administrative, civil or criminal penalties as well as associated remedial obligations. We do not believe that our operations will be materially adversely affected by such requirements.

*Employee Health and Safety.* We are subject to the requirements of the Occupational Safety and Health Act, or OSHA, and comparable state laws that regulate the protection of the health and safety of our workers. In addition, the OSHA hazard communication standard requires that information about hazardous materials used or produced by our operations be maintained and is available to our employees, state and local government authorities, and citizens. We do not expect that our operations will be materially adversely affected by these requirements.

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## Zoning and Building Code Requirements

The engineered building systems and components we manufacture must meet zoning, building code and uplift requirements adopted by local governmental agencies. We believe that our products are in substantial compliance with applicable zoning, code and uplift requirements. Compliance does not have a material adverse effect on our business.

## Patents, Licenses and Proprietary Rights

We have a number of United States patents, pending patent applications and other proprietary rights, including those relating to metal roofing systems, metal overhead doors, our pier and header system, our Long Bay® System and our building estimating and design system. The patents on our Long Bay® System expire in 2021. We also have several registered trademarks and pending registrations in the United States.

## Research and Development Costs

Total expenditures for research and development were $1.6 million for fiscal years 2014, 2013 and 2012. We incur research and development costs to develop new products, improve existing products and improve safety factors of our products in the metal components segment. These products include building and roofing systems, panels, clips, purlins and fasteners.

## Employees

As of November 2, 2014, we had approximately 4,556 employees, of whom 3,267 were manufacturing and engineering personnel. We regard our employee relations as satisfactory. Approximately 11.8% of our workforce, including the employees at our subsidiary in Mexico, are represented by a collective bargaining agreement or union.

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# Item 1A. *Risk Factors.*

## The proposed acquisition of CENTRIA may not be completed on a timely basis, on anticipated terms, or at all, and there are uncertainties and risks to consummating the acquisition.

As previously described, on November 7, 2014, NCI Group, Inc. ( NCI ) entered into a definitive agreement with CENTRIA ( CENTRIA ), to purchase CENTRIA for $245 million in cash (such acquisition, the CENTRIA Acquisition ). Our obligation to consummate the CENTRIA Acquisition is subject to satisfaction or waiver, to the extent permitted under applicable law, of a number of conditions including expiration or termination of the applicable waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 ( HSR Act ), the accuracy of the representations and warranties of CENTRIA under the interest purchase agreement and the absence of a material adverse effect on CENTRIA s business, operations or financial condition.

The satisfaction of all of the required conditions could delay the completion of the acquisition for a significant period of time or prevent it from occurring. Any delay in completing the CENTRIA Acquisition could cause us not to realize some or all of the benefits that we expect to achieve if the CENTRIA Acquisition is successfully completed within its expected timeframe. Further, there can be no assurance the conditions to the closing of the acquisition will be satisfied or waived or that the CENTRIA Acquisition will be completed.

Even if the CENTRIA Acquisition were completed, the successful integration of CENTRIA s business and operations into those of our own and our ability to realize the expected synergies and benefits of the transaction are subject to a number of risks and uncertainties, many of which are outside of our control. These risks and uncertainties include, among other things:

our ability to complete the timely integration of organizations, operations, procedures, policies and technologies, as well as the harmonization of differences in the business cultures of the two companies and retention of key personnel;
our ability to minimize the diversion of management attention from ongoing business concerns during the process of integrating the two companies; and
our ability to preserve customer, supplier and other important relationships of both NCI and CENTRIA and resolve potential conflicts that may arise.

In addition, the CENTRIA Acquisition may not be accretive to earnings and may cause dilution to our earnings per share, which may negatively affect the price of our common stock following consummation of the CENTRIA Acquisition.

If we are unable to complete the proposed CENTRIA Acquisition, we will have incurred substantial expenses and diverted significant management time and resources from our ongoing business. Even if we consummate the proposed CENTRIA Acquisition, any will still have incurred substantial expenses but may not realize the anticipated cost synergies and other benefits of the CENTRIA Acquisition. Given the size and significance of the CENTRIA Acquisition, we may encounter difficulties in the integration of the operations of the CENTRIA business, which could adversely affect our combined business and financial performance. Any failure to realize the full benefits and synergies of the CENTRIA Acquisition could adversely impact our business, results of operation and financial condition.

## We currently expect to incur significant additional indebtedness to finance the CENTRIA Acquisition, and such increased debt levels could adversely affect our business, cash flow and results of operations.

We expect to incur a substantial amount of indebtedness in connection with our acquisition of CENTRIA. As a result of this indebtedness, our interest payment obligations will increase. The degree to which we are leveraged could have adverse effects on our business, including the following:

Making it difficult for us to satisfy our obligations under our credit facility and contractual and commercial commitments;

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Requiring us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and other general corporate purposes;
Limiting our flexibility in planning for, or reacting to, changes in our business and the industries in which we operate;
Restricting us from making additional strategic acquisitions or exploiting business opportunities;
Placing us at a competitive disadvantage compared to our competitors that have less debt;
Limiting our ability to refinance indebtedness, or increasing the associated costs;
Limiting our ability to borrow additional funds; and
Decreasing our ability to compete effectively or operate successfully under adverse economic and industry conditions.
If we incur additional debt in the future, these risks will intensify. Our ability to meet our debt service obligations will depend upon our future performance, which will be subject to the financial, business and other factors affecting our operations, many of which are beyond our control.

Although we have a financing commitment from lenders for this indebtedness, the commitment is subject to certain conditions, and we cannot assure that those conditions will be satisfied.

## Our industry is cyclical and highly sensitive to macroeconomic conditions; as a result, our industry is currently experiencing a downturn which, if sustained, will materially and adversely affect our business, liquidity and results of operations.

The nonresidential construction industry is highly sensitive to national and regional macroeconomic conditions. The United States and global economies are currently undergoing a period of slowdown and unprecedented volatility, which is having an adverse effect on our business.

When assessing the state of the metal construction market, we review information from various industry associations, third-party research, and various government reports such as industrial production and capacity utilization. One such industry association is the MBMA, which provides summary member sales information and promotes the design and construction of metal buildings and metal roofing systems. Another is McGraw-Hill Construction Information Group, which we review for information regarding actual and forecasted growth in various construction related industries, including the overall nonresidential construction market. McGraw-Hill Construction s nonresidential construction forecast for calendar 2014, published in October 2014, indicates an expected increase of 5% in square footage as compared to the prior calendar year. In calendar 2015, activity is expected to increase compared to calendar 2014, with an expected increase of 11% in square footage. Additionally, we review the AIA survey for inquiry and billing activity for the industrial, commercial and institutional sectors. AIA s ABI is a closely watched metric, as billings growth for architecture services generally leads to construction spending growth in the following 9 to 12 months. An ABI reading above 50 indicates an increase in month-to-month seasonally adjusted billings and a reading below 50 indicates a decrease in month-to-month seasonally adjusted billings. AIA s ABI published for October 2014 was above 50 at 53.7 and the mixed use component of the index was at 54.1 for October 2014. The mixed use component of the index represents an improvement over October 2013, when the index was 53.0.

Continued uncertainty about current economic conditions has had a negative effect on our business, and will continue to pose a risk to our business as our customers may postpone spending in response to tighter credit, negative financial news and/or declines in income or asset values, which could have a material negative effect on the demand for our products. Other factors that could influence demand include fuel and other energy costs, conditions in the nonresidential real estate markets, labor and healthcare costs, access to credit and other macroeconomic factors. From time to time, our industry has also been adversely affected in various parts of the country by declines in nonresidential construction starts, including but not limited to, high vacancy rates, changes in tax laws affecting the real estate industry, high interest rates and the unavailability of financing. Sales of our products may be adversely affected by continued weakness in demand for our products within particular customer groups, or a continued decline in the general construction industry or

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particular geographic regions. These and other economic factors could have a material adverse effect on demand for our products and on our financial condition and operating results.

We cannot predict the timing or severity of any future economic or industry downturns. A prolonged economic downturn, particularly in states where many of our sales are made, would have a material adverse effect on our results of operations and financial condition, including potential asset impairments.

## The ongoing uncertainty and volatility in the financial markets and the state of the worldwide economic recovery may adversely affect our operating results.

The markets in which we compete are sensitive to general business and economic conditions in the United States and worldwide, including availability of credit, interest rates, fluctuations in capital, credit and mortgage markets and business and consumer confidence. Additionally, political issues in the United States resulting in discord, conflict or lack of compromise between the legislative and executive branches of the U.S. government may affect the national debt, debt ceiling limit or federal government budget, which could in turn adversely affect our results of operations. Adverse developments in global financial markets and general business and economic conditions, including through recession, downturn or otherwise, could have a material adverse effect on our business, financial condition, results of operations and cash flows, including our ability and the ability of our customers and suppliers to access capital. There was a significant decline in economic growth, both in the United States and worldwide, that began in the second half of 2007 and continued through 2009. In addition, volatility and disruption in the capital markets during that period reached unprecedented levels, with stock markets falling dramatically and credit becoming very expensive or unavailable to many companies without regard to those companies underlying financial strength. Although there have been some indications of stabilization in the general economy and certain industries and markets in which we operate, there can be no guarantee that any improvement in these areas will continue or be sustained.

Global financial markets continue to experience disruptions, including increased volatility, and diminished liquidity and credit availability. In recent years, certain Euro Zone countries have faced uncertainty regarding their ability to service their sovereign debt, which in turn created volatility in the global capital markets. If global economic and market conditions, or economic conditions in Europe, the U.S. or other key markets, remain uncertain, persist, or deteriorate further, our customers may respond by suspending, delaying or reducing their purchases of our metal products, which may adversely affect our cash flows and results of operations.

## Regulation from the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act ) could adversely affect our business or financial results.

Changes in regulatory requirements, such as the reporting requirements relating to conflict minerals originating in the Democratic Republic of Congo or adjoining countries included in the Dodd-Frank Act, or evolving interpretations of existing regulatory requirements, may result in increased compliance cost, capital expenditures and other financial obligations that could adversely affect our business or financial results.

## Our business may be impacted by external factors that we may not be able to control.

War, civil conflict, terrorism, natural disasters and public health issues including domestic or international pandemic have caused and could cause damage or disruption to domestic or international commerce by creating economic or political uncertainties. Additionally, any volatility in the financial markets could negatively impact our business. These events could result in a decrease in demand for our products, make it difficult or impossible to deliver orders to customers or receive materials from suppliers, affect the availability or pricing of energy sources or result in other severe consequences that may or may not be predictable. As a result, our business, financial condition and results of operations could be materially adversely affected.

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## We may not be able to service our debt, obtain future financing or may be limited operationally.

We have substantial debt service obligations. As of November 2, 2014, we had aggregate indebtedness of approximately $235 million. The debt that we carry may have important consequences to us, including the following:

- Our ability to obtain additional financing, if necessary, for working capital, capital expenditures, acquisitions or other purposes may be impaired or additional financing may not be available on favorable terms;
- We must use a portion of our cash flow to pay the principal and interest on our debt. These payments reduce the funds that would otherwise be available for our operations and future business opportunities;
- Because we may be more leveraged than some of our competitors, our debt may place us at a competitive disadvantage;
- A substantial decrease in our net operating cash flows could make it difficult for us to meet our debt service requirements and force us to modify our operations; and
- We may be more vulnerable to a downturn in our business or the economy generally.

If we cannot service our debt, we will be forced to take actions such as reducing or delaying acquisitions and/or capital expenditures, selling assets, restructuring or refinancing our debt or seeking additional equity capital. We can give you no assurance that we can do any of these things on satisfactory terms or at all.

Subject to restrictions in our Credit Agreement and Amended ABL Facility, we may incur substantial additional debt from time to time to finance acquisitions, capital expenditures or for other purposes.

In addition, we expect to incur an additional $250 million of indebtedness to finance the acquisition of CENTRIA. This indebtedness will increase our total outstanding indebtedness and related interest expense and impose additional restrictions on our ability to undertake certain activities. Although we have a financing commitment from lenders for this indebtedness, the agreement is subject to certain conditions and we cannot assure you that those conditions will be satisfied.

## Restrictive covenants in the Credit Agreement and the Amended ABL Facility may adversely affect us.

We must comply with operating and financing restrictions in the Credit Agreement and the Amended ABL Facility. We may also have similar restrictions with any future debt. These restrictions affect, and in many respects limit or prevent us from:

- incurring additional indebtedness;
- making restricted payments, including dividends or other distributions;
- incurring liens;
- making investments, including joint venture investments;
- selling assets;
- repurchasing our debt and our capital stock; and
- merging or consolidating with or into other companies or sell substantially all our assets.

We are required to make mandatory payments under the Credit Agreement upon the occurrence of certain events, including the sale of assets and the issuance of debt, in each case subject to certain limitations and conditions set forth in our Credit Agreement.

Under the Amended ABL Facility, a Dominion Event occurs if either an event of default is continuing or excess availability falls below certain levels, during which period, and for certain periods thereafter, the administrative agent may apply all amounts in the Company s concentration account to the repayment of the loans outstanding under the Amended ABL Facility, subject to an intercreditor agreement between the lenders under the Credit Agreement and the Amended ABL Facility. In addition, during a Dominion Event, we are

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required to make mandatory payments on the Amended ABL Facility upon the occurrence of certain events, including the sale of assets and the issuance of debt, in each case subject to certain limitations and conditions set forth in the Amended ABL Facility. If excess availability under the Amended ABL Facility falls below certain levels, our asset-based loan facility also requires us to satisfy set financial tests relating to our fixed charge coverage ratio.

These restrictions could limit our ability to plan for or react to market conditions or meet extraordinary capital needs or otherwise could restrict our activities. In addition, under certain circumstances and subject to the limitations set forth in the Credit Agreement, the Credit Agreement requires us to pay down our term loan to the extent we generate excess positive cash flow each fiscal year. These restrictions could also adversely affect our ability to finance our future operations or capital needs or to engage in other business activities that would be in our interest.

## We may recognize goodwill or other intangible asset impairment charges.

Future triggering events, such as declines in our cash flow projections, may cause impairments of our goodwill or intangible assets based on factors such as our stock price, projected cash flows, assumptions used, control premiums or other variables.

We completed our annual assessment of the recoverability of goodwill and indefinite lived intangibles in the fourth quarter of fiscal 2014 and determined that no impairments of our goodwill or long-lived intangibles were required.

## Our businesses are seasonal, and our results of operations during our first two fiscal quarters may be adversely affected by weather conditions.

The metal coil coating, metal components and engineered building systems businesses, and the construction industry in general, are seasonal in nature. Sales normally are lower in the first half of each fiscal year compared to the second half of the fiscal year because of unfavorable weather conditions for construction and typical business planning cycles affecting construction. This seasonality adversely affects our results of operations for the first two fiscal quarters. Prolonged severe weather conditions can delay construction projects and otherwise adversely affect our business.

## Price volatility and supply constraints in the steel market could prevent us from meeting delivery schedules to our customers or reduce our profit margins.

Our business is heavily dependent on the price and supply of steel. The steel industry is highly cyclical in nature, and steel prices have been volatile in recent years and may remain volatile in the future. Steel prices are influenced by numerous factors beyond our control, including general economic conditions domestically and internationally, currency fluctuations, the availability of raw materials, competition, labor costs, freight and transportation costs, production costs, import duties and other trade restrictions. Given the level of steel industry consolidation, the anticipated additional domestic market capacity, generally low inventories in the industry and slow economic recovery, a sudden increase in demand could affect our ability to purchase steel and result in rapidly increasing steel prices.

We normally do not maintain an inventory of steel in excess of our current production requirements. However, from time to time, we may purchase steel in advance of announced steel price increases. In addition, it is our current practice to purchase all steel inventory that has been ordered but is not in our possession. If demand for our products declines, our inventory may increase. We can give you no assurance that steel will remain available, that prices will not continue to be volatile or that we will be able to purchase steel on favorable or commercially reasonable terms. While most of our sales contracts have escalation clauses that allow us, under certain circumstances, to pass along all or a portion of increases in the price of steel after the date of the contract but prior to delivery, we may, for competitive or other reasons, not be able to pass such price increases along. If the available supply of steel declines, we could experience price increases that we are not able to pass on to our customers, a deterioration of service from our suppliers or interruptions or delays that may cause us not to meet delivery schedules to our customers. Any of these problems could adversely affect our results of operations and financial condition. For more information about steel pricing trends in recent years, see Item 1. Business Raw Materials and Item 7A. Quantitative and Qualitative Disclosures about Market Risk Steel Prices.

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## Failure to retain or replace key personnel could hurt our operations.

Our success depends to a significant degree upon the efforts, contributions and abilities of our senior management, plant managers and other highly skilled personnel, including our sales executives. These executives and managers have many accumulated years of experience in our industry and have developed personal relationships with our customers that are important to our business. If we do not retain the services of our key personnel or if we fail to adequately plan for the succession of such individuals, our customer relationships, results of operations and financial condition may be adversely affected.

## If we are unable to enforce our intellectual property rights or if our intellectual property rights become obsolete, our competitive position could be adversely affected.

We utilize a variety of intellectual property rights in our services. We have a number of United States patents, foreign patents, pending patent applications and other proprietary rights, including those relating to metal roofing systems, metal overhead doors, our pier and header system, our Long Bay® System and our building estimating and design system. We also have several registered trademarks and pending registrations in the United States. We view our portfolio of process and design technologies as one of our competitive strengths. We may not be able to successfully preserve these intellectual property rights in the future and these rights could be invalidated, circumvented, or challenged. If we are unable to protect and maintain our intellectual property rights, or if there are any successful intellectual property challenges or infringement proceedings against us, our business and revenue could be materially and adversely affected.

## We incur costs to comply with environmental laws and have liabilities for environmental investigations, cleanups and claims.

Because we emit and discharge pollutants into the environment, own and operate real property that has historically been used for industrial purposes and generate and handle hazardous substances and industrial wastes, we incur costs and liabilities to comply with environmental laws and regulations. We may incur significant additional costs as those laws and regulations or their enforcement change in the future if there is a release of hazardous substances into the environment, or if a historical release of hazardous substances, industrial wastes or other contamination is identified.

The operations of our manufacturing facilities are subject to stringent and complex federal, state and local environmental laws and regulations. These include, for example, (i) the federal Clean Air Act and comparable state laws and regulations that impose obligations related to air emissions; (ii) the federal Clean Water Act and comparable state laws and regulations that impose obligations related to wastewater and storm water discharges; (iii) the federal Resource Conservation and Recovery Act and comparable state laws that impose requirements for the storage, treatment, handling and disposal of waste from our facilities; and (iv) Comprehensive Environmental Response, Compensation and Liability Act of 1980 and comparable state laws that impose liability for the investigation and cleanup of hazardous substances or industrial wastes that may have been released at properties currently or previously owned or operated by us, or at locations to which we have sent industrial waste for disposal.

Failure to comply with these laws and regulations may trigger a variety of administrative, civil and criminal enforcement measures, including the assessment of monetary penalties; the imposition of investigative or remedial requirements; personal injury, property or natural resource damages claims; and the issuance of orders enjoining current or future operations, or the denial or revocation of permits or other legal authorizations. For more information about the effect of environmental laws and regulations on our business, see Business Environmental Matters.

## The industries in which we operate are highly competitive.

We compete with all other alternative methods of building construction, which may be viewed as more traditional, more aesthetically pleasing or having other advantages over our products. In addition, competition in the metal components and metal buildings markets of the building industry and in the metal coil coating segment is intense. It is based primarily on:

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- quality;
- service;
- on-time delivery;
- ability to provide added value in the design and engineering of buildings;
- price;
- speed of construction in buildings and components; and
- personal relationships with customers.

We compete with a number of other manufacturers of metal components and engineered building systems and providers of coil coating services ranging from small local firms to large national firms. In addition, we and other manufacturers of metal components and engineered building systems compete with alternative methods of building construction. If these alternative building methods compete successfully against us, such competition could adversely affect us.

In addition, several of our competitors have been acquired by steel producers. Competitors owned by steel producers may have a competitive advantage on raw materials that we do not enjoy. Steel producers may prioritize deliveries of raw materials to such competitors or provide them with more favorable pricing, both of which could enable them to offer products to customers at lower prices or accelerated delivery schedules.

## Our stock price has been and may continue to be volatile.

The trading price of our common stock has fluctuated in the past and is subject to significant fluctuations in response to the following factors, some of which are beyond our control:

- variations in quarterly operating results;
- deviations in our earnings from publicly disclosed forward-looking guidance;
- variability in our revenues;
- changes in earnings estimates by analysts;
- our announcements of significant contracts, acquisitions, strategic partnerships or joint ventures;
- general conditions in the metal components and engineered building systems industries;
- uncertainty about current global economic conditions;
- fluctuations in stock market price and volume; and
- other general economic conditions.

During fiscal 2014, our stock price on the New York Stock Exchange ( NYSE ) ranged from a high of $21.68 per share to a low of $14.38 per share. In recent years, the stock market in general has experienced extreme price and volume fluctuations that have affected the market price for many companies in industries similar to ours. Some of these fluctuations have been unrelated to the operating performance of the affected companies. These market fluctuations may decrease the market price of our common stock in the future.

## Acquisitions may be unsuccessful if we incorrectly predict operating results or are unable to identify and complete future acquisitions and integrate acquired assets or businesses.

We have a history of expansion through acquisitions, and we believe that if our industry continues to consolidate, our future success may depend, in part, on our ability to successfully complete acquisitions. Growing through acquisitions and managing that growth will require us to continue to invest in operational, financial and management information systems and to attract, retain, motivate and effectively manage our employees. Pursuing and integrating acquisitions involves a number of risks, including:

the risk of incorrect assumptions or estimates regarding the future results of the acquired business or expected cost reductions or other synergies expected to be realized as a result of acquiring the business;

diversion of management s attention from existing operations;

unexpected losses of key employees, customers and suppliers of the acquired business;

integrating the financial, technological and management standards, processes, procedures and controls of the acquired business with those of our existing operations; and

increasing the scope, geographic diversity and complexity of our operations.

Although the majority of our growth strategy is organic in nature, if we do pursue opportunistic acquisitions, we can provide no assurance that we will be successful in identifying or completing any acquisitions or that any businesses or assets that we are able to acquire will be successfully integrated into our existing business. We cannot predict the effect, if any, that any announcement or consummation of an acquisition would have on the trading prices of our securities.

## Acquisitions subject us to numerous risks that could adversely affect our results of operations.

If we pursue further acquisitions, depending on conditions in the acquisition market, it may be difficult or impossible for us to identify businesses or operations for acquisition, or we may not be able to make acquisitions on terms that we consider economically acceptable. Even if we are able to identify suitable acquisition opportunities, our acquisition strategy depends upon, among other things, our ability to obtain financing and, in some cases, regulatory approvals, including under the Hart-Scott-Rodino Act.

Our incurrence of additional debt, contingent liabilities and expenses in connection with any future acquisitions could have a material adverse effect on our financial condition and results of operations. Furthermore, our financial position and results of operations may fluctuate significantly from period to period based on whether significant acquisitions are completed in particular periods. Competition for acquisitions is intense and may increase the cost of, or cause us to refrain from, completing acquisitions. In addition, we may be unable to consummate any acquisition once announced, including the CENTRIA Acquisition, and if unable to consummate an acquisition we may be liable for termination fees.

## In connection with the Equity Investment, we entered into a stockholders agreement with the CD&R Funds pursuant to which the CD&R Funds have substantial governance and other rights and setting forth certain terms and conditions regarding the Equity Investment and the ownership of the CD&R Funds shares of Common Stock.

Pursuant to the stockholders agreement with the CD&R Funds, subject to certain ownership and other requirements and conditions, the CD&R Funds have the right to appoint a majority of directors to our board of directors, including the Lead Director or Chairman of the Executive Committee of our board of directors, and have consent rights over a variety of significant corporate and financing matters, including, subject to certain customary exceptions and specified baskets, sales and acquisitions of assets, issuances and redemptions of equity, incurrence of debt, the declaration or payment of extraordinary distributions or dividends and changes to the Company s line of business. In addition, the CD&R Funds are granted subscription rights under the terms and conditions of the stockholders agreement.

Further, effective as of the closing of the Equity Investment, the Company has taken all corporate action and filed all election notices or other documentation with the NYSE necessary to elect to take advantage of the exemptions to the requirements of sections 303A.01, 303A.04 and 303A.05 of the NYSE Listed Company Manual and, for so long as we qualify as a controlled company within the meaning set forth in the NYSE Listed Company Manual or any similar provision in the rules of a stock exchange on which the securities of the Company are quoted or listed for trading, we have agreed to use our reasonable best efforts to take advantage of the exemptions therein. Such exemptions exempt us from compliance with the NYSE s requirements for companies listed on the NYSE to have (1) a majority of independent directors, (2) a nominating/corporate governance committee and a compensation committee, in each case, composed entirely of independent directors, and (3) charters for the nominating/corporate governance committee and the compensation committee, in each case, addressing certain specified matters.

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## Transactions engaged in by the CD&R Funds or our directors or executives involving our Common Stock may have an adverse effect on the price of our stock.

Our officers, directors and the CD&R Funds collectively control approximately 60% of our issued and outstanding Common Stock. On March 28, 2013, the SEC declared effective our shelf registration statement on Form S-3 which registered the resale by the CD&R Funds, the shares of our Common Stock then issuable to the CD&R Funds upon conversion of their Convertible Preferred Stock. On May 14, 2013, the CD&R Funds requested conversion of their 339,293 Preferred Shares, and we issued to the CD&R Funds 54,136,817 shares of our Common Stock. On January 15, 2014, the CD&R Funds completed the Secondary Offering of 9,775,000 shares of our Common Stock pursuant to our shelf registration statement. In addition, we completed the Stock Repurchase of 1,150,000 shares of Common Stock from the CD&R Funds. See Note 11 Equity Investment to the consolidated financial statements for more information on the Secondary Offering and Stock Repurchase. Future sales of our shares by these stockholders could have the effect of lowering our stock price. The perceived risk associated with the possible sale of a large number of shares by these stockholders could cause some of our stockholders to sell their stock, thus causing the price of our stock to decline. In addition, actual or anticipated downward pressure on our stock price due to actual or anticipated sales of stock by our directors or officers could cause other institutions or individuals to engage in short sales of our Common Stock, which may further cause the price of our stock to decline.

From time to time our directors, executive officers, or the CD&R Funds may sell shares of our Common Stock on the open market or otherwise, for a variety of reasons, which may be related or unrelated to the performance of our business. These sales will be publicly disclosed in filings made with the SEC. Our stockholders may perceive these sales as a reflection on management s view of the business which may result in a drop in the price of our stock or cause some stockholders to sell their shares of our Common Stock.

## Volatility in energy prices may impact our operating costs, and we may be unable to pass any resulting increases to our customers in the form of higher prices for our products.

Volatility in energy prices may increase our operating costs and may reduce our profitability and cash flows if we are unable to pass any resulting increases to our customers. We use energy in the manufacture and transport of our products. In particular, our manufacturing plants use considerable electricity and natural gas. Consequently, our operating costs typically increase if energy costs rise. During periods of higher energy costs, we may not be able to recover our operating cost increases through price increases without reducing demand for our products. To the extent we are not able to recover these cost increases through price increases or otherwise, our profitability and cash flow will be adversely impacted. We partially hedge our exposure to higher prices via fixed forward positions.

## The adoption of climate change legislation or regulations restricting emissions of greenhouse gases could increase our operating costs or reduce demand for our products.

More stringent laws and regulations relating to climate change and greenhouse gases, or GHGs, may be adopted in the future and could cause us to incur additional operating costs or reduced demand for our products. On December 15, 2009, the federal Environmental Protection Agency, or EPA, published its findings that emissions of carbon dioxide, methane, and other GHGs present an endangerment to public health, the economy and the environment because emissions of such gases, according to the EPA, contribute to the warming of the earth s atmosphere and other climate changes. These findings allowed the EPA to adopt and implement regulations that would restrict emissions of GHGs under existing provisions of the federal CAAA.

The EPA adopted regulations that would require a reduction in emissions of GHGs and could trigger permit review for GHGs produced from certain industrial stationary sources. In June 2010, the EPA adopted the Prevention of Significant Deterioration ( PSD ) and Title V Greenhouse Gas Tailoring Rule, which phases in permitting requirements for stationary sources of GHGs beginning January 2, 2011. This rule tailors these permitting programs to apply to certain significant stationary sources of GHG emissions in a multistep process, with the largest sources first subject to permitting. In June 2014, the Supreme Court restricted applicability of the Tailoring Rule to GHG-emitting stationary sources that also emit conventional non-GHG National Ambient Air Quality Standard criteria pollutants at levels greater than PSD and Title V threshold amounts.

Several North American state and multi-state climate change initiatives are either actively studying, or have already implemented, measures to reduce GHG emissions, primarily through the development of emission source performance standards, GHG tracking systems and GHG emission cap-and-trade programs. These programs typically require major sources of GHGs to acquire and surrender emission allowances and offsets, with the number of allowances available for purchase reduced each year until an overall GHG emission reduction goal is achieved.

In October 2011, the California Air Resources Board adopted a cap-and-trade program that will require the state to reduce GHG emissions to 1990-levels by 2020. This program, along with mandatory GHG reporting and other complementary measures, was authorized by the California Global Warming Solutions Act (AB 32) of 2006. Effective January 1, 2013, cap-and-trade regulations apply to all major industrial sources and electricity generators, and will expand in 2015 to cover the distributors of transportation fuels, natural gas and other fuels. The amount of allowances available to these sources is set to decline by about three percent each year through 2020 as the cap is lowered and emissions are reduced.

Although it is not possible to accurately predict how new GHG legislation or regulations would impact our business, any new federal, regional or state restrictions on emissions of carbon dioxide or other GHGs that may be imposed in areas where we conduct business could result in increased compliance costs or additional operating restrictions on our facilities, raw material suppliers, the transportation and distribution of our products and our customers. Such restrictions could potentially make our products more expensive and thus reduce their demand, which could have a material adverse effect on our business.

## Breaches of our information system security measures could disrupt our internal operations.

We are dependent upon information technology for the distribution of information internally and also to our customers and suppliers. This information technology is subject to theft, damage or interruption from a variety of sources, including but not limited to malicious computer viruses, security breaches and defects in design. Various measures have been implemented to manage our risks related to information system and network disruptions, but a system failure or breach of these measures could negatively impact our operations and financial results.

## Damage to our computer infrastructure and software systems could harm our business.

The unavailability of any of our primary information management systems for any significant period of time could have an adverse effect on our operations. In particular, our ability to deliver products to our customers when needed, collect our receivables and manage inventory levels successfully largely depend on the efficient operation of our computer hardware and software systems. Through information management systems, we provide inventory availability to our sales and operating personnel, improve customer service through better order and product reference data and monitor operating results. Difficulties associated with upgrades, installations of major software or hardware, and integration with new systems could lead to business interruptions that could harm our reputation, increase our operating costs and decrease our profitability. In addition, these systems are vulnerable to, among other things, damage or interruption from power loss, computer system and network failures, loss of telecommunications services, operator negligence, physical and electronic loss of data, or security breaches and computer viruses.

We have contracted with third-party service providers that provide us with redundant data center services in the event that our major information management systems are damaged. The backup data centers and other protective measures we take could prove to be inadequate. Our inability to restore data completely and accurately could lead to inaccurate and/or untimely filings of our periodic reports with the SEC, tax filings with the IRS or other required filings, all of which could have a significant negative impact on our corporate reputation and could negatively impact our stock price or result in fines or penalties that could impact our financial results.

## Our operations are subject to hazards that may cause personal injury or property damage, thereby subjecting us to liabilities and possible losses, which may not be covered by insurance.

Our workers are subject to the usual hazards associated with work in manufacturing environments. Operating hazards can cause personal injury and loss of life, as well as damage to or destruction of business personal property, and possible environmental impairment. We are subject to either deductible or self-insured

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retention (SIR) amounts, per claim or occurrence, under our Property/Casualty insurance programs, as well as an individual stop-loss limit per claim under our group medical insurance plan. We maintain insurance coverage to transfer risk, with aggregate and per-occurrence limits and deductible or retention levels that we believe are consistent with industry practice. The transfer of risk through insurance cannot guarantee that coverage will be available for every loss or liability that we may incur in our operations.

Exposures that could create insured (or uninsured) liabilities are difficult to assess and quantify due to unknown factors, including but not limited to injury frequency and severity, natural disasters, terrorism threats, third-party liability, and claims that are incurred but not reported (IBNR). Although we engage third-party actuarial professionals to assist us in determining our probable future loss exposure, it is possible that claims or costs could exceed our estimates or our insurance limits, or could be uninsurable. In such instances we might be required to use working capital to satisfy these losses rather than to maintain or expand our operations, which could materially and adversely affect our operating results and our financial condition.

## Due to the international nature of our business, we could be adversely affected by violations of certain laws.

In addition to the United States, we operate our business in Canada and Mexico, and with the acquisition of CENTRIA, we expect to have operations in China and to make sales in certain other jurisdictions. The policies of our business mandate compliance with certain U.S. and international laws, such as import/export laws and regulations, anti-boycott laws, economic sanctions, laws and regulations, the U.S. Foreign Corrupt Practices Act and similar anti-bribery laws. We operate in parts of the world that have experienced governmental corruption to some degree and, in certain circumstances, strict compliance with anti-bribery laws may conflict with local customs and practices. We cannot provide assurance that our internal controls and procedures will always prevent reckless or criminal acts by our employees or agents, or that the operations of acquired businesses will have been conducted in accordance with our policies and applicable regulations. If we are found to be liable for violations of these laws (either due to our own acts, out of inadvertence or due to the acts or inadvertence of others), we could suffer criminal or civil penalties or other sanctions, including limitations on our ability to conduct our business, which could have a material and adverse effect on our results of operations, financial condition and cash flows.

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# Item 1B. *Unresolved Staff Comments.*

There are no unresolved staff comments outstanding with the Securities and Exchange Commission at this time.

# Item 2. *Properties.*

As of November 2, 2014, we conduct manufacturing operations at the following facilities:

| Facility | Products | Square Feet | Owned or Leased |
|---|---|---|---|
| Domestic: | | | |
| Chandler, Arizona | Doors and related metal components | 37,000 | Leased |
| Tolleson, Arizona | Metal components(1) | 70,551 | Owned |
| Atwater, California | Engineered building systems(2) | 219,870 | Owned |
| Rancho Cucamonga, California | Metal coil coating | 98,137 | Owned |
| Adel, Georgia | Metal components(1) | 78,809 | Owned |
| Lithia Springs, Georgia | Metal components(3) | 118,446 | Owned |
| Douglasville, Georgia | Doors and related metal components | 87,811 | Owned |
| Marietta, Georgia | Metal coil coating | 205,000 | Leased/Owned |
| Mattoon, Illinois | Metal components(8) | 124,800 | Owned |
| Shelbyville, Indiana | Metal components(1) | 70,200 | Owned |
| Shelbyville, Indiana | Metal components(8) | 108,300 | Leased |
| Monticello, Iowa | Engineered building systems(4) | 231,966 | Owned |
| Oskaloosa, Iowa | Metal components(5) | 74,561 | Owned |
| Nicholasville, Kentucky | Metal components(5) | 55,000 | Owned |
| Jackson, Mississippi | Metal components(8) | 126,340 | Owned |
| Jackson, Mississippi | Metal coil coating | 354,350 | Owned |
| Hernando, Mississippi | Metal components(1) | 129,682 | Owned |
| Omaha, Nebraska | Metal components(5) | 56,716 | Owned |
| Las Vegas, Nevada | Metal components(8) | 126,400 | Leased |
| Rome, New York | Metal components(5) | 53,700 | Owned |
| Middletown, Ohio | Metal coil coating | 170,000 | Owned |
| Caryville, Tennessee | Engineered building systems(4) | 211,910 | Owned |
| Elizabethton, Tennessee | Engineered building systems(4) | 228,113 | Owned |
| Lexington, Tennessee | Engineered building systems(6) | 140,504 | Owned |
| Memphis, Tennessee | Metal coil coating | 65,895 | Owned |
| Ennis, Texas | Metal components(1) | 84,736 | Owned |
| Houston, Texas | Metal components(3) | 264,641 | Owned |
| Houston, Texas | Metal coil coating | 40,000 | Owned |
| Houston, Texas | Engineered building systems(4)(7) | 615,064 | Owned |
| Houston, Texas | Doors and related metal components | 42,572 | Owned |
| Lewisville, Texas | Metal components(8) | 91,800 | Owned |
| Lubbock, Texas | Metal components(1) | 95,376 | Owned |
| Midlothian, Texas | Metal components(9) | 60,000 | Owned |
| Converse, Texas | Metal components(5) | 65,000 | Owned |
| Salt Lake City, Utah | Metal components(3) | 84,800 | Owned |

| | | | |
|---|---|---|---|
| Colonial Heights, Virginia | Metal components[8] | 108,000 | Owned |
| Prince George, Virginia | Metal components[8] | 101,400 | Owned |
| Spokane, Washington | Engineered building systems[4] | 150,560 | Owned |
| Foreign: | | | |
| Monterrey, Mexico | Engineered building systems[6] | 246,196 | Owned |
| Ancaster, Canada | Engineered building systems[10] | 29,325 | Leased |

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(1) Secondary structures and metal roof and wall systems.
(2) End walls, secondary structures and metal roof and wall systems for components and engineered building systems.
(3) Full components product range.
(4) Primary structures, secondary structures and metal roof and wall systems for engineered building systems.
(5) Metal roof and wall systems.
(6) Primary structures for engineered building systems.
(7) Structural steel.
(8) Insulated panel systems.
(9) Polystyrene.
(10) Sales and distribution.

We also operate eight Metal Depot facilities in our metal components segment that sell our products directly to the public. We also maintain several drafting office facilities in various states. We have short-term leases for these additional facilities. We believe that our present facilities are adequate for our current and projected operations.

Additionally, we own approximately seven acres of land in Houston, Texas and have a 60,000 square foot facility that is used as our principal executive and administrative offices. We also own approximately ten acres of land at another location in Houston adjacent to one of our manufacturing facilities. We own approximately 14 acres of undeveloped land adjacent to our Garco facility in Spokane, Washington.

# Item 3. *Legal Proceedings.*

As a manufacturer of products primarily for use in nonresidential building construction, we are inherently exposed to various types of contingent claims, both asserted and unasserted, in the ordinary course of business. As a result, from time to time, we and/or our subsidiaries become involved in various legal proceedings or other contingent matters arising from claims, or potential claims. We insure against these risks to the extent deemed prudent by our management and to the extent insurance is available. Many of these insurance policies contain deductibles or self-insured retentions in amounts we deem prudent and for which we are responsible for payment. In determining the amount of self-insurance, it is our policy to self-insure those losses that are predictable, measurable and recurring in nature, such as claims for automobile liability and general liability. The Company regularly reviews the status of on-going proceedings and other contingent matters along with legal counsel. Liabilities for such items are recorded when it is probable that the liability has been incurred and when the amount of the liability can be reasonably estimated. Liabilities are adjusted when additional information becomes available. Management believes that the ultimate disposition of these matters will not have a material adverse effect on the Company s results of operations, financial position or cash flows. However, such matters are subject to many uncertainties and outcomes are not predictable with assurance.

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# PART II

## Item 5. *Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.*

## PRICE RANGE OF COMMON STOCK

Our common stock is listed on the NYSE under the symbol NCS. As of December 15, 2014, there were 45 holders of record and an estimated 8,000 beneficial owners of our common stock. The following table sets forth the quarterly high and low sale prices of our common stock, as reported by the NYSE, for the prior two fiscal years. We have never paid dividends on our common stock and the terms of our Credit Agreement and Amended ABL Facility either limit or restrict our ability to do so. On May 14, 2013, the CD&R Funds converted all of their Preferred Shares into shares of our Common Stock. As a result of the conversion, the CD&R funds no longer have rights to dividends or default dividends with regard to the Preferred Shares. We paid the December 15, 2011 and March 15, 2012 dividend payments on the Preferred Shares in-kind. The December 15, 2011 dividend payment was paid in-kind at a pro rata rate of 8% per annum while the March 15, 2012 dividend payment that was paid-in-kind was paid at a pro rata rate of 12% per annum.

| Fiscal Year 2014 Quarter Ended | High | Low |
|---|---|---|
| February 2 | $ 20.14 | $ 14.38 |
| May 4 | $ 18.77 | $ 14.93 |
| August 3 | $ 19.88 | $ 15.54 |
| November 2 | $ 21.68 | $ 16.90 |

| Fiscal Year 2013 Quarter Ended | High | Low |
|---|---|---|
| January 27 | $ 15.38 | $ 10.87 |
| April 28 | $ 17.85 | $ 15.01 |
| July 28 | $ 17.47 | $ 14.00 |
| November 3 | $ 15.17 | $ 11.22 |

The following table shows our purchases of our common stock during the fourth quarter of fiscal 2014:

# ISSUER PURCHASES OF EQUITY SECURITIES

| Period | (a) Total Number of Shares Purchased(1) | (b) Average Price Paid per Share (or Unit) | (c) Total Number of Shares Purchased as Part of Publicly Announced | (d) Maximum Number of Shares that May Yet be Purchased Under the Plans or |
|---|---|---|---|---|

| | | | Plans or Programs | Programs(2) |
|---|---|---|---|---|
| August 4, 2014 to August 31, 2014 | | | | 129,218 |
| September 1, 2014 to September 28, 2014 | | | | 129,218 |
| September 29, 2014 to November 2, 2014 | 386 | $ 19.67 | | 129,218 |
| Total | 386 | $ 19.67 | | 129,218 |

(1) These shares were shares of restricted stock that were withheld to satisfy the minimum tax-withholding obligations arising in connection with the vesting of awards of restricted stock. The required withholding is calculated using the closing sales price on the previous business day prior to the vesting date as reported by the NYSE.

(2) Our board of directors has authorized a stock repurchase program. Subject to applicable federal securities law, such purchases may occur, if at all, at times and in amounts that we deem appropriate. Shares repurchased are usually retired. On February 28, 2007, we publicly announced that our board of directors authorized the repurchase of an additional 0.2 million shares of our common stock. There is no time limit on the duration of the program. During the fourth quarter of fiscal 2014, we did not repurchase any shares of Common Stock. At November 2, 2014, there were 129,218 shares of common stock remaining authorized for repurchase under the program.

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# STOCK PERFORMANCE CHART

The following chart compares the yearly percentage change in the cumulative stockholder return on our common stock from November 1, 2009 to the end of the fiscal year ended November 2, 2014 with the cumulative total return on the (i) S&P SmallCap Index and (ii) S&P 600 Building Products peer group. The comparison assumes $100 was invested on November 1, 2009 in our common stock and in each of the foregoing indices and assumes reinvestment of dividends.

## Comparison of 5 Year Cumulative Total Return
## Assumes Initial Investment of $100
## November 2014

In accordance with the rules and regulations of the SEC, the above stock performance chart shall not be deemed to be soliciting material or to be filed with the SEC or subject to Regulations 14A or 14C of the Securities Exchange Act of 1934 (the Exchange Act ) or to the liabilities of Section 18 of the Exchange Act and shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Exchange Act, except to the extent we specifically incorporate it by reference into such filing.

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# Item 6. *Selected Financial Data.*

The selected financial data for each of the three fiscal years ended November 2, 2014, November 3, 2013 and October 28, 2012 has been derived from the audited consolidated financial statements included elsewhere herein. The selected financial data for each of the two fiscal years ended October 30, 2011 and October 31, 2010 and certain consolidated balance sheet data as of October 28, 2012 have been derived from audited consolidated financial statements not included herein. The following data should be read in conjunction with Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations and the audited consolidated financial statements and the notes thereto included under Item 8. Financial Statements and Supplementary Data.

| | 2014 | 2013[2] | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|
| | (In thousands, except per share data) | | | | |
| Sales | $1,370,540 | $1,308,395 | $1,154,010 | $959,577 | $870,526 |
| Net income (loss) | 11,185 [1] | (12,885)[3] | 4,913 [5] | (9,950)[7] | (26,877)[8] |
| Net income (loss) applicable to common shares | 11,085 [1] | (12,885)[3] | (72,120)[5] | (47,466)[7] | (311,227)[8] |
| Earnings (loss) per common share[9]: | | | | | |
| Basic | 0.15 | (0.29) | (3.81) | (2.58) | (17.07) |
| Diluted | 0.15 [1] | (0.29)[3] | (3.81)[5] | (2.58)[7] | (17.07)[8] |
| Cash flow from operating activities | 33,566 | 64,142 | 47,722 | 41,437 | 6,306 |
| Total assets | 758,683 | 780,263 | 751,484 | 561,154 | 560,524 |
| Total debt | 235,387 | 237,775 | 236,944 [6] | 130,699 | 136,305 |
| Convertible Preferred Stock | | | 619,950 | 273,950 | 256,870 |
| Stockholders equity (deficit) | $246,542 | $252,758 | $(370,528) | $(35,690) | $(2,714) |
| Diluted average common shares | 74,709 | 44,761 [4] | 18,932 | 18,369 | 18,229 |

(1) Includes proceeds from insurance recovery of $1.3 million ($0.8 million after tax), secondary offering costs of $0.8 million ($0.5 million after tax), foreign exchange losses of $1.1 million ($0.7 million after tax), strategic development and acquisition related costs of $5.0 million ($3.1 million after tax) and reversal of Canadian deferred tax valuation allowance of $2.7 million in fiscal 2014.

(2) Fiscal 2013 includes 53 weeks of operating activity.

(3) Includes debt extinguishment costs of $21.5 million ($13.2 million after tax) and proceeds from insurance recovery of $1.0 million ($0.6 million after tax) and unreimbursed business interruption costs of $0.5 million ($0.3 million after tax) in fiscal 2013.

(4) In May 2013, the CD&R Funds converted all of their Preferred Shares into 54.1 million shares of our Common Stock.

(5) Includes strategic development and acquisition related costs of $5.0 million ($3.7 million after tax), debt extinguishment costs of $6.4 million ($4.0 million after tax), actuarial determined general liability self-insurance of $1.9 million ($1.2 million after tax) and executive retirement costs of $0.5 million ($0.3 million after tax) in fiscal 2012.

(6) Includes debt discount of $11.8 million.

(7) Includes restructuring charges of $0.3 million ($0.2 million after tax) and asset impairments of $1.1 million ($0.7 million after tax) in fiscal 2011.

(8) Includes restructuring charges of \$3.5 million (\$2.2 million after tax), asset impairments of \$1.1 million (\$0.7 million after tax) and environmental and other contingency adjustments of \$0.2 million (\$0.2 million after tax) in fiscal 2010.

(9) Adjusted to reflect the 1-for-5 Reverse Stock Split effected on March 5, 2010.

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# Item 7. *Management s Discussion and Analysis of Financial Condition and Results of Operations.*

## OVERVIEW

We are one of North America s largest integrated manufacturers and marketers of metal products for the nonresidential construction industry. We provide metal coil coating services and design, engineer, manufacture and market metal components and engineered building systems primarily for nonresidential construction use. We manufacture and distribute extensive lines of metal products for the nonresidential construction market under multiple brand names through a nationwide network of plants and distribution centers. We sell our products for both new construction and repair and retrofit applications.

Metal components offer builders, designers, architects and end-users several advantages, including lower long-term costs, longer life, attractive aesthetics and design flexibility. Similarly, engineered building systems offer a number of advantages over traditional construction alternatives, including shorter construction time, more efficient use of materials, lower construction costs, greater ease of expansion and lower maintenance costs.

We use a 52/53 week year with our fiscal year end on the Sunday closest to October 31. Fiscal 2013 included an additional week of operating activity.

We assess performance across our operating segments by analyzing and evaluating, among other indicators, gross profit, operating income and whether or not each segment has achieved its projected sales goals. In assessing our overall financial performance, we regard return on adjusted operating assets, as well as growth in earnings, as key indicators of shareholder value.

### Fiscal 2014 Overview

The first half of fiscal 2014 was negatively affected by extreme weather, supply chain disruptions and a stagnant economy. Our operating performance in the second half of fiscal 2014, however, represents our best performance since fiscal 2008. In the second half of fiscal 2014, we grew revenue 5.2% and generated over $61 million in Adjusted EBITDA, a 30% improvement compared to the same period in the prior year, even though the market for buildings five stories and less grew only 2% in volume as reported by McGraw-Hill, in the historically seasonally stronger second half of fiscal 2014. This performance enabled us to increase profitability as we continued to optimize our operational and organizational structure.

Beginning with the reorganization of manufacturing in November 2013, we have taken steps to realign our organization to accelerate efficiency and profitability. We began to see improvement in manufacturing efficiencies in the engineered building systems segment during fiscal 2014 that resulted in level-loaded facilities, declining backorders and shop calls. We expect to see improvements continue in our metal components segment facilities as our manufacturing team continues to reduce costs, empower self-directed work teams and optimize our geographic footprint in order to deliver the highest quality products with timely delivery to customers across our operating segments.

## Industry Conditions

Our sales and earnings are subject to both seasonal and cyclical trends and are influenced by general economic conditions, interest rates, the price of steel relative to other building materials, the level of nonresidential construction activity, roof repair and retrofit demand and the availability and cost of financing for construction projects. Our sales normally are lower in the first half of each fiscal year compared to the second half because of unfavorable weather conditions for construction and typical business planning cycles affecting construction.

The nonresidential construction industry is highly sensitive to national and regional macroeconomic conditions. One of the primary challenges we face is that the United States economy is recovering from a recession and historically low nonresidential construction activity, which began in the third quarter of 2008 and reduced demand for our products and adversely affected our business. In addition, the tightening of credit in financial markets over the same period adversely affected the ability of our customers to obtain financing for construction projects. As a result, we experienced decreases in orders and cancellations of orders for our products. While economic growth has either resumed or remained flat, the nonresidential construction industry

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continues to be below previous cyclical troughs. The graph below shows the annual nonresidential new construction starts, measured in square feet, since 1968 as compiled and reported by McGraw-Hill:

# McGraw-Hill Nonresidential Construction Activity

Source: McGraw-Hill

When assessing the state of the metal construction market, we review information from various industry associations, third-party research, and various government reports such as industrial production and capacity utilization. One such industry association is the Metal Building Manufacturers Association ( MBMA ), which provides summary member sales information and promotes the design and construction of metal buildings and metal roofing systems. Another is McGraw-Hill Construction Information Group, which we review for information regarding actual and forecasted growth in various construction related industries, including the overall nonresidential construction market. McGraw-Hill Construction s nonresidential construction forecast for calendar 2014, published in October 2014, indicates an expected increase of 5% in square footage as compared to the prior calendar year. This represented a revision of the 2014 forecast published in August, which indicated an expected increase of 8% in square footage as compared to 2013. In calendar 2015, activity is expected to increase compared to calendar 2014, with an expected increase of 11% in square footage. Additionally, we review the American Institute of Architects ( AIA ) survey for inquiry and billing activity for the industrial, commercial and institutional sectors. AIA s architectural billing index ( ABI ) is a closely watched metric, as billings growth for architecture services generally leads to construction spending growth in the following 9 to 12 months. An ABI reading above 50 indicates an increase in month-to-month seasonally adjusted billings and a reading below 50 indicates a decrease in month-to-month seasonally adjusted billings. AIA s ABI published for October 2014 was above 50 at 53.7 and the mixed use component of the index was at 54.1 for October 2014. The mixed use component of the index represents an improvement over October 2013, when the index was 53.0.

We normally do not maintain an inventory of steel in excess of our current production requirements. However, from time to time, we may purchase steel in advance of announced steel price increases. We can give no assurance that steel will be readily available or that prices will not continue to be volatile. While most of our sales contracts have escalation clauses that allow us, under certain circumstances, to pass along all or a portion of increases in the price of steel after the date of the contract but prior to delivery, for competitive or other reasons we may not be able to pass such price increases along. If the available supply of steel declines, we could experience price increases that we are not able to pass on to the end users, a deterioration of service from our suppliers or interruptions or delays that may cause us not to meet delivery schedules to our customers. Any of these problems could adversely affect our results of operations and financial condition. For additional discussion please see Item 7A. Quantitative and Qualitative Disclosures About Market Risk Steel Prices.

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# RESULTS OF OPERATIONS

The following table presents, as a percentage of sales, certain selected consolidated financial data for the periods indicated:

| | Fiscal year ended November 2, 2014 | November 3, 2013 | October 28, 2012 |
|---|---|---|---|
| Sales | **100.0 %** | 100.0 % | 100.0 % |
| Cost of sales, excluding gain on insurance recovery and asset impairments (recoveries) | **78.8** | 78.9 | 77.8 |
| Gain on insurance recovery | **(0.1 )** | (0.0 ) | |
| Asset impairments (recoveries) | | | 0.0 |
| Gross profit | **21.3** | 21.1 | 22.2 |
| Engineering, selling, general and administrative expenses | **19.1** | 19.7 | 19.0 |
| Strategic development and acquisition related costs | **0.4** | | 0.5 |
| Income from operations | **1.8** | 1.4 | 2.7 |
| Interest income | **0.0** | 0.0 | 0.0 |
| Interest expense | **(0.9 )** | (1.6 ) | (1.4 ) |
| Debt extinguishment costs, net | | (1.6 ) | (0.5 ) |
| Other income, net | **0.0** | 0.1 | 0.0 |
| Income (loss) before income taxes | **0.9** | (1.7 ) | 0.8 |
| Provision (benefit) from income taxes | **0.1** | (0.7 ) | 0.4 |
| Net income (loss) | **0.8 %** | (1.0 )% | 0.4 % |

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# SUPPLEMENTARY OPERATING SEGMENT INFORMATION

Operating segments are defined as components of an enterprise that engage in business activities and by which discrete financial information is available that is evaluated on a regular basis by the chief operating decision maker to make decisions about how to allocate resources to the segment and assess the performance of the segment. We have three operating segments: (i) metal coil coating; (ii) metal components; and (iii) engineered building systems. All operating segments operate primarily in the nonresidential construction market. Sales and earnings are influenced by general economic conditions, the level of nonresidential construction activity, metal roof repair and retrofit demand and the availability and terms of financing available for construction. Our operating segments are vertically integrated and benefit from similar basic raw materials. The metal coil coating segment consists of cleaning, treating, painting and slitting continuous steel coils before the steel is fabricated for use by construction and industrial users. The metal components segment products include metal roof and wall panels, doors, metal partitions, metal trim, insulated panels and other related accessories. Metl-Span is included in the metal components segment. The engineered building systems segment includes the manufacturing of main frames, Long-Bay® Systems and value-added engineering and drafting, which are typically not part of metal components or metal coil coating products or services. The manufacturing and distribution activities of our segments are effectively coupled through the use of our nationwide hub-and-spoke manufacturing and distribution system, which supports and enhances our vertical integration. The operating segments follow the same accounting policies used for our consolidated financial statements.

We evaluate a segment s performance based primarily upon operating income before corporate expenses. Intersegment sales are recorded based on standard material costs plus a standard markup to cover labor and overhead and consist of: (i) hot-rolled, light gauge painted, and slit material and other services provided by the metal coil coating segment to both the engineered building systems and metal components segments; (ii) building components provided by the metal components segment to the engineered building systems segment; and (iii) structural framing provided by the engineered building systems segment to the metal components segment.

Corporate assets consist primarily of cash but also include deferred financing costs, deferred taxes and property, plant and equipment associated with our headquarters in Houston, Texas. These items (and income and expenses related to these items) are not allocated to the operating segments. Corporate unallocated expenses include share-based compensation expenses, and executive, legal, finance, tax, treasury, human resources, information technology, purchasing, marketing and corporate travel expenses. Additional unallocated expenses include interest income, interest expense, debt extinguishment costs and other income (expense). Segment information is included in Note 20 of our consolidated financial statements.

The following table represents total sales, external sales and operating income attributable to these operating segments for the periods indicated (in thousands, except percentages):

| | 2014 | % | 2013 | % | 2012 | % |
|---|---|---|---|---|---|---|
| Total sales: | | | | | | |
| Metal coil coating | **$246,582** | **18** | $222,064 | 17 | $210,227 | 18 |
| Metal components | **694,858** | **51** | 663,094 | 51 | 534,853 | 46 |
| Engineered building systems | **669,843** | **49** | 655,767 | 50 | 643,473 | 56 |
| Intersegment sales | **(240,743 )** | **(18 )** | (232,530 ) | (18 ) | (234,543 ) | (20 ) |
| Total net sales | **$1,370,540** | **100** | $1,308,395 | 100 | $1,154,010 | 100 |
| External sales: | | | | | | |
| Metal coil coating | **$113,602** | **8** | $92,970 | 7 | $81,106 | 7 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Metal components | **607,594** | **45** | 581,772 | 44 | 446,720 | 39 |
| Engineered building systems | **649,344** | **47** | 633,653 | 49 | 626,184 | 54 |
| Total net sales | **$1,370,540** | **100** | $1,308,395 | 100 | $1,154,010 | 100 |
| Operating income (loss): | | | | | | |
| Metal coil coating | **$23,982** | | $24,027 | | $22,322 | |
| Metal components | **33,306** | | 36,167 | | 34,147 | |
| Engineered building systems | **32,525** | | 23,405 | | 37,596 | |
| Corporate | **(64,717)** | | (64,411) | | (62,376) | |
| Total operating income | **$25,096** | | $19,188 | | $31,689 | |
| Unallocated other expense | **(12,421)** | | (40,927) | | (22,692) | |
| Income (loss) before income taxes | **$12,675** | | $(21,739) | | $8,997 | |

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# RESULTS OF OPERATIONS FOR FISCAL 2014 COMPARED TO FISCAL 2013

*Consolidated sales* increased by 4.7%, or $62.1 million for fiscal 2014, compared to fiscal 2013. This increase resulted from higher tonnage volumes in our metal coil coating and metal components segments for fiscal 2014 compared to the same period in 2013 which was driven primarily by improved demand in the end use sectors of the nonresidential construction industry that we serve compared to the prior year. These increases were partially offset by lower tonnage volumes in our engineered building systems segment during the current period.

*Consolidated cost of sales, excluding gain on insurance recovery* increased by 4.5%, or $46.7 million for fiscal 2014, compared to fiscal 2013. This increase resulted from higher tonnage volumes in our metal coil coating and metal components segments as noted above.

*Consolidated gain on insurance recovery* increased by 28.2%, or $0.3 million to $1.3 million in fiscal 2014, compared to $1.0 million in the same period in the prior year. On August 6, 2013, our metal coil coating segment facility in Jackson, Mississippi experienced a fire caused by an exhaust fan failure that damaged the roof and walls of two curing ovens. During the fourth quarter of fiscal 2013, the ovens were repaired. We received insurance proceeds of approximately $1.3 million during fiscal 2014 from claims submitted. These insurance proceeds have been classified as a gain on insurance recovery in the consolidated statement of operations. We received insurance proceeds of approximately $1.0 million during fiscal 2013. See Note 4 Gain on Insurance Recovery to the consolidated financial statements for more information.

Gross margin, including the gain on insurance recovery, was 21.3% for fiscal 2014 compared to 21.1% for the same period in the prior year. The increase in gross margins was the result of higher sales prices due to value oriented pricing and higher tonnage volumes as noted above, partially offset by an unfavorable product mix in the metal components segment.

*Metal coil coating sales* increased by 11.0%, or $25.5 million to $246.6 million in fiscal 2014, compared to $222.1 million in the same period in the prior year. Sales to third parties for fiscal 2014 increased $20.6 million to $113.6 million from $93.0 million in the same period in the prior year, primarily as a result of a 19.2% increase in external tons shipped due to the continued ramping up of our new facility in Middletown, Ohio, partially offset by higher toll processing sales mix compared to package sales mix. Package sales include both the toll processing services and the sale of the steel coil while toll processing services include only the toll processing service performed on the steel coil already in the customer s ownership. The remaining $3.9 million represents an increase in intersegment sales for fiscal 2014 compared to the same period in the prior year. Metal coil coating third-party sales accounted for 8.3% of total consolidated third-party sales in fiscal 2014 compared to 7.1% in fiscal 2013.

Operating income of the metal coil coating segment remained relatively flat at $24.0 million in fiscal 2014, primarily due to additional costs associated with the ramp up of the new Middletown facility and other operating costs, which were offset by the increased external volume as noted above.

*Metal components sales* increased 4.8%, or $31.8 million to $694.9 million in fiscal 2014, compared to $663.1 million in the same period in the prior year. This increase was primarily due to a 2.6% increase in external tons shipped, partially offset by unfavorable product mix. The external volume increase was driven by improved demand in the end use sectors we serve compared to the prior year but was partially offset by unfavorable weather conditions in the first half of fiscal 2014. Sales to third parties for fiscal 2014 increased $25.8 million to $607.6 million from $581.8 million in the same period in the prior year. The remaining $5.9 million represents an increase in intersegment sales. Metal components third-party sales accounted for 44.3% of total consolidated third-party sales in fiscal 2014 compared to 44.5% in fiscal 2013.

Operating income of the metal components segment decreased to $33.3 million in fiscal 2014, compared to $36.2 million in the same period in the prior year. The $2.9 million decrease was driven by investments in certain growth initiatives and the impact of commercial discipline and unfavorable product mix.

*Engineered building systems sales* increased 2.1%, or $14.1 million to $669.8 million in fiscal 2014, compared to $655.8 million in the same period in the prior year. This increase in fiscal 2014 compared to the same period in the prior year resulted from higher sales prices as a result of improved product mix supported by value oriented pricing, partially offset by a 3.8% decrease in external tons shipped. Sales to third parties for fiscal 2014 increased $15.7 million to $649.3 million from $633.7 million in the same period in the prior year. The remaining $1.6 million represents a decrease in intersegment sales. Engineered building systems third-party sales accounted for 47.4% of total consolidated third-party sales in fiscal 2014 compared to 48.4% in fiscal 2013.

Operating income of the engineered building systems segment increased to $32.5 million in fiscal 2014 compared to $23.4 million in the same period in the prior year. This $9.1 million increase resulted from higher sales prices as noted above, partially offset by lower volumes and higher transportation and manufacturing costs which were due to weather and supply chain disruptions in the first half of fiscal 2014.

*Consolidated engineering, selling, general and administrative expenses*, consisting of engineering, drafting, selling and administrative costs, increased to $261.7 million in fiscal 2014, compared to $256.9 million in the same period in the prior year. As a percentage of sales, engineering, selling, general and administrative expenses were 19.1% for fiscal 2014 as compared to 19.6% for fiscal 2013. The $4.9 million increase in engineering, selling and administrative expenses was primarily due to an increase in wages, commissions and benefits as a result of higher volumes and certain growth initiatives and investments in our sales force as well as $0.8 million of expenses relating to the secondary offering by the CD&R Funds during fiscal 2014.

*Consolidated strategic development and acquisition related costs* for fiscal 2014 were $5.0 million. These non-recurring, non-operational costs are related to industry-specific activities that support our future growth targets and performance goals. There was no corresponding amount recorded for fiscal 2013.

*Consolidated interest expense* decreased to $12.5 million for fiscal 2014, compared to $21.0 million for the same period of the prior year. Interest rates on the Credit Agreement decreased on June 24, 2013 from 8% to 4.25%.

*Consolidated debt extinguishment costs, net* for fiscal 2013 were $21.5 million. There was no corresponding amount recorded for fiscal 2014. During our third quarter of fiscal 2013, we entered into an amendment to our Credit Agreement and recognized a one-time debt extinguishment charge of approximately $21.5 million related to the write-off of non-cash existing deferred debt issuance costs, non-cash initial debt discount write-off, prepayment penalty and fees to the creditors.

*Consolidated other income, net,* decreased to $0.1 million for fiscal 2014, compared to $1.4 million for the same period of the prior year primarily due to foreign currency losses related to fluctuations in the Mexican Peso / U.S. Dollar exchange rate in the current period in Mexico.

*Consolidated provision (benefit) for income taxes* was a $1.5 million provision for fiscal 2014, compared to a $(8.9) million benefit for the same period in the prior year. The effective tax rate for fiscal 2014 was 11.8% compared to (40.7)% for the same period in the prior year. Our current year income tax provision includes a $2.7 million benefit for the release of a valuation allowance. During 2014, after evaluating historical and future financial trends in our Canadian business, we determined that it is more likely than not that we will utilize all of our current tax loss carry-forwards, which if unused would begin to expire in 2026. The remaining decline in the income tax benefit was primarily the result of the increased utilization of the domestic production activities deduction.

*Diluted income (loss) per common share* improved to income of $0.15 per diluted common share for fiscal 2014, compared to a loss of $(0.29) per diluted common share for the same period in the prior year. The improvement in diluted income (loss) per common share was primarily due to the $24.0 million increase in net income (loss) allocated to shares of our common stock resulting from the factors described above in this section, partially offset by the conversion of our Convertible Preferred Stock into shares of our common stock in the third quarter of fiscal 2013, which increased the weighted average number of shares outstanding. The Convertible Preferred Stock prior to its conversion and the unvested restricted common stock related to our Incentive Plan do not have a contractual obligation to share in losses; therefore, no losses were allocated to these shares in fiscal 2013.

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# RESULTS OF OPERATIONS FOR FISCAL 2013 COMPARED TO FISCAL 2012

*Consolidated sales* increased by 13.4%, or $154.4 million for fiscal 2013, compared to fiscal 2012. This increase resulted from higher tonnage volumes in each of our segments, driven primarily by the inclusion of Metl-Span in the current period and improved demand in the end use sectors we serve compared to the prior year. These increases were partially offset by lower sales prices related to competitive pricing pressure and lower steel and input costs in the current period.

*Consolidated cost of sales, excluding gain on insurance recovery,* increased by 15.1%, or $135.4 million for fiscal 2013, compared to fiscal 2012. Gross margins were 21.1% for fiscal 2013 compared to 22.2% for fiscal 2012. The decrease in gross margins was the result of lower sales prices due to competitive pricing pressure and lower steel costs, the additional costs associated with the integration cost for our Metl-Span Acquisition, the ramp-up of the new Middletown, OH coating facility and our decision to retain and train skilled manufacturing workers in order to capture additional efficiencies in the seasonally stronger second half of our fiscal year which did not materialize. The decrease was partially offset by higher tonnage volumes in each of our operating segments due factors discussed above.

*Consolidated gain on insurance recovery* for fiscal 2013 was $1.0 million. On August 6, 2013, our metal coil coating segment facility in Jackson, Mississippi experienced a fire caused by an exhaust fan failure that damaged the roof and walls of two curing ovens. During the fourth quarter of 2013, the ovens were repaired and we received insurance proceeds of approximately $1.0 from claims submitted to date. These insurance proceeds have been classified as a gain on insurance recovery on the consolidated statement of operations. There was no amount recorded for fiscal 2012. See Note 4 Gain on Insurance Recovery to the consolidated financial statements for more information.

*Metal coil coating sales* increased by 5.6%, or $11.9 million to $222.1 million in fiscal 2013, compared to $210.2 million in the same period in the prior year. Sales to third parties for fiscal 2013 increased by 14.6% to $93.0 million from $81.1 million in the same period in the prior year, primarily as a result of a 8.7% increase in external tons shipped and a higher package sales mix compared to toll processing sales mix. Package sales include both the toll processing services and the sale of the steel coil while toll processing services include only the toll processing service performed on the steel coil already in the customer s ownership. Metal coil coating third-party sales accounted for 7.1% of total consolidated third-party sales in fiscal 2013, compared to 7.0% in fiscal 2012.

Operating income of the metal coil coating segment increased to $24.0 million in fiscal 2013, compared to $22.3 million in the same period in the prior year. The $1.7 million increase resulted primarily from the previously discussed insurance recovery and the increase in external volume, partially offset by the additional costs associated with the ramp-up of the new Middletown facility.

*Metal components* sales increased 24.0%, or $128.2 million to $663.1 million in fiscal 2013, compared to $534.9 million in the same period in the prior year. This increase was primarily due to a 22.4% increase in external tons shipped and higher sales prices, mainly driven by a more favorable sales mix, partially offset by lower steel costs during the fiscal 2013. The external volume increase was primarily driven by the full year inclusion of Metl-Span in the current period. After completion of certain operational integration activities, Metl-Span contributed an incremental $125.5 million of sales in fiscal 2013 compared to fiscal 2012. Sales to third parties for fiscal 2013 increased $135.1 million to $581.8 million from $446.7 million in the same period in the prior year. The remaining $6.8 million represents a decrease in intersegment sales. Metal components third-party sales accounted for 44.5% of total consolidated third-party sales in fiscal 2013 compared to 38.7% in fiscal 2012.

Operating income of the metal components segment increased to $36.2 million in fiscal 2013, compared to $34.1 million in the same period in the prior year. The $2.0 million increase resulted from an increase in external tons shipped as noted above due to the full year inclusion of Metl-Span, which contributed an incremental $8.6 million of operating income during fiscal 2013 compared to fiscal 2012. The increase in operating income was partially offset by costs related to certain growth initiatives and investments in our sales force. Additionally, the prior year comparative period was favorably impacted by the collection of a significantly aged account in the prior year comparative period.

*Engineered building systems sales* increased 1.9%, or $12.3 million to $655.8 million in fiscal 2013, compared to $643.5 million in the same period in the prior year. This increase resulted from a 5.5% increase in external tons shipped. This increase was partially offset by lower sales prices as a result of competitive pricing pressure and lower steel costs in fiscal 2013 compared to the same period in the prior year. Sales to third parties for fiscal 2013 increased $7.5 million to $633.7 million from $626.2 million in the same period in the prior year. The remaining $4.8 million represents an increase in intersegment sales. Engineered building systems third-party sales accounted for 48.4% of total consolidated third-party sales in fiscal 2013 compared to 54.3% in fiscal 2012.

Operating income of the engineered building systems segment decreased to $23.4 million in fiscal 2013, compared to $37.6 million in the same period in the prior year. This $14.2 million decrease was driven by competitive pricing pressure, lower steel costs and increased labor costs from personnel retained in anticipation of higher demand, which did not materialize during the second half of 2013. The decrease in operating income was partially offset by the increase in external tons discussed above.

*Consolidated engineering, selling, general and administrative expenses*, consisting of engineering, drafting, selling and administrative costs, increased to $256.9 million in fiscal 2013, compared to $219.3 million in the same period in the prior year. As a percentage of sales, engineering, selling, general and administrative expenses were 19.6% for fiscal 2013 as compared to 19.0% for fiscal 2012. The increase was primarily driven by the full year inclusion of Metl-Span in fiscal 2013 which contributed an additional $15.7 million. In addition, the increase in costs over the prior year was driven by unique expenditures incurred to improve our distribution channels, manufacturing capabilities and customer responsiveness, higher non-cash stock compensation charges, the extra week in fiscal 2013 and variable costs on the increased activity levels.

*Consolidated strategic development and acquisition related costs* for fiscal 2012 were $5.0 million. These costs represent various services to enter into a definitive agreement to purchase Metl-Span LLC for $145.7 million in cash. There was no amount recorded for fiscal 2013. See Liquidity and Capital Resources Acquisition of Metl-Span LLC.

*Consolidated interest expense* increased to $21.0 million for fiscal 2013, compared to $16.8 million for the same period of the prior year. Interest expense increased due to a higher term loan balance which increased from $128.5 million to $250.0 million on June 22, 2012 as a result of and in connection with the Metl-Span Acquisition and the Company entering into the Credit Agreement which provided for a term loan credit facility in an aggregate principal amount of $250.0 million.

*Consolidated debt extinguishment costs* for fiscal 2013 were $21.5 million, compared to $6.4 million in the same period in the prior year. During our third quarter of fiscal 2013, we entered into an amendment to our Credit Agreement and recognized a one-time debt extinguishment charge of approximately $21.5 million related to the write-off of non-cash existing deferred debt issuance costs, non-cash initial debt discount write-off, prepayment penalty and fees to the creditors. During our third quarter of fiscal 2012, we recognized a non-cash debt extinguishment charge related to the deferred financing costs of the amended and restated credit agreement, due April 2014, of $5.1 million. In addition, as a result of the Amended ABL Facility, in our third fiscal quarter of 2012, we recognized a non-cash charge of $1.3 million, related to the deferred financing costs.

*Consolidated provision (benefit) for income taxes* was an $(8.9) million benefit for fiscal 2013, compared to a $4.1 million provision for the same period in the prior year. The effective tax rate for fiscal 2013 was (40.7)% compared to 45.4% for fiscal 2012. The change to an income tax benefit from an income tax provision for fiscal 2013 compared to the prior year was primarily the result of the non-deductible acquisition costs during fiscal 2012.

*Consolidated Convertible Preferred Stock dividends and accretion* was $16.4 million for fiscal 2012. There was no amount recorded for fiscal 2013. The $16.4 million related primarily to our paying accrued dividends on our Convertible Preferred Stock, which prior to May 18, 2012 accrued and accumulated on a daily basis at 12% per annum. We do not expect to pay dividends on the Preferred Shares in future periods as a result of the conversion of all of the Preferred Shares into shares of our Common Stock. See Liquidity and Capital Resources Convertible Preferred Stock.

*Consolidated Convertible Preferred Stock beneficial conversion feature charge* was $11.9 million in fiscal 2012. There was no amount recorded for fiscal 2013. The $11.9 million related to dividends that have accrued on our Convertible Preferred Stock and were convertible into shares of Common Stock at a conversion price below the prevailing market price of Common Stock during the accrual period. The decrease was the result of the Amendment Agreement with the CD&R Funds, the holders of our Convertible Preferred Stock, on May 8, 2012 to eliminate our quarterly dividend obligation on the Preferred Shares (the Amendment Agreement ). See Liquidity and Capital Resources Convertible Preferred Stock.

*Consolidated Convertible Preferred Stock amendment* for fiscal 2012 was $48.8 million and related to the Amendment Agreement. There was no amount recorded for fiscal 2013. As a result of the transactions made in conjunction with the Amendment Agreement, we have determined the Convertible Preferred Stock should be treated as an extinguishment and reissuance and, therefore, as of May 8, 2012, the Convertible Preferred Stock was recorded at fair value in the amount of $620.0 million. Upon the closing of the transactions made in conjunction with the Amendment Agreement, the CD&R Funds held Convertible Preferred Stock with an aggregate liquidation preference and accrued dividends of $345.1 million. On May 14, 2013, the CD&R Funds, the holders of 339,293 Preferred Shares, delivered a formal notice requesting the Conversion of all of their Preferred Shares into shares of our Common Stock. In connection with the Conversion request, we issued the CD&R Funds 54,136,817 shares of our Common Stock, representing 72.4% of the Common Stock of the Company then outstanding. As a result of the Conversion, the CD&R Funds no longer have rights to default dividends as specified in the Certificate of Designations. See Convertible Preferred Stock.

*Diluted loss per common share* improved to a loss of $(0.29) per diluted common share for fiscal 2013, compared to a loss of $(3.81) per diluted common share for the same period in the prior year. The improvement in the diluted loss per common share was primarily due to the $59.2 million decline in net loss applicable to shares of our Common Stock resulting from the factors described above in this section and the Conversion of our Convertible Preferred Stock into shares of our Common Stock in the third quarter of fiscal 2013. The Convertible Preferred Stock prior to its Conversion and the unvested restricted Common Stock related to our 2003 Long-Term Stock Incentive Plan do not have a contractual obligation to share in losses; therefore, no losses were allocated to these shares in both periods presented.

# LIQUIDITY AND CAPITAL RESOURCES

## General

Our cash and cash equivalents decreased from $77.4 million to $66.7 million during fiscal 2014. The following table summarizes our consolidated cash flows for fiscal 2014 and fiscal 2013 (dollars in thousands):

| | Fiscal Year Ended | |
|---|---|---|
| | November 2, 2014 | November 3, 2013 |
| Net cash provided by operating activities | $ 33,566 | $ 64,142 |
| Net cash used in investing activities | (16,695 ) | (23,329 ) |
| Net cash used in financing activities | (27,289 ) | (18,398 ) |

| | | |
|---|---|---|
| Effect of exchange rate changes on cash and cash equivalents | (367 ) | (137 ) |
| Net increase (decrease) in cash and cash equivalents | (10,785 ) | 22,278 |
| Cash and cash equivalents at beginning of period | 77,436 | 55,158 |
| Cash and cash equivalents at end of period | $ 66,651 | $ 77,436 |

**Operating Activities**

Our business is both seasonal and cyclical and cash flows from operating activities may fluctuate during the year and from year to year due to economic conditions. We rely on cash and short-term borrowings to meet cyclical and seasonal increases in working capital needs. These needs generally rise during periods of increased economic activity or increasing raw material prices due to higher levels of inventory and accounts receivable. During economic slowdowns, or periods of decreasing raw material costs, working capital needs generally decrease as a result of the reduction of inventories and accounts receivable.

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Net cash provided by operating activities was $33.6 million during fiscal 2014 compared to $64.1 million of net cash provided by operating activities in the comparable period of fiscal 2013. This difference was largely driven by the changes in working capital, partially offset by the increase in earnings over the comparable period of the prior year.

The primary driver for our increased use of cash for working capital needs was a $61.0 million increase in our cash used for accounts payable over the comparable period of the prior year. Our vendor payments can fluctuate significantly based on the timing of disbursements, inventory purchases and vendor payment terms. Our days payable outstanding ( DPO ) as of November 2, 2014 decreased to 32.6 days compared to 34.2 days in the prior year.

Cash used during the period to invest in inventory was $9.4 million for fiscal 2014 which was lower than the $16.1 million invested in the comparable period of the prior year. The decrease was driven by lower than anticipated volumes, partially offset by an increase in our days inventory on-hand ( DIO ), as our DIO was 42.2 days as of November 2, 2014 as compared to 40.3 days at November 3, 2013.

Cash generated from accounts receivable was $1.8 million lower in fiscal 2014 than the comparable period of the prior year. This decrease was driven by the timing of receipts but was partially offset by significant year-over-year revenue growth and a decrease in days sales outstanding ( DSO ) to 31.2 days as of November 2, 2014 from 32.6 days at November 3, 2013 as a result of improved timing of customer payments during the current period.

### Investing Activities

Cash used in investing activities of $16.7 million during fiscal 2014 was lower than the $23.3 million invested in the comparable period of the prior year and related predominantly to capital expenditures for a new architectural panel system line, computer software and machinery and equipment in the current period. In fiscal 2013, $24.4 million was used for capital expenditures predominantly related to a new insulated panel system line, the new metal coil coating facility, the Jackson, Mississippi oven and computer software.

### Financing Activities

Cash used in financing activities increased to $27.3 million from $18.4 million of cash used in financing activities in the comparable prior year period. The $27.3 million used in financing activities during fiscal 2014 was primarily attributable to the purchase of Common Stock in the amount of $23.8 million paid to the CD&R Funds in connection with the Stock Repurchase (as defined below) and $2.4 million of payments made to reduce our outstanding term loan and $1.6 million of payments made to reduce our note payable related to financed insurance premiums during fiscal 2014. The $18.4 million of cash used in financing activities during fiscal 2013 was primarily attributable to $11.0 million of payments made to reduce our outstanding term loan and $6.3 million payment of financing costs related to an amendment to our Credit Agreement.

We invest our excess cash in various overnight investments which are issued or guaranteed by the federal government.

## Equity Investment

On August 14, 2009, the Company entered into an Investment Agreement (as amended, the Investment Agreement ), by and between the Company and CD&R Fund VIII, pursuant to which the Company agreed to issue and sell to CD&R Fund VIII, and CD&R Fund VIII agreed to purchase from the Company, for an aggregate purchase price of $250 million (less reimbursement to CD&R Fund VIII or direct payment to its advisors of up to $14.5 million in the aggregate of transaction expenses and a deal fee, paid to Clayton, Dubilier & Rice, Inc., the manager of CD&R Fund

VIII, of $8.25 million), 250,000 shares of Convertible Preferred Stock. Pursuant to the Investment Agreement, on October 20, 2009 (the Closing Date ), the Company issued and sold to the CD&R Funds, and the CD&R Funds purchased from the Company, an aggregate of 250,000 Preferred Shares, representing approximately 39.2 million shares of Common Stock or 68.4% of the voting power and Common Stock of the Company on an as-converted basis as of the Closing Date (such purchase and sale, the CD&R Equity Investment ).

On May 14, 2013, the CD&R Funds, the holders of 339,293 Preferred Shares, delivered a formal notice requesting the Conversion of all of their Preferred Shares into shares of our Common Stock. In connection

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with the Conversion request, we issued the CD&R Funds 54,136,817 shares of our Common Stock, representing 72.4% of the Common Stock of the Company then outstanding. Under the terms of the Preferred Shares, no consideration was required to be paid by the CD&R Funds to the Company in connection with the Conversion of the Preferred Shares. As a result of the Conversion, the CD&R Funds no longer have rights to dividends or default dividends as specified in the Certificate of Designations. The Conversion eliminated all the outstanding Convertible Preferred Stock and increased stockholders equity by nearly $620.0 million, returning our stockholders equity to a positive balance during our third quarter of fiscal 2013.

The Company filed, pursuant to the Registration Rights Agreement dated as of October 20, 2009 among the Company and the CD&R Funds, a registration statement on Form S-3 for the offer and sale of Common Stock from time to time by the CD&R Funds of their Common Stock. The registration statement became effective on March 28, 2013.

On January 15, 2014, the CD&R Funds completed a registered underwritten offering, in which the CD&R Funds offered 8.5 million shares of Common Stock at a price to the public of $18.00 per share (the Secondary Offering ). The underwriters for the Secondary Offering also exercised their option to purchase 1.275 million additional shares of Common Stock. The aggregate offering price for the 9.775 million shares sold in the Secondary Offering was approximately $167.6 million, net of underwriting discounts and commissions. The CD&R Funds received all of the proceeds from the Secondary Offering and no shares in the Secondary Offering were sold by NCI or any of its officers or directors (although certain of our directors are affiliated with the CD&R Funds). In connection with this Secondary Offering, we incurred approximately $0.8 million in expenses, which were included in engineering, selling, general and administrative expenses in the consolidated statement of operations for fiscal 2014. At November 2, 2014 and November 3, 2013, the CD&R Funds beneficially owned 58.8% and 72.4%, respectively, of the voting power and Common Stock of the Company.

On January 6, 2014, NCI entered into an agreement with the CD&R Funds to repurchase 1.15 million shares of its Common Stock at the price per share equal to the price per share paid by the underwriters to the CD&R Funds in the underwritten offering (the Stock Repurchase ). The Stock Repurchase, which was completed at the same time as the Secondary Offering, represented a private, non-underwritten transaction between NCI and the CD&R Funds that was approved and recommended by the Affiliate Transactions Committee of NCI s board of directors. Following completion of the Stock Repurchase, NCI canceled the shares repurchased from the CD&R Funds, resulting in a $19.7 million decrease in both additional paid in capital and treasury stock.

See Note 11 Equity Investment to the consolidated financial statements for more information on the material terms of our Amendment Agreement.

## Debt

On June 24, 2013, the Company entered into Amendment No. 1 (the Amendment ) to its existing Credit Agreement (the Credit Agreement ), dated as of June 22, 2012, between NCI, as borrower, and Credit Suisse AG, Cayman Islands Branch, as administrative agent and collateral agent and the other financial institutions party thereto from time to time (the Term Loan Facility ), primarily to extend the maturity date and reduce the interest rate applicable to all of the outstanding term loans under the Term Loan Facility. At November 2, 2014 and November 3, 2013, amounts outstanding under the Credit Agreement were $235.4 million and $237.8 million, respectively.

Pursuant to the Amendment, the maturity date of the $238 million of outstanding term loans (the Initial Term Loans ) was extended and such loans were converted into a new tranche of term loans (the Tranche B Term Loans ) that will mature on June 24, 2019 and, prior to such date, will amortize in nominal quarterly installments equal to one percent of the aggregate initial principal amount thereof per annum. At both November 2, 2014 and November 3, 2013, the interest rate on the term loan under our Credit Agreement was 4.25%.

In addition to our Credit Agreement, we have entered into the Amended ABL Facility which allows aggregate maximum borrowings of up to $150.0 million. Borrowing availability on the Amended ABL Facility is determined by a monthly borrowing base collateral calculation that is based on specified percentages of the

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value of qualified cash, eligible inventory and eligible accounts receivable, less certain reserves and subject to certain other adjustments. The Amended ABL Facility has a maturity of May 2, 2017 and includes borrowing capacity of up to $30 million for letters of credit and up to $10 million for swingline borrowings.

*Credit Agreement.* On June 22, 2012, in connection with the acquisition of Metl-Span LLC, a Texas limited liability company (the Metl-Span Acquisition ), the Company entered into a Credit Agreement among the Company, as Borrower, Credit Suisse AG, Cayman Islands Branch, as Administrative Agent and Collateral Agent (the Term Agent ), and the lenders party thereto. The Credit Agreement provided for a term loan credit facility in an aggregate principal amount of $250.0 million. The Credit Agreement was issued at 95% of face value, which resulted in a note discount of $12.5 million. Prior to the Amendment, the note discount was amortized over the life of the loan through May 2, 2018 using the effective interest method.

The Company s obligations under the Credit Agreement and designated cash management arrangements and hedging agreements, if any, will be irrevocably and unconditionally guaranteed on a joint and several basis by each direct and indirect wholly owned domestic subsidiary of the Company (other than any domestic subsidiary that is a foreign subsidiary holding company or a subsidiary of a foreign subsidiary and certain other excluded subsidiaries).

The obligations under the Credit Agreement and the designated cash management arrangements and hedging agreements, if any, and the guarantees thereof are secured pursuant to a guarantee and collateral agreement, dated as of June 22, 2012 (the Guarantee and Collateral Agreement ), made by the Company and other Grantors (as defined therein), in favor of the Term Agent, by (i) all of the capital stock of all direct domestic subsidiaries owned by the Company and the guarantors, (ii) up to 65% of the capital stock of certain direct foreign subsidiaries owned by the Company or any guarantor (it being understood that a foreign subsidiary holding company or a domestic subsidiary of a foreign subsidiary will be deemed a foreign subsidiary), and (iii) substantially all other tangible and intangible assets owned by the Company and each guarantor, in each case to the extent permitted by applicable law and subject to certain exceptions.

The Credit Agreement contains a number of covenants that, among other things, will limit or restrict the ability of the Company and its subsidiaries to dispose of assets, incur additional indebtedness, make dividends and other restricted payments, create liens securing indebtedness, engage in mergers and other fundamental transactions, enter into restrictive agreements, amend certain documents in respect of other indebtedness, change the nature of their business and engage in certain transactions with affiliates.

On June 24, 2013, the Company entered into the Amendment to the Credit Agreement, dated as of June 22, 2012, between NCI, as borrower, and Credit Suisse AG, Cayman Islands Branch, as administrative agent and collateral agent and the other financial institutions party thereto from time to time (the Term Loan Facility ), primarily to extend the maturity date and reduce the interest rate applicable to all of the outstanding term loans under the Term Loan Facility. At November 2, 2014 and November 3, 2013, amounts outstanding under the Credit Agreement were $235.4 million and $237.8 million, respectively. As a result of the Amendment, in fiscal 2013, we recognized a one-time debt extinguishment charge of approximately $21.5 million related to the write-off of non-cash existing deferred issuance costs, non-cash initial debt discount write-off, pre-payment penalty and fees to the creditors.

Pursuant to the Amendment, the maturity date of the $238 million of outstanding Initial Term Loans was extended and such loans were converted into the Tranche B Term Loans that will mature on June 24, 2019 and, prior to such date, will amortize in nominal quarterly installments equal to one percent of the aggregate initial principal amount thereof per annum. Pursuant to the Amendment, the Tranche B Term Loans will bear interest at a floating rate measured by reference to, at the Company s option, either (i) an adjusted LIBOR not less than 1.00% plus a borrowing margin of 3.25% per annum or (ii) an alternate base rate plus a borrowing margin of 2.25% per annum. At both November 2, 2014 and November 3, 2013, the interest rate on the term loan under our Credit Agreement was 4.25%. Overdue amounts will bear interest at a rate that is 2% higher than the rate otherwise applicable.

The Tranche B Term Loans are secured by the same collateral and guaranteed by the same guarantors as the Initial Term Loans under the Term Loan Facility. Voluntary prepayments of the Tranche B Term Loans are

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permitted at any time, in minimum principal amounts, without premium or penalty, subject to a 1.00% premium payable in connection with certain repricing transactions within the first six months.

Pursuant to the Amendment, the Company will no longer be subject to a financial covenant requiring us to maintain a specified consolidated secured debt to EBITDA leverage ratio for specified periods. The Amendment also includes certain other changes to the Term Loan Facility.

Subject to certain exceptions, the term loan under the Amendment will be subject to mandatory prepayment in an amount equal to:

the net cash proceeds of (1) certain asset sales, (2) certain debt offerings, and (3) certain insurance recovery and condemnation events; and
50% of annual excess cash flow (as defined in the Amendment), subject to reduction to 0% if specified leverage ratio targets are met.

The Credit Agreement contains customary events of default, including non-payment of principal, interest or fees, violation of covenants, material inaccuracy of representations or warranties, cross default and cross acceleration to certain other material indebtedness, certain bankruptcy events, certain ERISA events, material invalidity of security interest, material judgments, and change of control.

The Credit Agreement also provides that the Company has the right at any time to request incremental commitments under one or more incremental term loan facilities or incremental revolving loan facilities, subject to compliance with a pro forma consolidated secured net debt to EBITDA leverage ratio. The lenders under the Credit Agreement will not be under any obligation to provide any such incremental commitments, and any such addition of or increase in commitments will be subject to pro forma compliance with customary conditions.

In connection with the execution of the Credit Agreement the Company, certain of the Company s subsidiaries, Wells Fargo Capital Finance, LLC, as administrative agent (the ABL Agent ) under the Company s Amended ABL Facility (as defined below), and the Term Agent entered into an amendment (the Intercreditor Agreement Amendment ) to the Company s existing Intercreditor Agreement, dated as of October 20, 2009, providing for, among other things, the obligations under the Credit Agreement to become subject to the provisions of the Intercreditor Agreement.

*Amended ABL Facility.* On May 2, 2012, we entered into the Amended Asset-Based Lending Facility (the Amended ABL Facility ) to (i) permit the acquisition, the entry by the Company into the Credit Agreement and the incurrence of debt thereunder and the repayment of existing indebtedness under NCI s existing Term Loan, (ii) increase the amount available for borrowing thereunder to $150 million (subject to a borrowing base), (iii) increase the amount available for letters of credit thereunder to $30 million, and (iv) extend the final maturity thereunder.

The Amended ABL Facility provides for an asset-based revolving credit facility which allows aggregate maximum borrowings by NCI Group, Inc. and Robertson-Ceco II Corporation of up to $150.0 million. Borrowing availability under the Amended ABL Facility is determined by a monthly borrowing base collateral calculation that is based on specified percentages of the value of qualified cash, eligible inventory and eligible accounts receivable, less certain reserves and subject to certain other adjustments. At November 2, 2014 and November 3, 2013, our excess availability under the Amended ABL Facility was 135.4 million and $123.2 million, respectively. At both November 2, 2014 and November 3, 2013, we had no revolving loans outstanding under the Amended ABL Facility. In addition, at November 2, 2014 and November 3, 2013, standby letters of credit related to certain insurance policies totaling approximately $8.1 million and $10.2 million, respectively, were outstanding but undrawn under the Amended ABL Facility.

An unused commitment fee is paid monthly on the Amended ABL Facility at an annual rate of 0.50% based on the amount by which the maximum credit exceeds the average daily principal balance of outstanding loans and letter of credit obligations. Additional customary fees in connection with the Amended ABL Facility also apply.

The obligations of the borrowers under the Amended ABL Facility are guaranteed by the Company and each direct and indirect domestic subsidiary of the Company (other than any domestic subsidiary that is a foreign subsidiary holding company or a subsidiary of a foreign subsidiary that is insignificant) that is not a borrower under the Amended ABL Facility. The obligations of the Company under certain specified bank products agreements are guaranteed by each borrower and each other direct and indirect domestic subsidiary of the Company and the other guarantors. These guarantees are made pursuant to a guarantee agreement, dated as of October 20, 2009, entered into by the Company and each other guarantor with Wells Fargo Capital Finance, LLC (formerly known as Wells Fargo Foothill, LLC), as administrative agent. In connection with the Metl-Span Acquisition, Metl-Span became a borrower under the ABL Facility, and the Company, certain subsidiaries of the Company, and the ABL Agent entered into an amendment (the ABL Guaranty Amendment ) to the Company s existing Guaranty Agreement, dated as of October 20, 2009, providing for, among other things, the guarantee of the obligations of Metl-Span under the Amended ABL Facility.

The obligations under the Amended ABL Facility, and the guarantees thereof, are secured by a first priority lien on our accounts receivable, inventory, certain deposit accounts, associated intangibles and certain other specified assets of the Company and a second priority lien on the assets securing the term loan under the Credit Agreement on a first-lien basis, in each case subject to certain exceptions.

The Amended ABL Facility contains a number of covenants that, among other things, limit or restrict our ability to dispose of assets, incur additional indebtedness, incur guarantee obligations, engage in sale and leaseback transactions, prepay other indebtedness, modify organizational documents and certain other agreements, create restrictions affecting subsidiaries, make dividends and other restricted payments, create liens, make investments, make acquisitions, engage in mergers, change the nature of our business and engage in certain transactions with affiliates.

Under the Amended ABL Facility, a Dominion Event occurs if either an event of default is continuing or excess availability falls below certain levels, during which period, and for certain periods thereafter, the administrative agent may apply all amounts in the Company s, the borrowers and the other guarantors concentration accounts to the repayment of the loans outstanding under the Amended ABL Facility, subject to the Intercreditor Agreement and certain specified exceptions. In addition, during such Dominion Event, we are required to make mandatory payments on our Amended ABL Facility upon the occurrence of certain events, including the sale of assets and the issuance of debt, in each case subject to certain limitations and conditions set forth in the Amended ABL Facility.

The Amended ABL Facility includes a minimum fixed charge coverage ratio of one to one, which will apply if we fail to maintain a specified minimum borrowing capacity. The minimum level of borrowing capacity as of November 2, 2014 and November 3, 2013 was $20.3 million and $18.5 million, respectively. Although our Amended ABL Facility did not require any financial covenant compliance, at November 2, 2014 and November 3, 2013, our fixed charge coverage ratio as of those dates, which is calculated on a trailing twelve month basis, was 2.30:1.00 and 2.29:1.00, respectively.

Loans under the Amended ABL Facility bear interest, at our option, as follows:

(1) Base Rate loans at the Base Rate plus a margin. Base Rate is defined as the higher of the Wells Fargo Bank, N.A. prime rate and the overnight Federal Funds rate plus 0.5% and LIBOR is defined as the applicable London Interbank Offered Rate adjusted for reserves. The margin ranges from 1.50% to 2.00% depending on the quarterly average excess availability under such facility, and

(2) LIBOR loans at LIBOR plus a margin. The margin ranges from 2.50% to 3.00% depending on the quarterly average excess availability under such facility.

At both November 2, 2014 and November 3, 2013, the interest rate on our Amended ABL Facility was 4.75%. During an event of default, loans under the Amended ABL Facility will bear interest at a rate that is 2% higher than the rate otherwise applicable.

On November 7, 2014, the Company, Steelbuilding.com, Inc. (together with the Company, the Guarantors ) and the Company s subsidiaries NCI and Robertson-Ceco II Corporation (each a Borrower and collectively, the Borrowers ) entered into Amendment No. 3 to the Loan and Security Agreement (the

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Loan and Security Agreement ) among the Borrowers, the Guarantors, Wells Fargo Capital Finance, LLC as administrative agent and co-collateral agent, Bank of America, N.A. as co-collateral agent and syndication agent and certain other lenders under the Loan and Security Agreement, in order to amend the Loan and Security Agreement to (i) permit the CENTRIA Acquisition, (ii) permit the entry by the Company into documentation with respect to certain debt financing to be incurred in connection with the CENTRIA Acquisition and the incurrence of debt with respect thereto, (iii) extend the maturity date to June 24, 2019, (iv) decrease the applicable margin with respect to borrowings thereunder and (v) make certain other amendments and modifications to provide greater operational and financial flexibility.

## Cash Flow

We periodically evaluate our liquidity requirements, capital needs and availability of resources in view of inventory levels, expansion plans, debt service requirements and other operating cash needs. To meet our short- and long-term liquidity requirements, including payment of operating expenses and repaying debt, we rely primarily on cash from operations. Beyond cash generated from operations, most of our Amended ABL Facility is undrawn with $135.4 million available at November 2, 2014 and $66.7 million of cash at November 2, 2014. However, we have in the past sought to raise additional capital.

We expect that, for the next 12 months, cash generated from operations and our Amended ABL Facility will be sufficient to provide us the ability to fund our operations, provide the increased working capital necessary to support our strategy and fund planned capital expenditures of between approximately $22 million and $26 million for fiscal 2015 and expansion when needed.

We expect to fund the CENTRIA Acquisition with approximately $250 million of indebtedness, which will increase our interest expense in future periods.

We expect to contribute $1.2 million to the RCC Pension Plan in fiscal 2015.

In the past, we have used available funds to repurchase shares of our Common Stock under our stock repurchase program. Although we did not purchase any Common Stock during the fourth quarter of fiscal 2014 under our stock repurchase program, we did withhold shares of restricted stock to satisfy minimum tax withholding obligations arising in connection with the vesting of awards of restricted stock related to our 2003 Long-Term Stock Incentive Plan.

On January 6, 2014, NCI entered into an agreement with the CD&R Funds to repurchase 1.15 million shares of its Common Stock at the price per share equal to the price per share paid by the underwriters to the CD&R Funds in the underwritten offering (the Stock Repurchase ). The Stock Repurchase, which was completed at the same time as the Secondary Offering, represented a private, non-underwritten transaction between NCI and the CD&R Funds that was approved and recommended by the Affiliate Transactions Committee of NCI s board of directors. Following completion of the Stock Repurchase, NCI canceled the shares repurchased from the CD&R Funds.

Our corporate strategy seeks potential acquisitions that would provide additional synergies in our metal coil coating, metal components and engineered building systems segments. From time to time, we may enter into letters of intent or agreements to acquire assets or companies in these business lines. The consummation of these transactions could require substantial cash payments and/or issuance of additional debt.

The Company may repurchase or otherwise retire the Company s debt and take other steps to reduce the Company s debt or otherwise improve the Company s financial position. These actions could include open market debt repurchases, negotiated repurchases, other retirements of outstanding debt and opportunistic refinancing of debt. The amount of debt that may be repurchased or otherwise retired, if any, will depend on market conditions, trading levels of the Company s debt, the Company s cash position, compliance with debt covenants and other considerations. Affiliates of the Company may also purchase the Company s debt from time to time, through open market purchases or other transactions. In such cases, the Company s debt may not be retired, in which case the Company would continue to pay interest in accordance with the terms of the debt, and the Company would continue to reflect the debt as outstanding in its consolidated balance sheets.

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## Definitive Agreement with CENTRIA

In November 2014, we entered into a definitive agreement with CENTRIA a Pennsylvania general partnership, to purchase CENTRIA for $245 million in cash. CENTRIA is a leader in the design, engineering and manufacturing of architectural insulated metal panel ( IMP ) wall and roof systems and a provider of integrated coil coating services for the nonresidential construction industry. CENTRIA operates four production facilities in the United States, 36 satellite sales locations and a new manufacturing facility in China. To fund this acquisition, we expect to incur $250 million of new indebtedness and our Amended ABL Facility will have sufficient availability to fund working capital needs subsequent to the CENTRIA Acquisition. The transaction is subject to customary closing conditions and regulatory clearance and is expected to close during our first quarter of fiscal 2015.

## Acquisition of Metl-Span LLC

On June 22, 2012, we completed the acquisition of Metl-Span LLC, a Texas limited liability company, pursuant to the terms of the Equity Purchase Agreement, dated as of May 2, 2012, as amended (the Equity Purchase Agreement ), among VSMA, Inc., Metl-Span, NCI and BlueScope Steel North America Corporation. Pursuant to the terms of the Equity Purchase Agreement, NCI acquired all of the outstanding membership interests of Metl-Span for approximately $145.7 million in cash. The purchase price was also subject to a post-closing adjustment based on Metl-Span s cash, working capital, indebtedness, transaction expenses and accrued employee bonuses at closing. The fair value of certain assets acquired and liabilities assumed were finalized during the third quarter of fiscal 2013, including the finalization of certain contingent assets and liabilities which resulted in a $1.5 million decrease to goodwill during the third quarter of fiscal 2013. Upon the closing of the Metl-Span Acquisition, Metl-Span became a direct, wholly-owned subsidiary of NCI Group, Inc. Effective October 29, 2012, Metl-Span merged with and into NCI Group, Inc., with NCI Group, Inc. being the lone survivor. Metl-Span s operations are now conducted through NCI Group, Inc.

Accordingly, the results of Metl-Span s operations from June 22, 2012 are included in our consolidated financial statements. Metl-Span assets acquired through the Metl-Span Acquisition include five manufacturing facilities in the United States serving the nonresidential building products market with cost-effective and energy efficient insulated metal wall and roof panels.

# NON-GAAP MEASURES

Set forth below are certain non-GAAP measures which include adjusted operating income (loss), adjusted EBITDA, adjusted net income (loss) per diluted common share and adjusted net income (loss) applicable to common shares. We define adjusted EBITDA as net income (loss) before interest expense, income tax expense (benefit) and depreciation and amortization, adjusted for items broadly consisting of selected items which management does not consider representative of our ongoing operations and certain non-cash items of the Company. Such measurements are not prepared in accordance with U.S. GAAP and should not be construed as an alternative to reported results determined in accordance with U.S. GAAP. Management believes the use of such non-GAAP measures on a consolidated and operating segment basis assists investors in understanding the ongoing operating performance by presenting the financial results between periods on a more comparable basis. You are encouraged to evaluate these adjustments and the reasons we consider them appropriate for supplemental analysis. In evaluating these measures, you should be aware that in the future we may incur expenses that are the same as, or similar to, some of the adjustments in these non-GAAP measures. In addition, certain financial covenants related to our Credit Agreement and Amended ABL Facility are based on similar non-GAAP measures. The non-GAAP information provided is unique to the Company and may not be consistent with the methodologies used by other companies.

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The following tables reconcile adjusted operating income (loss) to operating income (loss) for the periods indicated (in thousands):

| | For the Three Months Ended November 2, 2014 | | | | |
|---|---|---|---|---|---|
| | Metal Coil Coating | Metal Components | Engineered Building Systems | Corporate | Consolidated |
| Operating income (loss), GAAP basis | $6,929 | $ 14,198 | $ 19,397 | $(18,949) | $ 21,575 |
| Strategic development costs | | 109 | | 3,403 | 3,512 |
| Adjusted operating income (loss) | $6,929 | $ 14,307 | $ 19,397 | $(15,546) | $ 25,087 |

| | For the Three Months Ended November 3, 2013 | | | | |
|---|---|---|---|---|---|
| | Metal Coil Coating | Metal Components | Engineered Building Systems | Corporate | Consolidated |
| Operating income (loss), GAAP basis | $8,209 | $ 16,904 | $ 9,045 | $(17,700) | $ 16,458 |
| Gain on insurance recovery | (1,023) | | | | (1,023) |
| Unreimbursed business interruption costs | 500 | | | | 500 |
| Adjusted operating income (loss) | $7,686 | $ 16,904 | $ 9,045 | $(17,700) | $ 15,935 |

| | For the Fiscal Year Ended November 2, 2014 | | | | |
|---|---|---|---|---|---|
| | Metal Coil Coating | Metal Components | Engineered Building Systems | Corporate | Consolidated |
| Operating income (loss), GAAP basis | $23,982 | $ 33,306 | $ 32,525 | $(64,717) | $ 25,096 |
| Gain on insurance recovery | (1,311) | | | | (1,311) |
| Secondary offering costs | | | | 754 | 754 |
| Strategic development costs | | 109 | | 4,889 | 4,998 |
| Adjusted operating income (loss) | $22,671 | $ 33,415 | $ 32,525 | $(59,074) | $ 29,537 |

| | For the Year Ended November 3, 2013 | | | | |
|---|---|---|---|---|---|
| | Metal Coil Coating | Metal Components | Engineered Building Systems | Corporate | Consolidated |
| Operating income (loss), GAAP basis | $24,027 | $ 36,167 | $ 23,405 | $(64,411) | $ 19,188 |
| Gain on insurance recovery | (1,023) | | | | (1,023) |
| Unreimbursed business interruption costs | 500 | | | | 500 |
| Adjusted operating income (loss) | $23,504 | $ 36,167 | $ 23,405 | $(64,411) | $ 18,665 |

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The following table reconciles adjusted EBITDA to Net income (loss) for the periods indicated (in thousands):

| | 1st Quarter February 2, 2014 | 2nd Quarter May 4, 2014 | 3rd Quarter August 3, 2014 | 4th Quarter November 2, 2014 | Trailing 12 Months November 2, 2014 |
|---|---|---|---|---|---|
| Net income (loss) | $ (4,258 ) | $ (4,905 ) | $ 6,089 | $ 14,259 | $ 11,185 |
| Add: | | | | | |
| Depreciation and amortization | 8,767 | 8,941 | 8,994 | 9,220 | 35,922 |
| Consolidated interest expense, net | 3,100 | 3,035 | 3,142 | 3,053 | 12,330 |
| Provision (benefit) for income taxes | (2,506 ) | (3,057 ) | 2,837 | 4,215 | 1,489 |
| Gain on insurance recovery | (987 ) | (324 ) | | | (1,311 ) |
| Secondary offering costs | 704 | 50 | | | 754 |
| Strategic development costs | | | 1,486 | 3,512 | 4,998 |
| Non-cash charges: | | | | | |
| Stock-based compensation | 3,179 | 2,563 | 2,404 | 2,022 | 10,168 |
| Adjusted EBITDA | $ 7,999 | $ 6,303 | $ 24,952 | $ 36,281 | $ 75,535 |

| | 1st Quarter January 27, 2013 | 2nd Quarter April 28, 2013 | 3rd Quarter July 28, 2013 | 4th Quarter November 3, 2013 | Trailing 12 Months November 3, 2013 |
|---|---|---|---|---|---|
| Net income (loss) | $ (3,627 ) | $ (5,342 ) | $ (12,192 ) | $ 8,276 | $ (12,885 ) |
| Add: | | | | | |
| Depreciation and amortization | 9,122 | 8,809 | 9,066 | 9,012 | 36,009 |
| Consolidated interest expense, net | 6,244 | 6,149 | 5,130 | 3,334 | 20,857 |
| Provision (benefit) for income taxes | (1,825 ) | (2,506 ) | (9,933 ) | 5,410 | (8,854 ) |
| Debt extinguishment costs, net | | | 21,491 | | 21,491 |
| Gain on insurance recovery | | | | (1,023 ) | (1,023 ) |
| Unreimbursed business interruption costs | | | | 500 | 500 |
| Non-cash charges: | | | | | |
| Stock-based compensation | 3,442 | 3,445 | 3,448 | 4,565 | 14,900 |
| Embedded derivative | (5 ) | (4 ) | (50 ) | | (59 ) |
| Adjusted EBITDA | $ 13,351 | $ 10,551 | $ 16,960 | $ 30,074 | $ 70,936 |

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The following tables reconcile adjusted diluted income (loss) per common share to income (loss) per diluted common share and adjusted income (loss) applicable to common shares to income (loss) applicable to common shares for the periods indicated (in thousands):

| | Fiscal Three Months Ended | | Fiscal Year Ended | |
|---|---|---|---|---|
| | November 2, 2014 | November 3, 2013 | November 2, 2014 | November 3, 2013 |
| Net income (loss) per diluted common share, GAAP basis | $0.19 | $ 0.11 | $0.15 | $ (0.29 ) |
| Debt extinguishment costs, net of taxes | | | | 0.30 |
| Gain on insurance recovery, net of unreimbursed business interruption costs and taxes | | (0.01 ) | (0.01) | (0.01 ) |
| Secondary offering costs, net of taxes | | | 0.00 | |
| Foreign exchange loss, net of taxes | 0.00 | | 0.01 | |
| Strategic development costs, net of taxes | 0.03 | | 0.04 | |
| Reversal of Canadian deferred tax valuation allowance | (0.03) | | (0.03) | |
| Adjusted net income per diluted common share | $0.19 | $ 0.10 | $0.16 | $ 0.00 |

| | Fiscal Three Months Ended | | Fiscal Year Ended | |
|---|---|---|---|---|
| | November 2, 2014 | November 3, 2013 | November 2, 2014 | November 3, 2013 |
| Net income (loss) applicable to common shares, GAAP basis | $14,259 | $ 8,276 | $11,185 | $(12,885 ) |
| Debt extinguishment costs, net of taxes | | | | 13,238 |
| Gain on insurance recovery, net of unreimbursed business interruption costs and taxes | | (322 ) | (808 ) | (322 ) |
| Secondary offering costs, net of taxes | | | 464 | |
| Foreign exchange loss, net of taxes | 178 | | 676 | |
| Strategic development costs, net of taxes | 2,163 | | 3,079 | |
| Reversal of Canadian deferred tax valuation allowance | (2,718 ) | | (2,718 ) | |
| Adjusted net income applicable to common shares | $13,882 | $ 7,954 | $11,878 | $31 |

# OFF-BALANCE SHEET ARRANGEMENTS

As part of our ongoing business, we do not participate in transactions that generate relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities ( SPEs ), which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As of November 2, 2014, we were not involved in any unconsolidated SPE transactions.

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# CONTRACTUAL OBLIGATIONS

The following table shows our contractual obligations as of November 2, 2014 (in thousands):

| | Payments due by period | | | | |
|---|---|---|---|---|---|
| Contractual Obligation | Total | Less than 1 year | 1 3 years | 4 5 years | More than 5 years |
| Total debt | $ 235,387 | $ 2,384 | $ 4,768 | $ 228,235 | $ |
| Interest payments on debt(1) | 50,086 | 10,998 | 21,783 | 17,304 | |
| Operating leases | 23,253 | 6,705 | 9,394 | 2,745 | 4,409 |
| Other purchase obligations(2) | 3,107 | 2,453 | 654 | | |
| Projected pension obligations(3) | 16,950 | 1,169 | 3,044 | 3,364 | 9,373 |
| Other long-term obligations(4) | 550 | 310 | 225 | 15 | |
| Total contractual obligations | $ 329,333 | $ 24,019 | $ 39,868 | $ 251,663 | $ 13,782 |

(1) Interest payments were calculated based on rates in effect at November 2, 2014 for variable rate obligations.

(2) Includes various agreements for steel delivery obligations and gas contracts. In general, purchase orders issued in the normal course of business can be terminated in whole or part for any reason without liability until the product is received.

(3) Amounts represent our estimate of the minimum funding requirements as determined by government regulations. Amounts are subject to change based on numerous assumptions, including the performance of the assets in the plan and bond rates.

(4) Includes contractual payments and projected supplemental retirement benefits to or on behalf of former executives.

# CONTINGENT LIABILITIES AND COMMITMENTS

Our insurance carriers require us to secure standby letters of credit as a collateral requirement for our projected exposure to future period claims growth and loss development which includes incurred but not reported, or IBNR, claims. For all insurance carriers, the total standby letters of credit are approximately $8.1 million and $10.2 million at November 2, 2014 and November 3, 2013, respectively.

# CRITICAL ACCOUNTING POLICIES

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States, which require us to make estimates and assumptions that affect the reported amounts of assets and liabilities and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, including those estimates that may have a significant effect on our financial condition and results of operations. Our significant accounting policies are disclosed in Note 2 to our consolidated financial statements. The following discussion of critical accounting policies addresses those policies that are both important to the portrayal of our financial condition and results of operations and require significant judgment and estimates. We base our estimates and judgment on historical experience and on various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

*Revenue recognition.* We recognize revenues when all of the following conditions are met: persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the price is fixed or determinable, and collectability is reasonably assured. Generally, these criteria are met at the time product is shipped or services are complete. In instances where an order is partially shipped, we recognize revenue based on the relative sales value of the materials shipped. Provisions are made upon the sale for estimated product returns. Costs associated with shipping and handling our products are included in cost of sales.

*Insurance accruals.* We have a self-funded Administrative Services Only ( ASO ) arrangement for our employee group health insurance. We purchase individual stop-loss protection to cap our medical claims liability at $300,000 per claim. Each reporting period, we record the costs of our health insurance plan, including paid claims, an estimate of the change in incurred but not reported ( IBNR ) claims, taxes and administrative fees, when applicable, (collectively the Plan Costs ) as general and administrative expenses

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and cost of sales in our Consolidated Statements of Operations. The estimated IBNR claims are based upon (i) a recent average level of paid claims under the plan, (ii) an estimated claims lag factor and (iii) an estimated claims growth factor to provide for those claims that have been incurred but not yet paid. We have deductible programs for our Workers Compensation/Employer Liability and Auto Liability insurance policies, and a self-insured retention ( SIR ) arrangement for our General Liability insurance policy. The Workers Compensation deductible is $500,000 per occurrence. The Property and Auto Liability deductibles are $50,000 and $250,000, respectively, per occurrence. The General Liability has a self-insured retention of $1,000,000 per occurrence. For workers compensation costs, we monitor the number of accidents and the severity of such accidents to develop appropriate estimates for expected costs to provide both medical care and indemnity benefits, when applicable, for the period of time that an employee is incapacitated and unable to work. These accruals are developed using third-party insurance adjuster reserve estimates of the expected cost for medical treatment, and length of time an employee will be unable to work based on industry statistics for the cost of similar disabilities and statutory impairment ratings. For general liability and automobile claims, accruals are developed based on third-party insurance adjuster reserve estimates of the expected cost to resolve each claim, including damages and defense costs, based on legal and industry trends, and the nature and severity of the claim. Accruals also include estimates for IBNR claims, and taxes and administrative fees, when applicable. This statistical information is trended by a third-party actuary to provide estimates of future expected costs based on loss development factors derived from our period-to-period growth of our claims costs to full maturity (ultimate), versus original estimates.

We believe that the assumptions and information used to develop these accruals provide the best basis for these estimates each quarter because, as a general matter, the accruals have historically proven to be reasonable and accurate. However, significant changes in expected medical and health care costs, negative changes in the severity of previously reported claims or changes in laws that govern the administration of these plans could have an impact on the determination of the amount of these accruals in future periods. Our methodology for determining the amount of health insurance accrual considers claims growth and claims lag, which is the length of time between the incurred date and processing date. For the health insurance accrual, a change of 10% above expected outstanding claims would result in a financial impact of $0.5 million.

*Share-Based Compensation.* Under ASC Topic 718, *Compensation Stock Compensation*, the fair value and compensation expense of each option award is estimated as of the date of grant using a Black-Scholes-Merton option pricing formula. The fair value and compensation expense of the performance share units ( PSUs ) grant was estimated based on the Company s stock price as of the date of grant using a Monte Carlo simulation. Expected volatility is based on historical volatility of our stock over a preceding period commensurate with the expected term of the option. The expected volatility considers factors such as the volatility of our share price, implied volatility of our share price, length of time our shares have been publicly traded, appropriate and regular intervals for price observations and our corporate and capital structure. For the fiscal year ended November 2, 2014, the forfeiture rate in our calculation of share-based compensation expense is based on historical experience and is estimated at 7.5% for our non-officers and 0% for our officers. For the fiscal years ended November 3, 2013 and October 28, 2012, the forfeiture rate in our calculation of share-based compensation expense is based on historical experience and is estimated at 10% for our non-officers and 0% for our officers. The risk-free rate for the expected term of the option is based on the U.S. Treasury yield curve in effect at the time of grant. Expected dividend yield was not considered in the option pricing formula since we historically have not paid dividends on our common shares and have no current plans to do so in the future. We applied a discount on the PSUs due to the required eighteen month holding period subsequent to vesting. We granted an immaterial amount of options during the fiscal years ended November 2, 2014 and November 3, 2013 and 0.1 million options during the fiscal year ended October 28, 2012. We granted 1.0 million PSUs during the fiscal year ended October 28, 2012. We granted 0.2 million, 0.4 million and 0.7 million restricted shares during the fiscal years ended November 2, 2014, November 3, 2013 and October 28, 2012, respectively.

In December 2013, we granted long-term incentive awards with performance conditions that will be paid 50% in cash and 50% in stock ( Performance Share Awards ). The final number of Performance Share Awards earned for these awards granted in December 2013 will be based on the achievement of free cash flow and earnings per share targets over a three-year period. These Performance Share Awards cliff vest

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three years from the date of grant and will be earned based on the performance against the pre-established targets for the requisite service period. The Performance Share Awards also vest earlier upon death, disability or a change of control. However, a portion of the awards may vest on termination without cause or after reaching normal retirement age prior to the vesting date, as defined by the agreements governing such awards. The fair value of Performance Share Awards is based on our stock price as of the date of grant. Compensation cost is recorded based on the probable outcome of the performance conditions associated with the respective shares, as determined by management. During fiscal 2014, we granted 0.1 million Performance Share Awards.

The compensation cost related to these share-based awards is recognized over the requisite service period. The requisite service period is generally the period during which an employee is required to provide service in exchange for the award.

Our option awards and restricted stock awards are subject to graded vesting over a service period, which is typically four years. We recognize compensation cost for these awards on a straight-line basis over the requisite service period for the entire award. In addition, certain of our awards provide for accelerated vesting upon qualified retirement. We recognize compensation cost for such awards over the period from grant date to the date the employee first becomes eligible for retirement.

*Income taxes.* The determination of our provision for income taxes requires significant judgment, the use of estimates and the interpretation and application of complex tax laws. Our provision for income taxes reflects a combination of income earned and taxed in the various U.S. federal and state, Canadian federal and provincial as well as Mexican federal jurisdictions. Jurisdictional tax law changes, increases or decreases in permanent differences between book and tax items, accruals or adjustments of accruals for tax contingencies or valuation allowances, and the change in the mix of earnings from these taxing jurisdictions all affect the overall effective tax rate.

At November 3, 2013, we had a full valuation allowance in the amount of $4.0 million on the deferred tax assets of Robertson Building Systems Ltd., our Canadian subsidiary. During fiscal 2014, after evaluating historical and future financial trends in our Canadian operations, we determined that it is more likely than not that we will utilize all of our current tax loss carry-forwards, which if unused would begin to expire in 2026.

As of November 2, 2014, the $5.1 million net operating loss and tax credit carryforward included $2.2 million for U.S. state loss carryforwards and $2.9 million for foreign loss carryforward. The state net operating loss carryforwards will expire in 1 to 19 years, if unused. During fiscal 2014, after evaluating historical and future financial trends in our Canadian operations, we determined that it is more likely than not that we will utilize all of our current tax loss carry-forwards. As a result, we reversed the entire valuation allowance on our net Canadian deferred tax asset.

As of November 3, 2013, the $13.1 million net operating loss and tax credit carryforward consisted of $6.1 million for U.S. federal net operating loss carryforward, $3.9 million for foreign loss carryforward, $0.2 million for U.S. federal tax credits and $2.9 million for U.S. state loss carryforwards. The federal net operating loss carryfoward will expire in 20 years, if unused, and the state net operating loss carryforwards will expire in 1 to 20 years, if unused.

*Accounting for acquisitions, intangible assets and goodwill.* Accounting for the acquisition of a business requires the allocation of the purchase price to the various assets and liabilities of the acquired business. For most assets and liabilities, purchase price allocation is accomplished by recording the asset or liability at its estimated fair value. The most difficult estimations of individual fair values are those involving property, plant and equipment and identifiable intangible assets. We use all available information to make these fair value determinations and, for major business acquisitions such as Metl-Span and RCC, typically engage an outside appraisal firm to assist in the fair value determination of the acquired long-lived assets.

In connection with the acquisition of Metl-Span in June 2012, we recorded goodwill of $70.0 million and intangible assets for trade names, backlog, customer relationships and supplier relationships in the amount of $9.6 million, $1.4 million, $21.6 million and $0.2 million, respectively. All Metl-Span intangible assets are amortized on a straight-line basis over their expected useful lives. Metl-Span s trade names are being amortized over 15 years based on our expectation of our use of the trade names. Metl-Span s backlog was amortized over three months because items in Metl-Span s backlog were expected to be delivered within

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three months. Metl-Span s customer lists and relationships are being amortized over 12 years based on a review of the historical length of Metl-Span s customer retention experience. Metl-Span s supplier relationship agreement is being amortized over its agreement terms of three years.

In connection with the acquisition of Garco in January 2007, we recorded intangible assets for trade names, backlog, customer relationships and non-competition agreements in the amount of $0.8 million, $0.7 million, $2.5 million and $1.8 million, respectively. All Garco intangible assets are amortized on a straight-line basis over their expected useful lives. Garco s trade names are being amortized over 15 years based on our expectation of our use of the trade names. Garco s backlog was amortized over one year because items in Garco s backlog were expected to be delivered within one year. Garco s customer lists and relationships are being amortized over fifteen years based on a review of the historical length of Garco s customer retention experience. Garco s non-competition agreements are being amortized over their agreement terms of five years.

In connection with the acquisition of RCC in April 2006, we recorded intangible assets for trade names, backlog and customer relationships in the amount of $24.7 million, $2.3 million and $6.3 million, respectively. Trade names were determined to have indefinite useful lives and so are not amortized. Trade names were determined to have indefinite lives due to the length of time the trade names have been in place, with some having been in place for decades. Our current intentions are to maintain the trade names indefinitely. This judgmental assessment of an indefinite useful life must be continuously evaluated in the future. If, due to changes in facts and circumstances, management determines that these intangible assets then have definite useful lives, amortization will commence at that time on a prospective basis. As long as these intangible assets are judged to have indefinite lives, they will be subject to periodic impairment tests that require management s judgment of the estimated fair value of these intangible assets. We assess impairment of our non-amortizing intangibles at least annually in accordance with ASC Topic 350, *Intangibles Goodwill and Other* ( ASC 350 ). All other intangible assets are amortized on a straight-line basis over their expected useful lives. RCC s customer relationships are being amortized over fifteen years based on a review of the historical length of RCC s customer retention experience. See Note 5 Goodwill and Other Intangible Assets in the Notes to consolidated financial statements, for additional information.

Goodwill of $70.0 million and $5.2 million had been recorded in our metal components and engineered building systems segments, respectively. We perform a test for impairment of all our goodwill annually as prescribed by ASC 350. The fair value of our reporting units is based on a blend of estimated discounted cash flows, publicly traded company multiples and acquisition multiples. The results from each of these models are then weighted and combined into a single estimate of fair value for our two reporting units. Estimated discounted cash flows are based on projected sales and related cost of sales. Publicly traded company multiples and acquisition multiples are derived from information on traded shares and analysis of recent acquisitions in the marketplace, respectively, for companies with operations similar to ours. The primary assumptions used in these various models include earnings multiples of acquisitions in a comparable industry, future cash flow estimates of each of our reporting units, weighted average cost of capital, working capital and capital expenditure requirements. We have not made any material changes in our impairment assessment methodology during each fiscal year of 2014, 2013 and 2012. We do not believe the estimates used in the analysis are reasonably likely to change materially in the future but we will continue to assess the estimates in the future based on the expectations of the reporting units. Changes in assumptions used in the fair value calculation could result in an estimated reporting unit fair value that is below the carrying value, which may give rise to an impairment of goodwill.

We perform an annual assessment of the recoverability of goodwill and indefinite lived intangibles. Additionally, we assess goodwill and indefinite lived intangibles for impairment whenever events or changes in circumstances indicate that such carrying values may not be recoverable. Unforeseen events, changes in circumstances and market conditions and material differences in the value of intangible assets due to changes in estimates of future cash flows could negatively affect the fair value of our assets and result in a non-cash impairment charge. Some factors considered important that could trigger an impairment review include the following: significant underperformance relative to expected historical or projected future operating results, significant changes in the manner of our use of the acquired assets or the strategy for our overall business and significant sustained negative industry or economic trends. See Note 5 Goodwill and Other Intangible Assets in the Notes to the consolidated financial statements.

As of both November 2, 2014 and November 3, 2013, our goodwill was $75.2 million. We completed our annual goodwill impairment test in the fourth quarter for each of our reporting units. We have the option of performing an assessment of certain qualitative factors ( step zero ) to determine if it is more likely than not that the fair value of a reporting unit is less than its carrying value or proceeding directly to a quantitative analysis ( step one ).

Since each of the reporting units had a fair value in excess of 20% of their respective carrying value as of the most recent step one test, which was July 29, 2013, and no events were noted that would significantly decrease the fair value of the reporting unit, we elected to apply the qualitative assessment under the step zero testing approach for each of our reporting units as of August 4, 2014. Based on the results of these tests, no step one tests were determined to be necessary.

When performing a qualitative test, we assess numerous factors to determine whether it is more likely than not that the fair value of the reporting units are less than their respective carrying values. Examples of qualitative factors that management assesses include the Company s financial performance, market and competitive factors in the nonresidential construction industry, the amount of excess fair value over the carrying value of each reporting unit evident in prior years and other events specific to our reporting units.

Management considered factors that would impact the reporting unit fair values as estimated by the market and income approaches used in the last step one test. Management reviewed current projections of cash flows and compared these current projections to the projections included in the most recent step one test. Also, economic factors over the past year did not significantly affect the discount rates used for the valuation of these reporting units. Management concluded that events occurring since the last step one test did not have a significant impact on the fair value of each of these reporting units. Therefore, management determined that it was not necessary to perform a step one goodwill impairment test for these reporting units as the fair value of each reporting unit appeared to exceed its respective carrying value.

*Allowance for doubtful accounts.* Our allowance for doubtful accounts reflects reserves for customer receivables to reduce receivables to amounts expected to be collected. Management uses significant judgment in estimating uncollectible amounts. In estimating uncollectible accounts, management considers factors such as current overall economic conditions, industry-specific economic conditions, historical customer performance and anticipated customer performance. While we believe these processes effectively address our exposure for doubtful accounts and credit losses have historically been within expectations, changes in the economy, industry, or specific customer conditions may require adjustments to the allowance for doubtful accounts. In fiscal 2014, 2013 and 2012, we established new reserves for doubtful accounts of $0.3 million, $1.7 million and $0.1 million, respectively. Additionally, in fiscal year 2014, we had a recovery of uncollectible accounts of an immaterial amount. In fiscal years 2014, 2013 and 2012, we wrote off uncollectible accounts of $0.2 million, $1.6 million and $0.3 million, respectively, all of which had been previously reserved.

*Inventory valuation.* In determining the valuation of inventory, we record an allowance for obsolete inventory using the specific identification method for steel coils and other raw materials. Management also reviews the carrying value of inventory for lower of cost or market. Our primary raw material is steel coils which have historically shown significant price volatility. We generally manufacture to customers orders, and thus maintain raw materials with a variety of ultimate end uses. We record a lower of cost or market charge to cost of sales when the net realizable value (selling price less estimated cost of disposal), based on our intended end usage, is below our estimated product cost at completion. Estimated net realizable value is based upon assumptions of targeted inventory turn rates, future demand, anticipated finished goods sales prices, management strategy and market conditions for steel. If projected end usage or projected sales prices change significantly from management s current estimates or actual market conditions are less favorable than those projected by management, inventory write-downs may be required.

*Property, plant and equipment valuation.* We assess the recoverability of the carrying amount of property, plant and equipment for assets held and used at the lowest level asset grouping for which cash flows can be separately identified, which may be at an individual asset level, plant level or divisional level

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depending on the intended use of the related asset, if certain events or changes in circumstances indicate that the carrying value of such assets may not be recoverable and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amount of those assets. Events and circumstances which indicate an impairment include (a) a significant decrease in the market value of the assets; (b) a significant change in the extent or manner in which an asset is being used or in its physical condition; (c) a significant change in our business conditions; (d) an accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of an asset; (e) a current-period operating or cash flow loss combined with a history of operating or cash flow losses or a projection that demonstrates continuing losses associated with the use of an asset; or (f) a current expectation that, more likely than not, an asset will be sold or otherwise disposed of significantly before the end of its previously estimated useful life. We assess our assets for impairment on a quarterly basis.

If we determine that the carrying value of an asset is not recoverable based on expected undiscounted future cash flows, excluding interest charges, we record an impairment loss equal to the excess of the carrying amount of the asset over its fair value. The fair value of assets is determined based on prices of similar assets adjusted for their remaining useful life. We did not identify any asset impairments in fiscal 2014, 2013 or 2012.

*Contingencies.* We establish reserves for estimated loss contingencies when we believe a loss is probable and the amount of the loss can be reasonably estimated. Our contingent liability reserves are related primarily to litigation and environmental matters. Legal costs for uninsured claims are accrued as part of the ultimate settlement. Revisions to contingent liability reserves are reflected in income in the period in which there are changes in facts and circumstances that affect our previous assumptions with respect to the likelihood or amount of loss. Reserves for contingent liabilities are based upon our assumptions and estimates regarding the probable outcome of the matter. We estimate the probable cost by evaluating historical precedent as well as the specific facts relating to each particular contingency (including the opinion of outside advisors, professionals and experts). Should the outcome differ from our assumptions and estimates or other events result in a material adjustment to the accrued estimated reserves, revisions to the estimated reserves for contingent liabilities would be required and would be recognized in the period the new information becomes known.

*Beneficial conversion features and dividend policy.* Prior to conversion to common shares in fiscal 2013, our Convertible Preferred Stock contained beneficial conversion features. In fiscal 2012 we recorded a net $11.9 million beneficial conversion feature charge related to dividends that have accrued and are convertible into shares of Common Stock. Prior to the Amendment Agreement, our policy was to recognize beneficial conversion feature charges on paid-in-kind dividends based on a daily dividend recognition and the daily closing stock price of our Common Stock. We believe this recognition policy was reasonable as our policy matched the legal transfer and conversion rights of the majority shareholder.

At any time prior to the Dividend Rate Reduction Event, if dividends were not declared in cash on the applicable dividend declaration date, the rate at which the dividends were payable was at least 12% per annum. Prior to the vote of the Dividend Payment Committee, the Company was obligated to the 12% dividend rate. Therefore, we accrued dividends based on the 12% rate and if and when we determined the dividends would be paid at a different rate due to either cash payment on the applicable dividend declaration date or obtaining a waiver, we recorded a subsequent benefit of the excess 4% accrual upon our board s declaration of a cash dividend and reverse the beneficial conversion feature charge associated with such accrual.

*Convertible preferred stock extinguishment policy.* On May 8, 2012, we entered into an Amendment Agreement with the CD&R Funds, the holders of our Preferred Shares, to eliminate our quarterly dividend obligation on the Preferred Shares. The Amendment Agreement provided for the Certificate of Designations to be amended to terminate the dividend obligation from and after March 15, 2012. However, this did not preclude the payment of contingent default dividends, if applicable. On July 5, 2012, the Company filed an Amended and Restated Certificate of Designations with the Secretary of State for the state of Delaware effecting the elimination of the quarterly obligation on the Preferred Shares.

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As consideration for the Dividend Knock-out, the CD&R Funds received a total of 37,834 additional shares of Convertible Preferred Stock, representing (i) approximately $6.5 million of dividends accrued from March 15, 2012 through May 18, 2012 (20 trading days after April 20, 2012, on which date the dividend knock-out measurement period commenced) and (ii) approximately $31.4 million in additional liquidation preference of Convertible Preferred Stock, or 10% of the approximate total $313.7 million of accreted value as of May 18, 2012. Upon the closing of the transactions in the Amendment Agreement, the CD&R Funds held Convertible Preferred Stock with an aggregate liquidation preference and accrued dividends of approximately $345 million.

Based on certain qualitative considerations, we determined an extinguishment and reissuance had occurred and we recorded the Convertible Preferred Stock at fair value as of May 8, 2012.

To determine if the Amendment Agreement resulted in a modification or extinguishment of the Convertible Preferred Stock, we qualitatively evaluated the significance in the change to the substantive contractual terms in relation to both the economic characteristics of the Convertible Preferred Stock and the business purpose of the Amendment Agreement. We evaluated the likelihood that the Dividend Rate Reduction Event would occur absent an amendment, the change in the economic characteristics of the Convertible Preferred Stock with and without dividends, and fundamental change in investment risk to the holders of the Convertible Preferred Stock by the waiver of the contractual mandatory dividends. Based on these qualitative considerations, we determined an extinguishment and reissuance had occurred and we recorded the Convertible Preferred Stock at fair value as of May 8, 2012. The fair value of the Convertible Preferred Stock was determined using a binomial lattice model where the sole stochastic factor was the price of our common stock. This model utilized stock volatility of 49.1%, a risk-free rate of 1.34%, a bond yield of 7.5%, and our stock price on May 8, 2012 which was $11.29.

# RECENT ACCOUNTING PRONOUNCEMENTS

In July 2013, the FASB issued ASU 2013-11, *Income Taxes (Topic 740): Presentation of Unrecognized Tax Benefit When a Net Operating Loss Carryforward, A Similar Tax Loss, or a Tax Credit Carryforward Exists (A Consensus of the FASB Emerging Issues Task Force)*. ASU 2013-11 requires an entity to present an unrecognized tax benefit as a reduction of a deferred tax asset for a net operating loss carryforward, or similar tax loss or tax credit carryforward, rather than as a liability when the uncertain tax position would reduce the net operating loss or other carryforward under the tax law of the applicable jurisdiction and the entity intends to use the deferred tax asset for that purpose. This amendment is effective prospectively for our first quarter in fiscal 2015 but allows optional retrospective adoption (for all periods presented). We do not expect the adoption of this standard to have a material impact on our consolidated financial statements.

In April 2014, the FASB issued ASU 2014-08, *Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity.* ASU 2014-08 changes the requirement for reporting discontinued operations. A disposal of a component of an entity or a group of components of an entity will be required to be reported in discontinued operations if the disposal represents a strategic shift that has or will have a major effect on an entity s operations and financial results when the entity or group of components of an entity meets the criteria to be classified as held for sale or when it is disposed of by sale or other than by sale. The update also requires additional disclosures about discontinued operations, a disposal of an individually significant component of an entity that does not qualify for discontinued operations presentation in the financial statements, and an entity s significant continuing involvement with a discontinued operation. This update is effective prospectively for our first quarter in fiscal 2016. Early adoption is permitted, but only for disposals (or classifications as held for sale) that have not been reported in previously issued financial statements. We are currently evaluating the potential impact of this authoritative guidance on our consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606).* ASU 2014-09 supersedes the revenue recognition requirements in ASC Topic 605, *Revenue Recognition*, and most industry-specific guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This guidance is effective for our first quarter in fiscal 2018 under either full or modified retrospective adoption. Early application is not permitted. We are currently assessing the potential effects of these changes to our consolidated financial statements.

In June 2014, the FASB issued ASU 2014-12, *Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period.* ASU 2014-12 requires that a performance target that affects vesting and could be achieved after the requisite service period be treated as a performance condition. A reporting entity should apply existing guidance in FASB Accounting Standards Codification 718, *Compensation-Stock Compensation*, as it relates to such awards. ASU 2014-12 is effective for our first quarter in fiscal 2017, with early adoption permitted. We do not expect that the adoption of this guidance will have a material impact on our consolidated financial statements.

# Item 7A. *Quantitative and Qualitative Disclosures About Market Risk.*

## Steel Prices

We are subject to market risk exposure related to volatility in the price of steel. For the fiscal year ended November 2, 2014, steel constituted approximately 70% of our cost of sales. Our business is heavily dependent on the price and supply of steel. Our various products are fabricated from steel produced by mills to forms including bars, plates, structural shapes, sheets, hot-rolled coils and galvanized or Galvalume®-coated coils[1]. The steel industry is highly cyclical in nature, and steel prices have been volatile in recent years and may remain volatile in the future. Steel prices are influenced by numerous factors beyond our control, including general economic conditions domestically and internationally, the availability of raw materials, competition, labor costs, freight and transportation costs, production costs, import duties and other trade restrictions. Based on the cyclical nature of the steel industry, we expect steel prices will continue to be volatile.

Although we have the ability to purchase steel from a number of suppliers, a production cutback by one or more of our current suppliers could create challenges in meeting delivery schedules to our customers. Because we have periodically adjusted our contract prices, particularly in the engineered building systems segment, we have generally been able to pass increases in our raw material costs through to our customers. The graph below shows the monthly CRU Index data for the North American Steel Price Index over the historical five-year period. The CRU North American Steel Price Index has been published by the CRU Group since 1994 and we believe this index appropriately depicts the volatility we have experienced in steel prices. The index, based on a CRU survey of industry participants, is now commonly used in the settlement of physical and financial contracts in the steel industry. The prices surveyed are purchases for forward delivery, according to lead time, which will vary. For example, the October index would likely approximate our fiscal

1 Galvalume® is a registered trademark of Biec International, Inc.

December steel purchase deliveries based on current lead-times. The volatility in this steel price index is comparable to the volatility we experienced in our average cost of steel.

# CRU Steel Price Index North America

Source: *www.crugroup.com*

We normally do not maintain an inventory of steel in excess of our current production requirements. However, from time to time, we may purchase steel in advance of announced steel price increases. In addition, it is our current practice to purchase all steel inventory that has been ordered but is not in our possession. Therefore, our inventory may increase if demand for our products declines. We can give no assurance that steel will remain available or that prices will not continue to be volatile.

For the fiscal year ended November 2, 2014, scheduled material deliveries were delayed due to impassable roads and frozen waterways during the earlier portion of the period. As a result, we absorbed higher costs to purchase steel to meet customer delivery schedules.

With steel accounting for approximately 70% of our cost of sales for fiscal 2014, a one percent change in the cost of steel could have resulted in a pre-tax impact on cost of sales of approximately $7.5 million for our fiscal year ended November 2, 2014. The impact to our financial results of operations would be significantly dependent on the competitive environment and the costs of other alternative building products, which could impact our ability to pass on these higher costs.

## Other Commodity Risks

In addition to market risk exposure related to the volatility in the price of steel, we are subject to market risk exposure related to volatility in the price of natural gas. As a result, we occasionally enter into both index-priced and fixed-price contracts for the purchase of natural gas. We have evaluated these contracts to determine whether the contracts are derivative instruments. Certain contracts that meet the criteria for characterization as a derivative instrument may be exempted from hedge accounting treatment as normal purchases and normal sales and, therefore, these forward contracts are not marked to market. At November 2, 2014, all our contracts for the purchase of natural gas met the scope exemption for normal purchases and normal sales.

## Interest Rates

We are subject to market risk exposure related to changes in interest rates on our Credit Agreement and Amended ABL Facility. These instruments bear interest at an agreed upon percentage point spread from either the prime interest rate or LIBOR. Under our Credit Agreement, we may, at our option, fix the interest rate for

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certain borrowings based on a spread over LIBOR for 30 days to six months. At November 2, 2014, we had $235.4 million outstanding under our Credit Agreement. Based on this balance, an immediate change of one percent in the interest rate would cause a change in interest expense of approximately $2.4 million on an annual basis. The fair value of our Credit Agreement, due June 2019, at November 2, 2014 and November 3, 2013 was approximately $230.1 million and $237.8 million, respectively, compared to the face value of $235.4 and $237.8 million, respectively.

See Note 10 Long-term Debt and Note Payable to the consolidated financial statements for more information on the material terms of our long-term debt.

The table below presents scheduled debt maturities and related weighted-average interest rates for each of the fiscal years relating to debt obligations as of November 2, 2014. Weighted-average variable rates are based on LIBOR rates assuming a 1.00% LIBOR floor at November 2, 2014, plus applicable margins.

| | Scheduled Maturity Date[(a)] | | | | | | | Fair Value |
|---|---|---|---|---|---|---|---|---|
| | 2015 | 2016 | 2017 | 2018 | 2019 | Thereafter | Total | 11/2/2014 |
| | (In millions, except interest rate percentages) | | | | | | | |
| Total Debt: | | | | | | | | |
| Fixed Rate | $ | $ | $ | $ | $ | $ | $ | $ |
| Interest Rate | | | | | | | | |
| Variable Rate | $ 2.4 | $ 2.4 | $ 2.4 | $ 2.4 | $ 225.8 | $ | $ 235.4 | $ 230.1 [(b)] |
| Average interest rate | 4.3 % | 4.3 % | 4.3 % | 4.3 % | 4.3 % | % | 4.3 % | |

(a) Expected maturity date amounts are based on the face value of debt and do not reflect fair market value of the debt.

(b) Based on recent trading activities of comparable market instruments.

## Foreign Currency Exchange Rates

We are exposed to the effect of exchange rate fluctuations on the U.S. dollar value of foreign currency denominated operating revenue and expenses. The functional currency for our Mexico operations is the U.S. dollar. Adjustments resulting from the re-measurement of the local currency financial statements into the U.S. dollar functional currency, which uses a combination of current and historical exchange rates, are included in net income in the current period. Net foreign currency re-measurement gains (losses) were $(0.9) million, $(0.1) million and $(0.4) million for the fiscal years ended November 2, 2014, November 3, 2013 and October 28, 2012.

The functional currency for our Canadian operations is the Canadian dollar. Translation adjustments resulting from translating the functional currency financial statements into U.S. dollar equivalents are reported separately in accumulated other comprehensive income in stockholders equity. The net foreign currency exchange gains (losses) included in net income for the fiscal years ended November 2, 2014, November 3, 2013 and October 28, 2012 was $(0.2) million, $0.2 million and $0.3 million, respectively. Net foreign currency translation adjustment, net of tax, and included in other comprehensive income was $(0.4) million and $(0.1) million for the fiscal years ended November 2, 2014 and November 3, 2013, respectively, and was immaterial for each of the fiscal years ended October 28, 2012.

## Item 8. *Financial Statements and Supplementary Data.*

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# MANAGEMENT S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of NCI Building Systems, Inc. (the Company or our ) is responsible for establishing and maintaining adequate internal control over financial reporting for the Company as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. The Company s internal control system was designed to provide reasonable assurance to the Company s management and board of directors regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles.

Internal control over financial reporting includes the controls themselves, monitoring (including internal auditing practices), and actions taken to correct deficiencies as identified.

Internal control over financial reporting has inherent limitations and may not prevent or detect misstatements. The design of an internal control system is also based in part upon assumptions and judgments made by management about the likelihood of future events, and there can be no assurance that an internal control will be effective under all potential future conditions. Therefore, even those systems determined to be effective can provide only reasonable, not absolute, assurance with respect to the financial statement preparation and presentation. Further, because of changes in conditions, the effectiveness of internal control over financial reporting may vary over time.

Management assessed the effectiveness of the Company s internal control over financial reporting as of November 2, 2014. In making this assessment, management used the criteria for internal control over financial reporting described in *Internal Control Integrated Framework* by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) ( COSO ). Management s assessment included an evaluation of the design of the Company s internal control over financial reporting and testing of the operating effectiveness of its internal control over financial reporting. Management reviewed the results of its assessment with the Audit Committee of the Company s Board of Directors. Based on this assessment, management has concluded that, as of November 2, 2014, the Company s internal control over financial reporting was effective.

Ernst & Young LLP, the independent registered public accounting firm that has audited the Company s consolidated financial statements, has audited the effectiveness of the Company s internal control over financial reporting as of November 2, 2014. Their report included elsewhere herein expresses an unqualified opinion on the effectiveness of our internal control over financial reporting as of November 2, 2014.

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# REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

## The Board of Directors and Shareholders of NCI Building Systems, Inc.

We have audited NCI Building Systems, Inc. s (the Company ) internal control over financial reporting as of November 2, 2014, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) (the COSO criteria). NCI Building Systems, Inc. s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed 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. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, NCI Building Systems, Inc. maintained, in all material respects, effective internal control over financial reporting as of November 2, 2014, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of NCI Building Systems, Inc. as of November 2, 2014 and November 3, 2013, and the related consolidated statements of operations, comprehensive income (loss), stockholders equity (deficit) and cash flows for each of the three years in the period ended November 2, 2014 of NCI Building Systems, Inc. and our report dated December 22, 2014 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Houston, Texas
December 22, 2014

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# REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

## The Board of Directors and Shareholders of NCI Building Systems, Inc.

We have audited the accompanying consolidated balance sheets of NCI Building Systems, Inc. (the Company ) as of November 2, 2014 and November 3, 2013, and the related consolidated statements of operations, comprehensive income (loss), stockholders equity (deficit) and cash flows and for each of the three years in the period ended November 2, 2014. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of NCI Building Systems, Inc. at November 2, 2014 and November 3, 2013, and the consolidated results of their operations and their cash flows for each of the three years in the period ended November 2, 2014, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), NCI Building Systems, Inc. s internal control over financial reporting as of November 2, 2014, based on the criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) and our report dated December 22, 2014 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Houston, Texas
December 22, 2014

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# CONSOLIDATED STATEMENTS OF OPERATIONS

# NCI BUILDING SYSTEMS, INC.

| | Fiscal Year Ended | | |
|---|---|---|---|
| | November 2, 2014 | November 3, 2013 | October 28, 2012 |
| | (In thousands, except per share data) | | |
| Sales | **$1,370,540** | $1,308,395 | $1,154,010 |
| Cost of sales, excluding gain on insurance recovery and asset impairments (recoveries), net | **1,080,027** | 1,033,374 | 898,001 |
| Gain on insurance recovery | **(1,311)** | (1,023) | |
| Asset impairments (recoveries), net | | | (9) |
| Gross profit | **291,824** | 276,044 | 256,018 |
| Engineering, selling, general and administrative expenses | **261,730** | 256,856 | 219,340 |
| Strategic development and acquisition related costs | **4,998** | | 4,989 |
| Income from operations | **25,096** | 19,188 | 31,689 |
| Interest income | **126** | 131 | 112 |
| Interest expense | **(12,455)** | (20,988) | (16,827) |
| Debt extinguishment costs, net | | (21,491) | (6,437) |
| Other income (expense), net | **(92)** | 1,421 | 460 |
| Income (loss) before income taxes | **12,675** | (21,739) | 8,997 |
| Provision (benefit) for income taxes | **1,490** | (8,854) | 4,084 |
| Net income (loss) | **$11,185** | $(12,885) | $4,913 |
| Convertible preferred stock dividends and accretion | | | 16,352 |
| Convertible preferred stock beneficial conversion feature | | | 11,878 |
| Convertible preferred stock amendment | | | 48,803 |
| Net income allocated to participating securities | **(100)** | | |
| Net income (loss) applicable to common shares | **$11,085** | $(12,885) | $(72,120) |
| Income (loss) per common share: | | | |
| Basic | **$0.15** | $(0.29) | $(3.81) |
| Diluted | **$0.15** | $(0.29) | $(3.81) |
| Weighted average number of common shares outstanding: | | | |
| Basic | **73,079** | 44,761 | 18,932 |
| Diluted | **74,709** | 44,761 | 18,932 |

See accompanying notes to the consolidated financ