NCI Building Systems, Inc. | 2018

FORM **10-K**	FORM **10-K/A**	FORM **8-K** (Form 10-K Recast)	FORM **10-QT** (Transition Report)	FORM **8-K** (Change of Auditors)
			Fiscal Period October 29, 2018 – December 31, 2018	Engagement of an Independent Accounting Firm

Fiscal year period ended October 28, 2018

Explanatory Note

As previously announced, on November 16, 2018, the board of directors (the "Board") of NCI Building Systems, Inc. (the "Company") approved and changed the Company's fiscal year from a 52/53 week year with the Company's fiscal year end on the Sunday closest to October 31 to a fiscal year of the 12 month period of January 1 to December 31 of each calendar year, to commence with the year ending December 31, 2019.

In accordance with applicable requirements of the Securities Exchange Act of 1934, as amended, we are including copies of the following filings in this Annual Report to Shareholders:

- Annual Report on Form 10-K for the fiscal year ended October 28, 2018, as filed with the U.S. Securities and Exchange Commission (the "SEC") on December 19, 2018 (the "2018 Form 10-K");
- Amendment no. 1 to the 2018 Form 10-K on Form 10-K/A, as filed with the SEC on February 25, 2019, which the Company filed to include the items required by Part III of Form 10-K;
- Current Report on Form 8-K, including Exhibits 99.1–99.6 thereto, as filed with the SEC on February 19, 2019, which the Company filed to update the presentation of certain financial information and related disclosures contained in the 2018 Form 10-K;
- Transition Report on Form 10-QT for the transition period from October 29, 2018 to December 31, 2018 (the "Transition Period"), as filed with the SEC on February 11, 2019; and
- Current Report on Form 8-K, as filed with the SEC on January 11, 2019, to disclose the Company's engagement of Grant Thornton LLP to serve as the Company's independent registered public accounting firm for the Transition Period and the year ending December 31, 2019.

Each of the above listed filings are also available free of charge on our web site at www.ncibuildingsystems.com and at the SEC's web site at www.sec.gov.

FORM **10-K**

NCI BUILDING SYSTEMS INC - NCS

Filed: December 19, 2018 (period: October 28, 2018)

Annual report with a comprehensive overview of the company

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

Form 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended October 28, 2018

or

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

For the transition period from to .
Commission file number 1-14315

NCI BUILDING SYSTEMS, INC.

(Exact name of registrant as specified in its charter)

Delaware	76-0127701
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
5020 Weston Parkway, Suite 400, Cary, NC	27513
(Address of principal executive offices)	(zip code)

Registrant's telephone number, including area code: (888) 975-9436

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

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

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 ☐ No ☒

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) 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. ☒

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

Large accelerated filer ☒	Accelerated filer ☐
Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐
	Emerging growth company ☐

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

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

The aggregate market value of the voting and non-voting common stock held by non-affiliates of the registrant on April 27, 2018 was $750,262,999, 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.

The number of shares of common stock of the registrant outstanding on December 12, 2018 was 125,347,957.

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 2019 annual meeting of shareholders to be filed with the Securities and Exchange Commission within 120 days of October 28, 2018.

TABLE OF CONTENTS

PART I		3
Item 1.	Business	3
Item 1A.	Risk Factors	15
Item 1B.	Unresolved Staff Comments	27
Item 2.	Properties	27
Item 3.	Legal Proceedings	28
PART II		29
Item 5.	Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	29
Item 6.	Selected Financial Data	31
Item 7.	Management’s Discussion and Analysis of Financial Condition and Results of Operations	32
Item 7A.	Quantitative and Qualitative Disclosures About Market Risk	56
Item 8.	Financial Statements and Supplementary Data	59
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	108
Item 9A.	Controls and Procedures	108
Item 9B.	Other Information	108
PART III		109
Item 10.	Directors, Executive Officers and Corporate Governance	109
Item 11.	Executive Compensation	109
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	109
Item 13.	Certain Relationships and Related Transactions, and Director Independence	109
Item 14.	Principal Accounting Fees and Services	109
Part IV		110
Item 15.	Exhibits, Financial Statement Schedules	110
Item 16.	Form 10-K Summary	114

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,” “expect,” “forecast,” “goal,” “intend,” “may,” “objective,” “plan,” “potential,” “predict,” “projection,” “should,” “will” or other similar words. We have 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 United States (“U.S.”) economy and abroad, generally, and in the credit markets;
- changes in laws or regulations;
- the effects of certain external domestic or international factors that we may not be able to control, including war, civil conflict, terrorism, natural disasters and public health issues;
- our ability to obtain financing on acceptable terms;
- recognition of goodwill or asset impairment charges;
- commodity price volatility and/or limited availability of raw materials, including steel, PVC resin and aluminum;
- retention and replacement of key personnel;
- enforcement and obsolescence of our intellectual property rights;
- costs and liabilities related to compliance with environmental laws and environmental clean-ups;
- competitive activity and pricing pressure in our industry;
- volatility of the Company’s stock price;
- our ability to make strategic acquisitions accretive to earnings;
- our ability to carry out our restructuring plans and to fully realize the expected cost savings;
- volatility in energy prices;
- the adoption of climate change legislation;
- breaches of our information system security measures;
- damage to our major information management systems;
- necessary maintenance or replacements to our enterprise resource planning technologies;
- potential personal injury, property damage or product liability claims or other types of litigation;
- compliance with certain laws related to our international business operations;
- the effect of tariffs on steel imports;
- the cost and difficulty associated with integrating and combining the businesses of NCI and Ply Gem;
- potential write-downs or write-offs, restructuring and impairment or other charges required in connection with the Merger;
- substantial governance and other rights held by the Investors (as defined below);
- the effect on our common stock price caused by transactions engaged in by the Investors, our directors or executives;

- our substantial indebtedness and our ability to incur substantially more indebtedness;
- limitations that our debt agreements place on our ability to engage in certain business and financial transactions;
- the effect of increased interest rates on our ability to service our debt; 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.

PART I

Item 1. *Business.*

General

NCI Building Systems, Inc. (together with its subsidiaries, unless the context requires otherwise, the "Company," "NCI," "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 approximate $295 billion nonresidential construction industry, we primarily serve the low-rise nonresidential construction market (five stories or less) which, according to Dodge Data & Analytics ("Dodge"), represented approximately 87% of the total nonresidential construction industry during our fiscal year 2018. Our broad range of products are used primarily in new construction and in repair and retrofit activities, mostly in North America.

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 approximately 3,200 affiliated builders across North America in our Engineered Building Systems segment, over 1,000 dealer partners for our insulated metal panel ("IMP") products and approximately 5,500 architects. We also provide metal coil coating services for commercial and construction applications, servicing both internal and external customers.

As of October 28, 2018, we operated 36 manufacturing facilities located in the United States, Mexico and Canada, 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.

Since 2011, we have executed on a strategy to become the leading provider of IMP products in North America through our acquisitions of Metl-Span LLC (''Metl-Span'') in 2012 and CENTRIA, a Pennsylvania general partnership (''CENTRIA''), in 2015. We believe the IMP market remains underpenetrated in North America. IMP products possess several physical and cost-effective attributes, such as energy efficiency, that make them compelling alternatives to competing building materials, in particular due to the adoption of stricter standards and codes by numerous states in the United States that are expected to increase the use of IMP products in construction projects. Given these factors, we believe that growth within the IMP market will continue to outpace the broader metal building sector and the nonresidential construction industry as a whole.

The engineered building systems, metal components, insulated metal panels and metal coil coating 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 each 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.

Current market estimates continue to show uneven activity across the nonresidential construction markets. According to Dodge, low-rise nonresidential construction starts, as measured in square feet and comprising buildings of up to five stories, were down as much as approximately 7% in our fiscal 2018 as compared to our fiscal 2017. However, Dodge typically revises initial reported figures, and we expect this metric will be revised upwards over time. Leading indicators for low-rise, nonresidential construction activity indicate positive momentum into fiscal 2019.

The leading indicators that we follow and that typically have the most meaningful correlation to nonresidential low-rise construction starts are the American Institute of Architects' ("AIA") Architecture Mixed Use Index, Dodge residential single family starts and the Conference Board Leading Economic Index ("LEI"). Historically, there has been a very high correlation

to the Dodge low-rise nonresidential starts when the three leading indicators are combined and then seasonally adjusted. The combined forward projection of these metrics, based on a 9 to 14-month historical lag for each metric, indicates low single digit growth for new low-rise nonresidential construction starts in fiscal 2019.

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 Fund VIII Investment Group"), 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"). On May 14, 2013, the CD&R Fund VIII Investment Group 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 Fund VIII Investment Group 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 Fund VIII Investment Group to the Company in connection with the Conversion of the Preferred Shares. As a result of the Conversion, the CD&R Fund VIII Investment Group no longer have rights to dividends or default dividends as specified in the Certificate of Designations for the Convertible Preferred Stock. The Conversion eliminated all the outstanding Convertible Preferred Stock and increased stockholders' equity by nearly $620.0 million.

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 included $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 conducted through NCI Group, Inc. and its results are included in the results of our Metal Components Segment. The Metl-Span Acquisition 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 January 16, 2015, NCI Group, Inc., a wholly-owned subsidiary of the Company, and Steelbuilding.com, LLC, a wholly owned subsidiary of NCI Group, Inc., completed the acquisition of CENTRIA (the "CENTRIA Acquisition"), pursuant to the terms of the Interest Purchase Agreement, dated November 7, 2014 ("Interest Purchase Agreement") with SMST Management Corp., a Pennsylvania corporation, Riverfront Capital Fund, a Pennsylvania limited partnership, and CENTRIA. NCI acquired all of the general partnership interests of CENTRIA in exchange for $255.8 million in cash, including cash acquired of $8.7 million. The purchase price was subject to a post-closing adjustment to net working capital as provided in the Interest Purchase Agreement, which we settled during the first quarter of fiscal 2016 for additional cash consideration of approximately $2.1 million payable to the seller, which approximated the amount we previously accrued. The purchase price was funded through the issuance of $250.0 million of new indebtedness.

On February 8, 2018, the Company entered into a Term Loan Credit Agreement (the "Pre-merger Term Loan Credit Agreement") which provided for a term loan credit facility in an original aggregate principal amount of $415.0 million (the "Pre-merger Term Loan Credit Facility"). Proceeds from borrowings under the Pre-merger Term Loan Credit Facility were used, together with cash on hand, (i) to refinance the existing term loan credit agreement, (ii) to redeem and repay the existing 8.25% senior notes due 2023 and (iii) to pay any fees, premiums and expenses incurred in connection with the refinancing. The term loans under the Pre-merger Term Loan Credit Agreement would have matured on February 7, 2025 and, prior to such date, would have amortized in nominal quarterly installments equal to one percent of the aggregate initial principal amount thereof per annum.

On February 8, 2018, the subsidiaries of the Company, NCI Group, Inc. and Robertson-Ceco II Corporation, and the Company as a guarantor, entered into an ABL Credit Agreement (the "Pre-merger ABL Credit Agreement"). The Pre-merger ABL Credit Agreement provided for an asset-based revolving credit facility (the "Pre-merger ABL Credit Facility") which allowed aggregate maximum borrowings by the ABL borrowers of up to $150 million, letters of credit of up to $30 million and up to $20 million for swingline borrowings. Borrowing availability is determined by a monthly borrowing base collateral calculation that is based on specified percentages of the value of accounts receivable, eligible credit card receivables and eligible inventory, less certain reserves and subject to certain other adjustments. Availability is reduced by issuance of letters of credit as well as any borrowings. All borrowings under the Pre-merger ABL Credit Facility would have matured on February 8, 2023.

At a Special Meeting of the shareholders of NCI held on November 15, 2018 (the "Special Shareholder Meeting"), NCI's shareholders approved (i) the Agreement and Plan of Merger (the "Merger Agreement") among NCI, Ply Gem Parent, LLC ("Ply Gem"), and for certain limited purposes set forth in the Merger Agreement, Clayton, Dubilier & Rice, LLC, a Delaware limited liability company, pursuant to which, at the closing of the merger, Ply Gem was merged with and into the Company, with the Company continuing its existence as a corporation organized under the laws of the State of Delaware (the "Merger") and (ii) the issuance in the Merger of 58,709,067 shares of NCI common stock, par value $0.01 per share (the "NCI Common Stock") in the aggregate, on a pro rata basis, to the holders of all of the equity interests in Ply Gem (the "Stock Issuance"). NCI's

shareholders also approved the three additional proposals described in the Company's proxy statement relating to the Special Shareholder Meeting. The Merger was consummated on November 16, 2018 pursuant to the Merger Agreement.

Pursuant to the terms of the Merger Agreement, on November 16, 2018, the Company entered into (i) a stockholders agreement (the "New Stockholders Agreement") between the Company and each of Clayton, Dubilier & Rice Fund VIII, L.P., a Cayman Islands exempted limited partnership ("CD&R Fund VIII"), CD&R Friends & Family Fund VIII, L.P., a Cayman Islands exempted limited partnership ("CD&R FF Fund VIII", and together with CD&R Fund VIII, the "CD&R Fund VIII Investor Group"), CD&R Pisces Holdings, L.P., a Cayman Islands exempted limited partnership ("CD&R Pisces", and together with CD&R Fund VIII and CD&R FF Fund VIII, individually, the "CD&R Investors," and collectively, the "CD&R Investor Group"), Atrium Intermediate Holdings, LLC, a Delaware limited liability company ("Atrium"), GGC BP Holdings, LLC, a Delaware limited liability company ("GGC"), and AIC Finance Partnership, L.P., a Cayman Islands exempted limited partnership ("AIC", and together with Atrium and GGC, each individually, a "Golden Gate Investor," and collectively, the "Golden Gate Investor Group," and together with the CD&R Investor Group, the "Investors"), pursuant to which the Company granted to the Investors certain governance, preemptive and subscription rights and (ii) a registration rights agreement (the "New Registration Rights Agreement") with the Investors, pursuant to which the Company granted the Investors customary demand and piggyback registration rights, including rights to demand registrations and underwritten shelf registration statement offerings with respect to the shares of NCI Common Stock that are held by the Investors following the consummation of the Merger.

Pursuant to the terms of the New Stockholders Agreement, CD&R Fund VIII, CD&R FF Fund VIII and the Company terminated the Stockholders Agreement (the "Old Stockholders Agreement"), dated as of October 20, 2009, by and among the Company, CD&R Fund VIII and CD&R FF Fund VIII. Pursuant to the terms of the New Registration Rights Agreement, CD&R Fund VIII, CD&R FF Fund VIII and the Company terminated the Registration Rights Agreement (the "Old Registration Rights Agreement"), dated as of October 20, 2009, by and among the Company, CD&R Fund VIII and CD&R FF Fund VIII.

On November 16, 2018, in connection with the consummation of the Merger, the Company assumed (i) the obligations of the company formerly known as Ply Gem Midco, Inc. ("Ply Gem Midco"), a subsidiary of Ply Gem immediately prior to the consummation of the Merger, as borrower under the Current Cash Flow Credit Agreement, (ii) the obligations of Ply Gem Midco as parent borrower under the Current ABL Credit Agreement and (iii) the obligations of Ply Gem Midco as issuer under the Current Indenture (each as defined and further described in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations).

For additional discussion of the Company's debt following the Merger, see "Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations."

Our principal offices are located at 5020 Weston Parkway, Suite 400, Cary, North Carolina 27513, and our telephone number is (888) 975-9436.

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.ncibuildingsystems.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

On February 22, 2018, the Company announced changes to NCI's reportable business segments, effective January 28, 2018 for the first quarter of fiscal 2018, to align with changes in how the Company manages its business, reviews operating performance and allocates resources. During the first quarter of fiscal 2018, the Company began reporting results under four reportable segments, which are Engineered Building Systems, Metal Components, Insulated Metal Panels and Metal Coil Coating. Previously, operating results for the Insulated Metal Panel product line were included in the Metal Components segment. In addition, CENTRIA's coil coating operations, which had been included in the Metal Components segment since the Company's acquisition of CENTRIA in January 2015, are reported within the Metal Coil Coating segment for all periods presented herein. On August 6, 2018, NCI filed a Current Report on Form 8-K to update the segment disclosure reflecting the change in operating segments on a retrospective basis in its Annual Report for the year ended October 29, 2017.

Prior to the Merger our operating segments operated 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 using similar basic raw materials. 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.

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:

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 reduce operating costs.

Manufacturing. As of October 28, 2018, we operated seven facilities for manufacturing and distributing engineered building systems throughout the United States and in 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 portions of our drafting requirements to third parties.

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.

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.

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,” “Heritage” and “SteelBuilding.com.” We market engineered building systems through an in-house sales force to affiliated builder networks of approximately 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 2018, 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 37.8% of total consolidated sales for the fiscal 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 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 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.

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. 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 continually developing and marketing new products such as our 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. However, 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. As of October 28, 2018, we operated 14 facilities to manufacture metal components for the nonresidential construction industry, including three facilities for our door operations.

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, manufacturing 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.

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" and "Metal Depots." In addition to metal roofing systems, we manufacture roll-up doors and sell interior and exterior walk doors for use in the self-storage industry and other metal 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 primarily within six market segments: commercial/industrial, architectural, standing seam roof systems, agricultural, residential and cold storage. 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 regional sales managers. Each local sales office 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 2018, our largest customer for Metal Components accounted for less than 1% of our total consolidated sales and external sales of our Metal Components segment accounted for 30.6% of total consolidated sales for the fiscal year.

Insulated Metal Panels.

Products. Insulated metal panels are panels consisting of rigid foam encased between two sheets of coated metal in a variety of modules, lengths and reveal combinations which are used in architectural, commercial, industrial and cold storage market applications.

Manufacturing. As of October 28, 2018, we operated eight facilities (seven in the United States and one in Canada) to manufacture IMP products.

Sales, Marketing and Customers. We design, manufacture, sell and distribute insulated metal panels for use in various Architectural, Commercial, Industrial and Cold Storage end-market applications under the brand names "Metl-Span" and "CENTRIA".

One of our strategic objectives and a major part of our “green” initiative is to expand our IMP product lines, which are increasingly desirable because of their energy efficiency, noise reduction and aesthetic qualities. Our IMP product line manufacturing facilities in the United States and Canada provide the nonresidential building products market with cost-effective and energy efficient insulated metal wall and roof panels.

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.

As with components products, our IMP product lines service each of our six market segments: commercial/industrial, architectural, standing seam roof systems, agricultural, residential and cold storage.

During fiscal 2018, the largest customer of our Insulated Metal Panels segment accounted for less than 2% of our total consolidated sales and external sales of our Insulated Metal Panels segment represented 21.2% of total consolidated sales for the fiscal year.

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 service. 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. As of October 28, 2018, we operated seven metal coil coating facilities located in the United States. Two of our facilities coat hot-rolled, heavy gauge metal coils and five of our facilities coat light gauge metal coils.

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 2018, the largest customer of our Metal Coil Coating segment accounted for approximately 1% of our total consolidated sales and external sales of our Metal Coil Coating segment represented 10.4% of total consolidated sales for the fiscal year.

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, reduce engineering, selling, general and administrative (“ESG&A”) expenses and improve plant utilization through expanded use of our integrated business model and facility re-alignment. 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.
- *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.
- *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.
- *Insulated Metal Panels Segment.* We intend to drive growth in sales of high-margin IMP product lines through all legacy commercial channels.
- *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.

The combination of NCI and Ply Gem, headquartered in Cary, NC, establishes a leading exterior building products manufacturer with a broad range of products to residential and commercial customers for both new construction and repair & remodel. With a portfolio of key products which includes windows, doors, siding, metal wall and roof systems, engineered commercial buildings, insulated metal panels, stone and other adjacent products, the Company has more than 20,000 employees across 80 manufacturing, distribution and office locations throughout North America.

Restructuring

We continue to execute on our plans to improve cost efficiency through the optimization of our combined manufacturing plant footprint and the elimination of certain fixed and indirect ESG&A costs. During the fiscal year ended October 28, 2018, we incurred restructuring charges of $1.5 million, including $1.3 million, $1.3 million and $0.1 million in the Engineered Building Systems, Insulated Metal Panels and Corporate segments, respectively, partially offset by a net gain of $1.2 million on sales of facilities in our Metal Components segment. Restructuring charges are recorded for these plans as they become estimable and probable. See Note 5 — Restructuring in the notes to the consolidated financial statements for additional information.

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 (Galvalume® is a registered trademark of BIEC International, Inc.).

Our raw materials on hand increased to $205.9 million at October 28, 2018 from $150.9 million at October 29, 2017 due to rising input costs and to support higher levels of business activity in fiscal 2018.

The price and supply of steel impacts our business. 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. 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" and Item 7A. Quantitative and Qualitative Disclosures About Market Risk — Steel Prices."

Backlog

At October 28, 2018 and October 29, 2017, the total backlog of orders, consisting of Engineered Building Systems' and IMP orders, for our products we believe to be firm was $557.0 million and $545.6 million, respectively. Job orders included in backlog are generally cancelable by customers at any time for any reason; however, cancellation charges may be assessed. 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 16% 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.

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. However, the metal components market is more fragmented than the engineered building systems market.

As of October 28, 2018, we operated 36 manufacturing facilities located in the United States, Mexico and Canada, with additional sales and distribution offices throughout the United States and Canada. These facilities are used primarily for the manufacturing of metal components and engineered building systems for the building industry. We believe this broad geographic distribution gives us an advantage over our metal components and engineered building systems competitors because major elements of a customer's 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 Engineered Building Systems, Metal Components, Insulated Metal Panels and Metal Coil Coating 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, 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. For more information, see "Acquisitions" below.

In addition to the consolidation of competitors within the industries of the engineered building systems, metal components and metal coil coating 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, including the Metl-Span Acquisition, the CENTRIA Acquisition and the Merger, 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 organically and through opportunistic strategic acquisitions.

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 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 Company's debt agreements contain a number of covenants that, among other things, limit or restrict the ability of the Company and its subsidiaries to incur additional indebtedness, transfer or sell 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, local and tribal levels. These laws and regulations can impact or restrict our business activities in many ways, such as:

- requiring investigative or remedial action to mitigate or contain certain environmental conditions that may have been historically or otherwise caused by our operations or practices, or by former owners or operators at properties we have acquired; 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 requirements 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 corrective actions, 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. We do so with the goal of minimizing the associated costs of compliance without affecting our ability to comply.

Failure to comply with environmental laws and regulations may trigger a variety of administrative, civil or criminal enforcement actions, including the assessment of monetary penalties, the imposition of investigative or remedial requirements, or the issuance of orders limiting current or future operations. 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 or 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, local or tribal 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 or regulations, the promulgation of new laws or regulations, 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 (such as our manufacturing facilities) and impose various permitting, air pollution control, emissions monitoring, recordkeeping and reporting requirements. Such laws and regulations may require us to obtain pre-approval for constructing or modifying our facilities in ways that have the potential to produce new or increased air emissions; obtain and comply with operating permits that limit air emissions or restrict certain operating parameters; or employ best available control technologies to reduce or minimize emissions from our facilities.

Our failure to comply with these requirements could subject us to monetary penalties, injunctions, restrictions on operations, or 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. 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 impact our facilities, raw material suppliers, the transportation and distribution of our products, and our customers, which 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 and permit programs 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 using a multistep process, with the largest sources first subjected 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.

Although it is not possible to accurately predict how new GHG rules and policies 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. Such restrictions could potentially make our products more expensive and reduce their demand.

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 waste. Industrial wastes we generate, such as paint waste, spent solvents and used chemicals, may be regulated as hazardous waste, although RCRA has provisions to exempt some of our wastes from classification as hazardous waste. However, our non-hazardous or exempted industrial wastes are still regulated 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. During our normal 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 parties the costs incurred for remedial cleanup 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; damages to natural resources; and the costs of risk assessment studies and contamination containment measures.

We currently own or lease, and historically 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, disposal or release 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 limit 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, or CWA, 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 wastewater standards and pretreatment or discharge permits containing limits on various water pollutant discharge parameters.

Our failure to comply with CWA 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 discharge or stormwater runoff treatment technology relating to maintaining compliance with wastewater 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 corrective action obligations. We do not believe that our operations will be materially adversely affected by these 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.

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 $3.5 million, $4.3 million and $3.7 million for fiscal years 2018, 2017 and 2016, respectively. 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, insulated panels, clips, purlins and fasteners.

Employees

As of October 28, 2018, we have approximately 5,300 employees, of whom approximately 4,100 are manufacturing and engineering personnel. We regard our employee relations as satisfactory. Approximately 13% of our workforce, including the employees at our subsidiary in Mexico, are represented by a collective bargaining agreement or union. As of the date of the consummation of the Merger, Ply Gem employed approximately 15,600 employees across 39 facilities in North America.

Item 1A. *Risk Factors.*

Risks related to our business

Our industry is cyclical and highly sensitive to macroeconomic conditions. Our industry is currently experiencing a prolonged downturn which, if sustained, will materially and adversely affect the outlook for 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 unprecedented volatility, which is having an adverse effect on our business.

Current market estimates continue to show uneven activity across the nonresidential construction markets. According to Dodge, low-rise nonresidential construction starts, as measured in square feet and comprising buildings of up to five stories, were down as much as approximately 7% in our fiscal 2018 as compared to our fiscal 2017. However, Dodge typically revises initial reported figures, and we expect this metric may be revised upwards over time. Leading indicators for low-rise, nonresidential construction activity indicate positive momentum into 2019.

The leading indicators that we follow and that typically have the most meaningful correlation to nonresidential low-rise construction starts are the AIA Architecture Mixed Use Index, Dodge Residential single family starts and the LEI. Historically, there has been a very high correlation to the Dodge low-rise nonresidential starts when the three leading indicators are combined and then seasonally adjusted. The combined forward projection of these metrics, based on a 9 to 14-month historical lag for each metric, indicates low single digit growth for new low-rise nonresidential construction starts in 2019, with the majority of that growth occurring in the second half of our fiscal year.

However, 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, tariffs, 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 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, tax reform 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.

Changes in legislation, regulation and government policy may have a material effect on the Company's business in the future.

While it is not possible to predict whether and when any such changes will occur, changes at the local, state or federal level could significantly impact the Company's business. For example, the Company's business activity levels are heavily influenced by the U.S. domestic economy and changes in administration policies may result in changes in tax rates and/or prevailing interest rates, which could either stimulate or contract activity levels in the domestic economy. More specifically, the Company has had a production facility in Mexico for approximately 20 years and purchases a material amount of manufactured products from this

subsidiary. For example, in fiscal 2018, the Company imported approximately $75 million of metal building products from the Company's Mexican subsidiary. Specific legislative and regulatory proposals discussed during and after the election that could have a material impact on us include, but are not limited to, certain modifications to international trade policy. Any such changes, if unmitigated by changes in our supply chain, may make it more difficult and/or more expensive for us and, thus, could have a material adverse effect on the Company's results of operations and limit our growth.

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.

We may have future capital needs and may not be able to obtain additional financing on acceptable terms.

Although we believe that our current cash position and the additional committed funding available under the Current ABL Credit Facility and the Current Cash Flow Revolver is sufficient for our current operations, any reductions in our available borrowing capacity, or our inability to renew or replace our debt facilities, when required or when business conditions warrant, could have a material adverse effect on our business, financial condition and results of operations. The economic conditions, credit market conditions and economic climate affecting our industry, as well as other factors, may constrain our financing abilities. Our ability to secure additional financing, if available, and to satisfy our financial obligations under indebtedness outstanding from time to time will depend upon our future operating performance, the availability of credit generally, economic conditions and financial, business and other factors, many of which are beyond our control. The market conditions and the macroeconomic conditions that affect our industry could have a material adverse effect on our ability to secure financing on favorable terms, if at all.

We may be unable to secure additional financing or financing on favorable terms or our operating cash flow may be insufficient to satisfy our financial obligations under the indebtedness outstanding from time to time. Furthermore, if financing is not available when needed, or is available on unfavorable terms, we may be unable to take advantage of business opportunities or respond to competitive pressures, any of which could have a material adverse effect on our business, financial condition and results of operations. If we raise additional funds through further issuances of equity, convertible debt securities or other securities convertible into equity, our existing stockholders could suffer significant dilution.

Our ability to access future financing also may be dependent on regulatory restrictions applicable to banks and other institutions subject to U.S. federal banking regulations, even if the market would otherwise be willing to provide such financing.

We have obligations incident to being a public company, including with respect to the requirements of and related rules under the Sarbanes-Oxley Act of 2002. Fulfilling these obligations is expensive and time-consuming, and any delays or difficulties in satisfying these obligations could have a material adverse effect on our future results of operations.

We completed our initial public offering in fiscal 1992. As a public company, we are subject to the reporting and corporate governance requirements, New York Stock Exchange ("NYSE") listing standards and the Sarbanes-Oxley Act of 2002 that apply to issuers of listed equity, which imposes certain compliance costs and obligations upon us. Being a public company entails higher auditing, accounting and legal fees and expenses, investor relations expenses, directors' fees and director and officer liability insurance costs, registrar and transfer agent fees and listing fees, as well as other expenses, than for a non-public company.

In addition, 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.

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.

For example, we completed our annual impairment assessment of goodwill and indefinite lived intangibles in the fourth quarter of fiscal 2017 and recorded a $6.0 million impairment charge related to the goodwill associated with a reporting unit within the Metal Coil Coating segment.

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

The engineered building systems, metal components and metal coil coating 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.”

We rely on third-party suppliers for materials in addition to steel, and if we fail to identify and develop relationships with a sufficient number of qualified suppliers, or if there is a significant interruption in our supply chains, our business and results of operations could be adversely affected.

In addition to steel, our operations require other raw materials from third-party suppliers. We generally have multiple sources of supply for our raw materials, however, in some cases, materials are provided by a single supplier. The loss of, or substantial decrease in the availability of, products from our suppliers, or the loss of a key supplier, could adversely impact our financial condition and results of operations. In addition, supply interruptions could arise from shortages of raw materials, labor disputes or weather conditions affecting products or shipments or other factors beyond our control. Short- and long-term disruptions in our supply chain would result in a need to maintain higher inventory levels as we replace similar product, a higher cost of product and ultimately a decrease in our revenues and profitability. To the extent our suppliers experience disruptions, there is a risk for delivery delays, production delays, production issues or delivery of non-conforming products by our suppliers. Even where these risks do not materialize, we may incur costs as we prepare contingency plans to address such risks. In addition, disruptions in transportation lines could delay our receipt of raw materials. If our supply of raw materials is disrupted or our delivery times extended, our results of operations and financial condition could be materially adversely affected. Furthermore, some of our third-party suppliers may not be able to handle commodity cost volatility or changing volumes while still performing up to our specifications. Short-term changes in the cost of these materials, some of which are subject to significant fluctuations, are sometimes, but not always passed on to our customers. Our inability to pass on material price increases to our customers could adversely impact our financial condition, operating results and cash flows.

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 such 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 copyrights, patents, foreign patents, pending patent and copyright 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. CENTRIA also has a number of U.S. patents, including for its composite joinery apparatus. We and CENTRIA also have a number of registered trademarks and pending registrations in the United States. In addition, CENTRIA has exclusively licensed certain metal building cladding technology from Proclad Enterprises Ltd., which, under certain circumstances, may be converted to a non-exclusive license. We view this portfolio of owned and licensed 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.

There can be no assurance that the efforts we have taken to protect our proprietary rights will be sufficient or effective, that any pending or future patent and trademark applications will lead to issued patents and registered trademarks in all instances, that others will not develop or patent similar or superior technologies, products or services, or that our patents, trademarks and other intellectual property will not be challenged, invalidated, misappropriated or infringed by others. If we are unable to protect and maintain our intellectual property rights including those acquired from CENTRIA, or if there are any successful intellectual property challenges or infringement proceedings against us, including in connection with intellectual property of CENTRIA, our business and revenue could be materially and adversely affected.

We may also be subject to future claims and legal proceedings regarding alleged infringement by us of the patents, trademarks and other intellectual property rights of third parties. If there is a claim against us for infringement, misappropriation, misuse or other violation of third-party intellectual property rights, and we are unable to obtain sufficient rights or develop non-infringing intellectual property or otherwise alter our business practices on a timely or cost-efficient basis, our business and competitive position may be adversely affected.

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

During the normal operation of our manufacturing facilities, we emit and discharge pollutants into the environment, handle and use hazardous substances, and generate and dispose of industrial wastes. We also own and operate, or have in the past owned and operated, real and leased property that has been historically used for industrial purposes. We incur costs and liabilities to comply with environmental laws and regulations that apply to our operations and properties. We may incur significant additional costs as those laws and regulations, or their enforcement, change in the future; or if we discover a release of hazardous substances, industrial wastes or other contamination into the environment, historical or otherwise, caused by our manufacturing operations or historical predecessors.

Our manufacturing facilities are subject to stringent and complex federal, state, local and tribal environmental laws and regulations. These include (i) the federal Clean Air Act and comparable state laws and regulations that impose requirements related to air emissions; (ii) the federal Clean Water Act and comparable state laws and regulations that impose requirements related to wastewater and stormwater discharges; (iii) the federal Resource Conservation and Recovery Act and comparable state laws that impose requirements for the storage, treatment, handling and disposal of industrial wastes from our facilities; and (iv) the 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 where 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 limiting current or future operations. For more information about the effect of environmental laws and regulations on our business, see “Item 1. 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:

- 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;
- sales of our Common Stock by our significant stockholders;
- fluctuations in stock market price and volume; and
- other general economic conditions.

During fiscal 2018, our stock price on the NYSE ranged from a high of $23.35 per share to a low of $12.30 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 common stock.

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 and may be liable for termination fees.

Restructuring our operations may harm our profitability, financial condition and results of operations. Our ability to fully achieve the estimated cost savings is uncertain.

We have developed plans to improve cost efficiency and optimize our combined manufacturing plant footprint considering our recent acquisitions and restructuring efforts. Future charges related to the plans may harm our profitability in the periods incurred. Additionally, if we were to incur unexpected charges related to the plans, our financial condition and results of operations may suffer.

Implementation of these plans carry significant risks, including:

- actual or perceived disruption of service or reduction in service levels to our customers;
- failure to preserve supplier relationships and distribution, sales and other important relationships and to resolve conflicts that may arise
- potential adverse effects on our internal control environment and an inability to preserve adequate internal controls;
- diversion of management attention from ongoing business activities and other strategic objectives; and
- failure to maintain employee morale and retain key employees.

Because of these and other factors, we cannot predict whether we will fully realize the cost savings from these plans. If we do not fully realize the expected cost savings from these plans, our business and results of operations may be negatively affected. Also, if we were to experience any adverse changes to our business, additional restructuring activities may be required in the future.

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 amounts of 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 impact our facilities, raw material suppliers, the transportation and distribution of our products, and our customers, which 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 and permit programs that would restrict emissions of GHGs under existing provisions of the federal CAA.

Although it is not possible to accurately predict how new GHG rules and policy 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. Such restrictions could potentially make our products more expensive and reduce their demand.

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 Internal Revenue Service ("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 enterprise resource planning technologies will require maintenance or replacement in order to allow us to continue to operate and manage critical aspects of our business.

We rely heavily on enterprise resource planning technologies ("ERP Systems") from third parties in order to operate and manage critical internal functions of our business, including accounting, order management, procurement, and transactional entry and approval. Certain of our ERP Systems are no longer supported by their vendor, are reaching the end of their useful life or are in need of significant updates to adequately perform the functions we require. We have limited access to support for older software versions and may be unable to repair the hardware required to run certain ERP Systems on a timely basis due to the unavailability of replacement parts. In addition, we face operational vulnerabilities due to limited access to software patches and software updates on any software that is no longer supported by their vendor. We are planning hardware and software upgrades to our ERP Systems and are in discussions with third-party vendors regarding system updates.

If our ERP Systems become unavailable due to extended outages or interruptions, or because they are no longer available on commercially reasonable terms, our operational efficiency could be harmed and we may face increased replacement costs. We may also face extended recovery time in the event of a system failure due to lack of resources to troubleshoot and resolve such issues. Our ability to manage our operations could be interrupted and our order management processes and customer support functions could be impaired until equivalent services are identified, obtained and implemented on commercially reasonable terms, all of which could adversely affect our business, results of operations and financial condition.

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 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 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.

Recently enacted tariffs on steel imports could result in increased steel prices and adversely affect our results of operations.

In 2018, the Trump administration implemented new tariffs on imports of steel into the United States. As the implementation of tariffs is ongoing, more tariffs may be added in the future. The new tariffs may provide domestic steel producers the flexibility to increase their prices, at least to a level where their products would still be priced below foreign competitors once the tariffs are taken into account. The new tariffs could result in both increased steel prices and a decreased available supply of steel. We may not be able to pass such price increases on to our customers and may not be able to secure adequate alternative sources of steel on a timely basis. Either of these occurrences could adversely affect our results of operations and financial condition.

Risks related to the Ply Gem business

On November 16, 2018, the date we consummated the Merger, the businesses and operations of Ply Gem became part of our operations and will be reflected in our consolidated financial results from that day forward. The businesses of Ply Gem and NCI are subject to substantially similar risks and uncertainties and, as a result, Ply Gem's businesses are and will be subject to many of the risks described above. For additional information about risks related to Ply Gem's business, see "Other Risk Factors of Ply Gem" set forth in the Company's Proxy Statement relating to the Special Shareholder Meeting, filed with the SEC on October 17, 2018.

Risks related to the Merger

Combining the businesses of NCI and Ply Gem may be more difficult, costly and time-consuming than expected, which may adversely affect the Company's results and negatively affect the value of NCI common stock.

The Company's Management is in the process of integrating NCI's and Ply Gem's respective businesses. The combination of two independent businesses is a complex, costly and time-consuming process and the Company's management may face significant challenges in implementing such integration, many of which may be beyond the control of management, including, without limitation:

- latent impacts resulting from the diversion of NCI's and Ply Gem's respective management teams' attention from ongoing business concerns as a result of the devotion of management's attention to the Merger and performance shortfalls at one or both of the companies;
- ongoing diversion of the attention of management from the operation of the Company's business as a result of the intended business separations;
- difficulties in achieving anticipated cost savings, synergies, business opportunities and growth prospects;
- the possibility of faulty assumptions underlying expectations regarding the integration process;
- unanticipated issues in integrating accounting, information technology, communications programs, financial procedures and operations, and other systems, procedures and policies;
- difficulties in managing a larger surviving corporation, addressing differences in business culture and retaining key personnel;
- unanticipated changes in applicable laws and regulations;

- coordinating geographically separate organizations; and
- unforeseen expenses or delays associated with the Merger.

Some of these factors will be outside of the control of the Company, and any one of them could result in increased costs and diversion of management's time and energy, as well as decreases in the amount of expected revenue that could materially impact the business, financial conditions and results of operations of the combined business. The integration process and other disruptions resulting from the Merger may also adversely affect the Company's relationships with employees, suppliers, customers, distributors, licensors and others with whom NCI and Ply Gem have business or other dealings, and difficulties in integrating the businesses of NCI and Ply Gem could harm the reputation of the Company.

If the Company is not able to successfully combine the businesses of NCI and Ply Gem in an efficient, cost-effective and timely manner, the anticipated benefits and cost savings of the Merger may not be realized fully, or at all, or may take longer to realize than expected, and the value of NCI Common Stock, the revenues, levels of expenses and results of operations may be affected adversely. If the Company is not able to adequately address integration challenges, the Company may be unable to successfully integrate NCI's and Ply Gem's operations or realize the anticipated benefits of the Merger.

In connection with the Merger, we may be required to take write-downs or write-offs, restructuring and impairment or other charges that could negatively affect our business, assets, liabilities, prospects, outlook, financial condition and results of operations.

Although Ply Gem and the Company have conducted extensive due diligence on each other in connection with the Merger, we cannot assure that this diligence revealed all material issues that may be present, that it would be possible to uncover all material issues through a customary amount of due diligence, or that factors outside of our control will not later arise. Unexpected risks may arise and previously known risks may materialize in a manner not consistent with our preliminary risk analysis. Further, as a result of the Merger, purchase accounting, and the proposed operation of the Company, as the surviving corporation going forward, we may be required to take write-offs or write-downs, restructuring and impairment or other charges. As a result, we may be forced to write-down or write-off assets, restructure its operations, or incur impairment or other charges that could negatively affect our business, assets, liabilities, prospects, outlook, financial condition and results of operations.

Pursuant to the Merger Agreement, we entered into a stockholders agreement with each of the Investors pursuant to which the CD&R Investors will have substantial governance and other rights setting forth certain terms and conditions regarding the ownership of the CD&R Investors' shares of NCI Common Stock.

Pursuant to the terms of the Merger Agreement, on November 16, 2018, the Company entered into the New Stockholders Agreement with each of the Investors.

Pursuant to the New Stockholders Agreement, among other matters, the CD&R Investor Group is entitled to nominate for election, fill vacancies and appoint five out of twelve initial members of NCI's board of directors and, thereafter, so long as the CD&R Investor Group beneficially owns at least 7.5% of the outstanding shares of NCI Common Stock, to nominate for election, fill vacancies and appoint replacements for a number of Board members in proportion to the CD&R Investor Group's percentage beneficial ownership of outstanding NCI Common Stock, but never to exceed one less than the number of independent, non-CD&R-affiliated directors serving on the Board. The New Stockholders Agreement contains voting agreements between the Company and each of the Investors, including the requirement that each Investor shall vote all of the shares of Common Stock that it beneficially owns (a) in favor of all director nominees, other than CD&R Investor Nominees or director nominees proposed by a Golden Gate Investor, nominated by the Board for election by the stockholders of the Company in accordance with the terms of the New Stockholders Agreement and the Sixth Amended and Restated By-laws of the Company, (b) as recommended by the Board, on any and all (i) proposals relating to or concerning compensation or equity incentives for directors, officers or employees of the Company adopted in the ordinary course of business consistent with past practice, (ii) proposals by stockholders of the Company, other than a proposal by a CD&R Investor or a Golden Gate Investor, and (iii) proposals the subject matter of which is a CD&R Investor Consent Action (as defined in the New Stockholders Agreement), provided that, in respect of clauses (i) and (iii) only, that the Board's recommendation is consistent with the CD&R Investor Group's exercise of its consent rights provided in the New Stockholders Agreement, and (c) not in favor of any transaction constituting, or that would result in, a Change of Control (as defined in the New Stockholders Agreement) that has not been approved by a majority of the Independent Non-CD&R Investor Directors (as defined in the New Stockholders Agreement), if the per share consideration to be received by any CD&R Investor or Golden Gate Investor in connection with such transaction is not equal to, and in the same form as, the per-share consideration to be received by the shareholders not affiliated with the Investors.

The CD&R Investor Group collectively owns approximately 49.6% of the outstanding NCI common stock as of November 16, 2018. As a significant stockholder, the CD&R Investors could significantly influence the outcome of matters requiring a stockholder vote, including the election of directors, the adoption of any amendment to NCI's certificate of incorporation or bylaws and the approval of mergers and other significant corporate transactions. Their influence over NCI may have the effect of delaying or preventing a change of control or may adversely affect the voting and other rights of other stockholders.

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

Pursuant to the terms of the New Registration Rights Agreement, the Company granted the Investors customary demand and piggyback registration rights, including rights to demand registrations and underwritten shelf registration statement offerings with respect to the shares of NCI Common Stock that are held by the Investors following the consummation of the Merger.

On April 8, 2016, the SEC declared effective our shelf registration statement on Form S-3 which registered the resale of the shares of our Common Stock held by the CD&R Fund VIII Investor Group. Pursuant to the New Registration Rights Agreement, the Company is required to use its reasonable best efforts to file a registration statement on Form S-3 or any comparable or successor form or forms or any similar short-form registration statement prior to February 14, 2019 with respect to the Golden Gate Investors. At any time after May 16, 2020, CD&R Pisces may request in writing that the Company effect the registration under and in accordance with the provisions of the Securities Act of 1933, all or any part of the shares of NCI Common Stock that CD&R Pisces beneficially owns.

Upon the consummation of the Merger, as of November 16, 2018, the CD&R Fund VIII Investor Group, CD&R Pisces and the Golden Gate Investor Group each owned approximately 18.3%, 31.3% and 13.4%, respectively, of the issued and outstanding NCI Common Stock.

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 any of the Investors 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.

Risks related to our indebtedness

We have substantial debt and may incur substantial additional debt, which could adversely affect our financial health, reduce our profitability, limit our ability to obtain financing in the future and pursue certain business opportunities and make payments on our indebtedness.

We have substantial indebtedness. As of October 28, 2018, we had total indebtedness of approximately $412.9 million. Following the consummation of the Merger, on November 16, 2018 we had total indebtedness of approximately $3.2 billion.

The amount of our debt or other similar obligations could have important consequences for us, including, but not limited to:

- a substantial portion of our cash flow from operations must be dedicated to the payment of principal and interest on our indebtedness, thereby reducing the funds available to us for other purposes;
- our ability to obtain additional financing for working capital, capital expenditures, acquisitions, debt service requirements or general corporate purposes and our ability to satisfy our obligations with respect to our outstanding indebtedness may be impaired in the future;
- we are exposed to the risk of increased interest rates because a portion of our borrowings is at variable rates of interest;
- we may be at a competitive disadvantage compared to our competitors with less debt or with comparable debt at more favorable interest rates and that, as a result, may be better positioned to withstand economic downturns;
- our ability to refinance indebtedness may be limited or the associated costs may increase;
- our ability to engage in acquisitions without raising additional equity or obtaining additional debt financing may be impaired in the future;
- it may be more difficult for us to satisfy our obligations to our creditors, resulting in possible defaults on and acceleration of such indebtedness;
- we may be more vulnerable to general adverse economic and industry conditions; and

- our flexibility to adjust to changing market conditions and our ability to withstand competitive pressures could be limited, or we may be prevented from making capital investments that are necessary or important to our operations in general, growth strategy and efforts to improve operating margins of our business units.

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.

The Current Indenture, the Current Cash Flow Credit Agreement and the Current ABL Credit Agreement contain restrictions and limitations that could significantly impact our ability and the ability of most of our subsidiaries to engage in certain business and financial transactions.

Current Indenture

The Current Indenture (as defined in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations) contains restrictive covenants that, among other things, limit our ability and the ability of our restricted subsidiaries to:

- incur additional indebtedness or issue certain preferred shares;
- pay dividends, redeem stock or make other distributions in respect of capital stock;
- repurchase, prepay or redeem subordinated indebtedness;
- make investments;
- create liens;
- transfer or sell assets;
- create restrictions on the ability of our restricted subsidiaries to pay dividends to us or make other intercompany transfers;
- consolidate, merge, sell or otherwise dispose of all or substantially all of our assets;
- enter into certain transactions with our affiliates; and
- designate subsidiaries as unrestricted subsidiaries.

Current Cash Flow Credit Agreement and Current ABL Credit Agreement

The Current Cash Flow Credit Agreement and the Current ABL Credit Agreement (each as defined in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations) contain a number of covenants that limit our ability and the ability of our restricted subsidiaries to:

- incur additional indebtedness or issue certain preferred shares;
- pay dividends, redeem stock or make other distributions in respect of capital stock;
- repurchase, prepay or redeem the 8.00% Senior Notes (as defined in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations) and subordinated indebtedness;
- make investments;
- incur additional liens;
- transfer or sell assets;
- create restrictions on the ability of our restricted subsidiaries to pay dividends to us or make other intercompany transfers;
- make negative pledges;
- consolidate, merge, sell or otherwise dispose of all or substantially all of our assets;
- enter into certain transactions with our affiliates; and
- designate subsidiaries as unrestricted subsidiaries.

In addition, the Current Cash Flow Revolver (as defined in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations) will under certain circumstances require us to maintain a maximum total secured leverage ratio, and the Current ABL Facility (as defined in Item 7, Management's Discussion and Analysis of Financial Condition and

Results of Operations) will under certain circumstances require us to maintain a minimum consolidated fixed charge coverage ratio. The Current ABL Credit Agreement will also contain other covenants customary for asset-based facilities of this nature. Our ability to borrow additional amounts under the Current Cash Flow Revolver and the Current ABL Facility depends upon satisfaction of these covenants. Events beyond our control can affect our ability to meet these covenants.

We are required to make mandatory pre-payments under the Current Cash Flow Credit Agreement and the Current ABL 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 the Current Cash Flow Credit Agreement and the Current ABL Credit Agreement.

In addition, under certain circumstances and subject to the limitations set forth in the Current Cash Flow Credit Agreement, the Current Term Loan Facility (as defined in Item 7. Management's Discussion and Analysis of Financial Condition and Result of Operations) may require us to make prepayments of the term loans to the extent we generate excess positive cash flow each fiscal year, beginning with the fiscal year ending December 31, 2019.

Any future financing arrangements entered into by us may also contain similar covenants and restrictions. As a result of these covenants and restrictions, we may be limited in our ability to plan for or react to market conditions or to meet extraordinary capital needs or otherwise could restrict our activities. These covenants and 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.

Our failure to comply with obligations under the Current Cash Flow Credit Agreement, the Current ABL Credit Agreement or the Current Indenture, as well as others contained in any future debt instruments from time to time, may result in an event of default under the Current Cash Flow Credit Agreement, the Current ABL Credit Agreement or the Current Indenture, as applicable. A default, if not cured or waived, may permit acceleration of our indebtedness. If our indebtedness is accelerated, we cannot be certain that we will have sufficient funds available to pay the accelerated indebtedness or that we will have the ability to refinance the accelerated indebtedness on terms favorable to us or at all. If we are forced to refinance these borrowings on less favorable terms or cannot refinance these borrowings, our business, results of operations, financial condition and cash flows could be adversely affected.

Despite our indebtedness levels, we and our subsidiaries may be able to incur substantially more indebtedness, which may increase the risks to our financial condition created by our substantial indebtedness.

The terms of the Current Cash Flow Credit Agreement, the Current ABL Credit Agreement and the Current Indenture provide us and our subsidiaries with the flexibility to incur a substantial amount of indebtedness in the future, which indebtedness may be secured or unsecured. As of October 28, 2018, we had total indebtedness of approximately $412.9 million. Following the consummation of the Merger, on November 16, 2018 we had total indebtedness of approximately $3.2 billion. In particular, if we or our subsidiaries are in compliance with certain incurrence ratios set forth in the Current Cash Flow Credit Agreement, the Current ABL Credit Facility and the Current Indenture, we may be able to incur substantial additional indebtedness. Any such incurrence of additional indebtedness may increase the risks created by our current substantial indebtedness. As of October 28, 2018, we were able to borrow up to approximately $141.0 million under the Pre-merger ABL Credit Facility. All of these borrowings under the Pre-merger ABL Credit Facility would be secured. At November 16, 2018, following the consummation of the Merger, there were no amounts drawn on the Current Cash Flow Revolver or the Current ABL Credit Facility.

An increase in interest rates would increase the cost of servicing our debt and could reduce our profitability, decrease our liquidity and impact our solvency.

To the extent LIBOR exceeds 0.00%, our indebtedness under the Current Cash Flow Facilities (as defined in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations) and the Current ABL facility will bear interest at variable rates, and our future indebtedness may bear interest at variable rates. As a result, increases in interest rates could increase the cost of servicing such debt and materially reduce our profitability and cash flows. As of November 16, 2018, assuming all Current ABL Facility revolving loans were fully drawn, each one percent change in interest rates would result in approximately a $31.7 million million change in annual interest expense on the Current Term Loan Facility and the Current ABL Facility. The impact of such an increase would be more significant for us than it would be for some other companies because of our substantial debt.

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 October 28, 2018, we conducted 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
Sheridan, Arkansas	Insulated metal panels	215,000	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	Insulated metal panels	124,800	Owned
Shelbyville, Indiana	Metal components(1)	70,200	Owned
Shelbyville, Indiana	Insulated metal panels	108,300	Leased
Monticello, Iowa	Engineered building systems(4)	231,966	Owned
Mount Pleasant, Iowa	Engineered building systems(4)	218,500	Owned
Frankfort, Kentucky	Insulated metal panels	270,000	Owned
Hernando, Mississippi	Metal components(1)	129,682	Owned
Omaha, Nebraska	Metal components(5)	56,716	Owned
Las Vegas, Nevada	Insulated metal panels	126,400	Leased
Rome, New York	Metal components(5)	53,700	Owned
Cambridge, Ohio	Metal coil coating	200,000	Owned
Middletown, Ohio	Metal coil coating	170,000	Owned
Oklahoma City, Oklahoma	Metal components(5)	59,400	Leased
Ambridge, Pennsylvania	Metal coil coating	32,000	Leased
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
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	Insulated metal panels	91,800	Owned
Lubbock, Texas	Metal components(1)	95,376	Owned
Salt Lake City, Utah	Metal components(3)	84,800	Owned
Prince George, Virginia	Insulated metal panels	101,400	Owned
Foreign:			
Monterrey, Mexico	Engineered building systems(6)	246,196	Owned
Hamilton, Ontario, Canada	Insulated metal panels	100,000	Leased

(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.

We also operate eight Metal Depots 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.

The Ply Gem business acquired in the Merger operates 36 manufacturing facilities across the United States and Canada. Ply Gem's Canadian manufacturing facilities are supported by a network of 26 distribution facilities.

Item 3. *Legal Proceedings.*

On November 14, 2018, an individual stockholder, Gary D. Voigt, filed a putative class action Complaint in the Delaware Court of Chancery against Clayton Dubilier & Rice, LLC ("CD&R"), Clayton, Dubilier & Rice Fund VIII, L.P. ("CD&R Fund VIII"), and certain directors of NCI. Voigt purports to assert claims on behalf of himself, on behalf of a class of other similarly situated stockholders of NCI, and derivatively on behalf of NCI, the nominal defendant. The complaint asserts claims for breach of fiduciary duty and unjust enrichment against CD&R Fund VIII and CD&R, and for breach of fiduciary duty against the director defendants in connection with the Merger. Voigt seeks damages in an amount to be determined at trial. NCI intends to vigorously defend the litigation.

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 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.

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 12, 2018, there were 55 holders of record and an estimated 7,866 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 the agreements governing our indebtedness either limit or restrict our ability to do so.

Fiscal Year 2018 Quarter Ended	High	Low
January 28	$ 21.20	$ 15.45
April 29	$ 18.95	$ 15.60
July 29	$ 23.35	$ 15.15
October 28	$ 17.25	$ 12.30

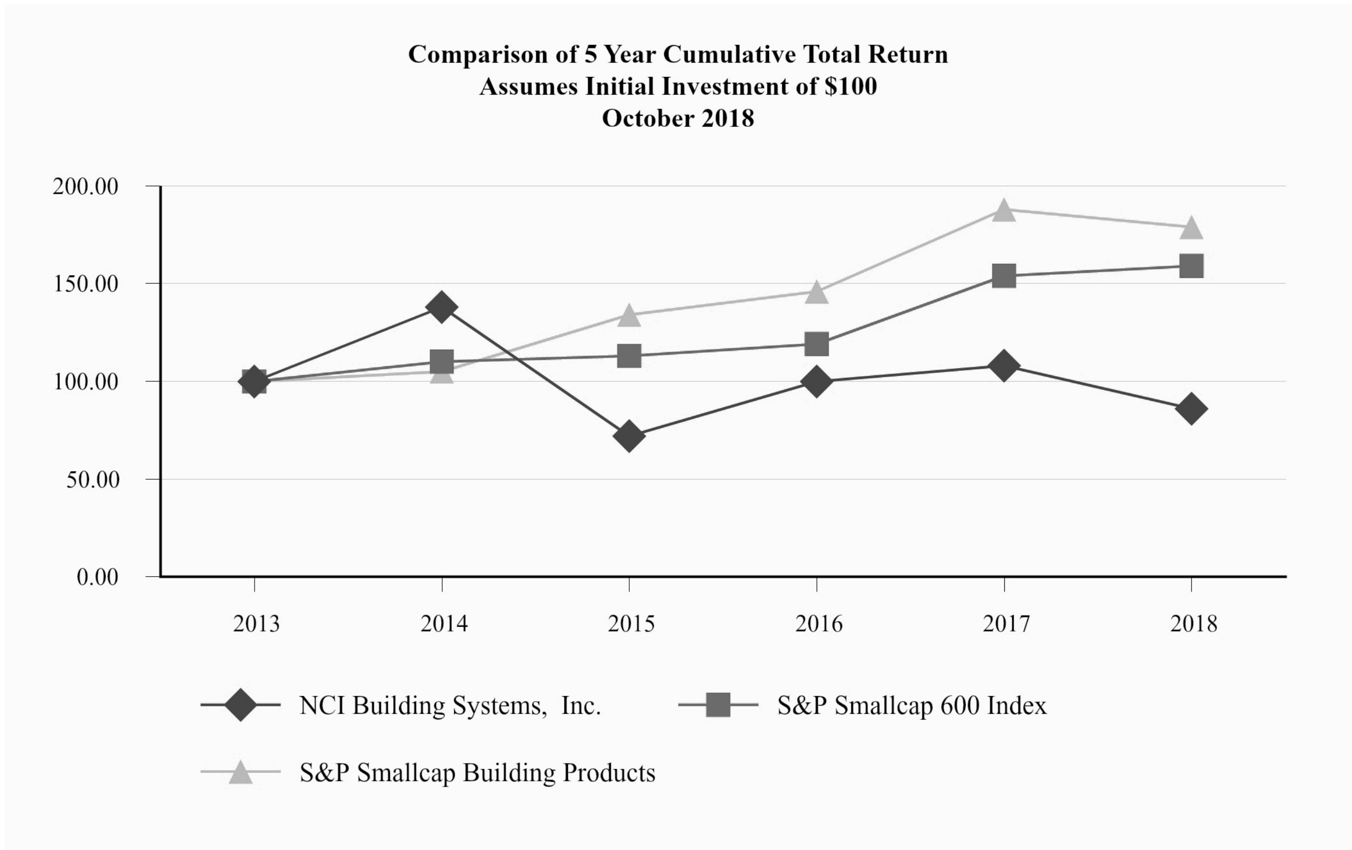
Fiscal Year 2017 Quarter Ended	High	Low
January 29	$ 18.10	$ 13.80
April 30	$ 17.85	$ 15.40
July 30	$ 18.60	$ 16.25
October 29	$ 18.13	$ 13.05

ISSUER PURCHASES OF EQUITY SECURITIES

On October 10, 2017 and March 7, 2018, the Company announced that its Board of Directors authorized new stock repurchase programs for up to an aggregate of $50.0 million and $50.0 million, respectively, of the Company's Common Stock. Under these repurchase programs, the Company is authorized to repurchase shares, if at all, at times and in amounts that we deem appropriate in accordance with all applicable securities laws and regulations. Shares repurchased are usually retired. There is no time limit on the duration of these programs. During the fourth quarter of fiscal 2018, the Company did not have any stock repurchase activity. As of October 28, 2018, approximately $55.6 million remained available for stock repurchases under the programs announced on October 10, 2017 and March 7, 2018.

STOCK PERFORMANCE CHART

The following chart compares the yearly percentage change in the cumulative stockholder return on our Common Stock from November 1, 2013 to the end of the fiscal year ended October 28, 2018 with the cumulative total return on the (i) S&P SmallCap 600 Index and (ii) S&P Smallcap Building Products peer group. The comparison assumes $100 was invested on November 1, 2013 in our Common Stock and in each of the foregoing indices and assumes reinvestment of dividends.



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.

Item 6. ***Selected Financial Data.***

The selected financial data for each of the three fiscal years ended October 28, 2018, October 29, 2017 and October 30, 2016 has been derived from the audited consolidated financial statements included elsewhere herein. The selected financial data for the fiscal years ended November 1, 2015 and November 2, 2014 and certain consolidated balance sheet data as of October 30, 2016, November 1, 2015, and November 2, 2014 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."

	2018	2017	2016	2015	2014
	(In thousands, except per share data)				
Sales	$ 2,000,577	$ 1,770,278	$ 1,684,928	$ 1,563,693	$ 1,370,540
Net income	$ 63,106 (1)	$ 54,724 (2)	$ 51,027 (3)	$ 17,818 (4)	$ 11,185 (5)
Net income applicable to common shares	$ 62,694 (1)	$ 54,399 (2)	$ 50,638 (3)	$ 17,646 (4)	$ 11,085 (5)
Earnings per common share:					
Basic	$ 0.95 (1)	$ 0.77 (2)	$ 0.70 (3)	$ 0.24 (4)	$ 0.15 (5)
Diluted	$ 0.94 (1)	$ 0.77 (2)	$ 0.70 (3)	$ 0.24 (4)	$ 0.15 (5)
Cash flow from operating activities	$ 82,463	$ 63,874	$ 68,479	$ 105,785	$ 34,104
Total assets	$ 1,110,375	$ 1,031,112	$ 1,025,396	$ 1,049,317	$ 739,025
Total debt	$ 407,226	$ 387,290	$ 396,051	$ 434,542	$ 233,709
Stockholders' equity	$ 330,265	$ 305,247	$ 281,317	$ 271,976	$ 246,542
Diluted average common shares	66,362	70,778	72,857	73,923	74,709

Note: The Company calculated the after-tax amounts below by applying the applicable statutory tax rate for the respective period to each applicable item.

(1) Includes loss on extinguishment of debt of $21.9 million ($15.9 million after tax), loss on disposition of business of $5.7 million ($4.1 million after tax), restructuring charges of $1.9 million ($1.4 million after tax), strategic development and acquisition related costs of $17.2 million ($12.4 million after tax), gain on insurance recovery of $4.7 million ($3.4 million after tax), and a charge of $4.6 million ($3.3 million after tax) related to the acceleration of retirement benefits of our former CEO.

(2) Includes loss on sale of assets of $0.1 million ($0.1 million after tax), restructuring charges of $5.3 million ($3.2 million after tax), strategic development and acquisition related costs of $2.0 million ($1.2 million after tax), loss on goodwill impairment of $6.0 million ($3.7 million after tax), gain on insurance recovery of $9.7 million ($5.9 million after tax), and unreimbursed business interruption costs of $0.5 million ($0.3 million after tax).

(3) Includes gain on sale of assets and asset recovery of $1.6 million ($1.0 million after tax), restructuring charges of $4.3 million ($2.6 million after tax), strategic development and acquisition related costs of $2.7 million ($1.6 million after tax), and gain from bargain purchase of $1.9 million (non-taxable).

(4) Includes gain on legal settlements of $3.8 million ($2.3 million after tax), strategic development and acquisition related costs of $4.2 million ($2.6 million after tax), restructuring charges of $11.3 million ($6.9 million after tax), fair value adjustments to inventory of $2.4 million ($1.5 million after tax), and amortization of acquisition fair value adjustments of $8.4 million ($5.1 million after tax).

(5) Includes gain on 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.

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 design, engineer, manufacture and market engineered building systems, metal components and insulated metal panels 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. We also provide metal coil coating services for commercial and construction applications, servicing both internal and external customers.

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. Similarly, metal components and insulated metal panels offer builders, designers, architects and end-users several advantages, including lower long-term costs, longer life, attractive aesthetics and design flexibility.

We use a 52/53 week year with our fiscal year end on the Sunday closest to October 31.

On November 16, 2018, the board of directors of the Company approved a change to the Company's fiscal year from a 52/53 week year with the Company's fiscal year end on the Sunday closest to October 31 to a fiscal year of the 12 month period of January 1 to December 31 of each calendar year, to commence with the fiscal year ending December 31, 2019. The Company will file a transition report on Form 10-Q on or before February 11, 2019 that will cover the transition period from October 29, 2018 to December 31, 2018.

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.

Merger with Ply Gem

At the Special Shareholder Meeting on November 15, 2018, NCI's shareholders approved (i) the Merger Agreement and (ii) the Stock Issuance. NCI's shareholders also approved the three additional proposals described in the Company's proxy statement relating to the Special Shareholder Meeting. The Merger was consummated on November 16, 2018 pursuant to the Merger Agreement.

Pursuant to the terms of the Merger Agreement, on November 16, 2018, the Company entered into (i) the New Stockholders Agreement between the Company and each of the Investors, pursuant to which the Company granted to the Investors certain governance, preemptive and subscription rights and (ii) the New Registration Rights Agreement with the Investors, pursuant to which the Company granted the Investors customary demand and piggyback registration rights, including rights to demand registrations and underwritten shelf registration statement offerings with respect to the shares of NCI Common Stock that are held by the Investors following the consummation of the Merger. Pursuant to the terms of the New Stockholders Agreement, the Company and the CD&R Fund VIII Investor Group terminated the Old Stockholders Agreement and the Old Registration Rights Agreement.

On November 16, 2018, in connection with the consummation of the Merger, the Company assumed (i) the obligations of Ply Gem Midco, a subsidiary of Ply Gem immediately prior to the consummation of the Merger, as borrower under the Current Cash Flow Credit Agreement, (ii) the obligations of Ply Gem Midco as parent borrower under the Current ABL Credit Agreement and (iii) the obligations of Ply Gem Midco as issuer under the Current Indenture.

On April 12, 2018, Ply Gem Midco entered into a Cash Flow Credit Agreement (the "Current Cash Flow Credit Agreement"), by and among Ply Gem Midco, JPMorgan Chase Bank, N.A., as administrative agent and collateral agent (the "Cash Flow Agent"), and the several banks and other financial institutions from time to time party thereto. As of November 16, 2018, immediately prior to the Merger, the Current Cash Flow Credit Agreement provided for (i) a term loan facility (the "Current Term Loan Facility") in an original aggregate principal amount of $1,755.0 million and (ii) a cash flow-based revolving credit facility (the "Current Cash Flow Revolver" and together with the Current Term Loan Facility, the "Current Cash Flow Facilities") of up to $115.0 million. On November 16, 2018, Ply Gem Midco entered into a Lender Joinder Agreement, by and among Ply Gem Midco, the additional commitment lender party thereto and the Cash Flow Agent, which amended the Current Cash Flow Credit Agreement in order to, among other things, increase the aggregate principal amount of the Current Term Loan Facility by $805.0 million (the "Incremental Term Loans"). Proceeds of the Incremental Term Loans were used to, among other things, (a) finance the Merger and to pay certain fees, premiums and expenses incurred in connection therewith, (b) repay in full amounts outstanding under the Pre-merger Term Loan Credit Agreement and the Pre-merger ABL Credit Agreement (each as defined below) and (c) repay $325.0 million of borrowings outstanding under the Current ABL Facility (as defined below). On November 16, 2018, in connection with the consummation of the Merger, NCI and Ply Gem Midco entered into a joinder agreement with respect to the Current Cash Flow Facilities, and NCI became the Borrower (as defined in the Current Cash Flow Credit Agreement)

under the Current Cash Flow Facilities. The Current Term Loan Facility amortizes in nominal quarterly installments equal to one percent of the aggregate initial principal amount thereof per annum, with the remaining balance payable upon final maturity of the Current Term Loan Facility on April 12, 2025. There are no amortization payments under the Current Cash Flow Revolver, and all borrowings under the Current Cash Flow Revolver mature on April 12, 2023. At November 16, 2018, following consummation of the Merger, there was $2,555.6 million outstanding under the Current Term Loan Facility and there were no amounts drawn on the Current Cash Flow Revolver.

On April 12, 2018, Ply Gem Midco and certain subsidiaries of Ply Gem Midco entered into an ABL Credit Agreement (the "Current ABL Credit Agreement"), by and among Ply Gem Midco, the subsidiary borrowers from time to time party thereto, UBS AG, Stamford Branch, as administrative agent and collateral agent (the "ABL Agent"), and the several banks and other financial institutions from time to time party thereto, which provided for an asset-based revolving credit facility (the "Current ABL Facility") of up to $360.0 million, consisting of (i) $285.0 million available to U.S. borrowers (subject to U.S. borrowing base availability) (the "ABL U.S. Facility") and (ii) $75.0 million available to both U.S. borrowers and Canadian borrowers (subject to U.S. borrowing base and Canadian borrowing base availability) (the "ABL Canadian Facility"). On October 15, 2018, Ply Gem Midco entered into Amendment No. 2 to the Current ABL Credit Agreement, by and among Ply Gem Midco, the incremental lender party thereto and the ABL Agent, which amended the Current ABL Credit Agreement in order to, among other things, increase the aggregate commitments under the Current ABL Facility by $36.0 million to $396.0 million overall, and with the (x) ABL U.S. Facility being increased from $285.0 million to $313.5 million and (y) the ABL Canadian Facility being increased from $75.0 million to $82.5 million. On November 16, 2018, Ply Gem Midco entered into Amendment No. 4 to the Current ABL Credit Agreement, by and among Ply Gem Midco, the incremental lenders party thereto and the ABL Agent, which amended the Current ABL Credit Agreement in order to, among other things, increase the aggregate commitments under the Current ABL Facility by $215.0 million (the "Incremental ABL Commitments") to $611.0 million overall, and with the (x) ABL U.S. Facility being increased from $313.5 million to approximately $483.7 million and (y) the ABL Canadian Facility being increased from $82.5 million to approximately $127.3 million. On November 16, 2018, in connection with the consummation of the Merger, NCI and Ply Gem Midco entered into a joinder agreement with respect to the Current ABL Facility, and NCI became the Parent Borrower (as defined in the Current ABL Credit Agreement) under the Current ABL Facility. The Company and, at the Company's option, certain of the Company's subsidiaries are the borrowers under the Current ABL Facility. As of November 16, 2018, and following consummation of the Merger, (a) Ply Gem Industries, Inc., Atrium Windows and Doors, Inc., NCI Group, Inc. and Robertson-Ceco II Corporation were U.S. subsidiary borrowers under the Current ABL Facility, and (b) Gienow Canada Inc., Mitten Inc., North Star Manufacturing (London) Ltd. and Robertson Building Systems Limited were Canadian borrowers under the Current ABL Facility. All borrowings under the Current ABL Facility mature on April 12, 2023. At November 16, 2018, following consummation of the Merger, there were no amounts drawn and $24.7 million of letters of credit issued under the Current ABL Facility.

On April 12, 2018, Ply Gem Midco issued $645.0 million aggregate principal amount of 8.00% Senior Notes due 2026 (the "8.00% Senior Notes"). The 8.00% Senior Notes were issued pursuant to an Indenture, dated as of April 12, 2018 (as supplemented from time to time, the "Current Indenture"), by and among Ply Gem Midco, as issuer, the subsidiary guarantors from time to time party thereto and Wilmington Trust, National Association, as trustee. On November 16, 2018, in connection with the consummation of the Merger, the Company entered into a supplemental indenture and assumed the obligations of Ply Gem Midco as issuer under the Current Indenture and the 8.00% Senior Notes. The 8.00% Senior Notes bear interest at 8.00% per annum and will mature on April 15, 2026. Interest is payable semi-annually in arrears on April 15 and October 15.

On November 16, 2018, in connection with the incurrence by Ply Gem Midco of the Incremental Term Loans and the obtaining by Ply Gem Midco of the Incremental ABL Commitments, following consummation of the Merger, the Company (a) terminated all outstanding commitments and repaid all outstanding amounts under the Term Loan Credit Agreement, dated as of February 8, 2018 (the "Pre-merger Term Loan Credit Agreement"), by and among the Company, as borrower, the several banks and other financial institutions from time to time party thereto and Credit Suisse AG, Cayman Islands Branch, as administrative agent and collateral agent, and (b) terminated all outstanding commitments and repaid all outstanding amounts under the ABL Credit Agreement, dated as of February 8, 2018 (the "Pre-merger ABL Credit Agreement"), by and among NCI Group, Inc. and Robertson-Ceco II Corporation, as borrowers, the Company, as a guarantor, the other borrowers from time to time party thereto, the several banks and other financial institutions from time to time party thereto and Wells Fargo Bank, National Association, as administrative agent and collateral agent. Outstanding letters of credit under the Pre-merger ABL Credit Agreement were cash collateralized.

In connection with the termination and repayment of the Pre-merger Term Loan Credit Agreement and the Pre-merger ABL Credit Agreement, the Company also terminated (i) the Term Loan Guarantee and Collateral Agreement, dated as of February 8, 2018, made by the Company and certain of its subsidiaries, in favor of Credit Suisse AG, Cayman Islands Branch, as Collateral Agent, (ii) the ABL Guarantee and Collateral Agreement, dated as of February 8, 2018, made by the Company and certain of its subsidiaries, in favor of Wells Fargo Bank, National Association, as Collateral Agent, and (iii) the Intercreditor Agreement,

dated as of February 8, 2018, between Credit Suisse AG, Cayman Islands Branch and Wells Fargo Bank, National Association, and acknowledged by the Company and certain of its subsidiaries

The Company incurred approximately $15.3 million of acquisition expenses during fiscal 2018 related to the Merger, primarily for various third-party consulting and due-diligence services, and investment bankers' fees, which are recorded in strategic development and acquisition related costs in the Company's consolidated statements of operations.

Change in Operating Segments

On February 22, 2018, the Company announced changes to NCI's reportable business segments, effective January 28, 2018 for the first quarter of fiscal 2018, to align with changes in how the Company manages its business, reviews operating performance and allocates resources. During the first quarter of fiscal 2018, the Company began reporting results under four reportable segments, which are Engineered Building Systems, Metal Components, Insulated Metal Panels and Metal Coil Coating. Previously, operating results for the Insulated Metal Panel product line were included in the Metal Components segment. In addition, CENTRIA's coil coating operations, which had been included in the Metal Components segment since the Company's acquisition of CENTRIA in January 2015, are now reported within the Metal Coil Coating segment. Prior periods have been recasted to conform to the current segment presentation.

Fiscal 2018 Overview

Our fiscal 2018 financial performance showed year-over-year improvement in revenue, net income and Adjusted EBITDA, while gross margins declined over the same period. This improved financial performance was achieved despite challenging market conditions, including rising input costs and seasonally wet weather conditions primarily in Texas and the Southeast during the fourth quarter. During fiscal 2018, the Company realized the benefits of the focus on commercial discipline in the pass-through of material and other input costs and the Company's ongoing cost reduction initiatives.

Consolidated revenues increased by approximately 13.0% from the prior fiscal year. The year-over-year improvement was primarily driven by continued commercial discipline in the pass-through of higher costs in a rising cost environment across each of our segments and underlying volume growth in the Engineered Building Systems and Insulated Metal Panel segments. Each segment achieved year over year external revenue growth.

Consolidated gross margin in fiscal 2018 decreased by 40 basis points from the prior fiscal year to 23.1%. Lower margins in the current period were driven primarily by higher freight and manufacturing costs, both of which experienced significant inflationary pressures during fiscal 2018. These were largely mitigated during the second half of the fiscal year through commercial discipline.

Consolidated engineering, selling, general and administrative expenses for fiscal 2018 includes a $4.6 million charge related to the acceleration of retirement benefits of our former CEO. Excluding the effects of the acceleration of CEO retirement benefits, as a percentage of sales, engineering, selling, general and administrative expenses decreased by 150 basis points to 15.1% compared to the prior fiscal year, predominantly the result of our strategic initiatives and restructuring activities.

Net income increased by $8.4 million to $63.1 million for fiscal 2018, compared to $54.7 million in the prior year. Diluted earnings per share was $0.94, while adjusted net income per diluted common share was $1.45. Adjusted EBITDA increased to $201.6 million representing an approximate 20.4% increase over the prior year. Net income was impacted by certain special items including a $21.9 million loss ($15.9 million, after taxes) on extinguishment of debt and a $6.7 million loss ($4.8 million, after taxes) on the sale of the China manufacturing facility associated with a reporting unit within the Insulated Metal Panels segment, offset by a $4.7 million gain ($3.4 million, after taxes) on insurance recovery.

Due to the strong operating cash flow we reinvested $47.8 million in to capital expenditures, an increase of $25.8 million over prior year, primarily to support organic growth initiatives and advanced manufacturing. We also used $46.7 million to repurchase shares of our Common Stock in fiscal 2018. Our net debt leverage ratio (net debt/EBITDA) at the end of the fourth quarter improved to 1.8x, compared to 2.0x at the end of the prior year fourth quarter.

Overall, we delivered net income, Adjusted EBITDA, diluted earnings per share and adjusted diluted earnings per share in fiscal 2018 that exceeded the prior year's results. We remain focused on increasing our operating leverage and manufacturing efficiency by continuing to pursue our cost and efficiency initiatives. Our objective is to continue to execute on our strategic initiatives in order to increase market penetration and deliver top-line growth above nonresidential market growth during fiscal 2019 in both our legacy businesses and our IMP products through our multiple sales channels.

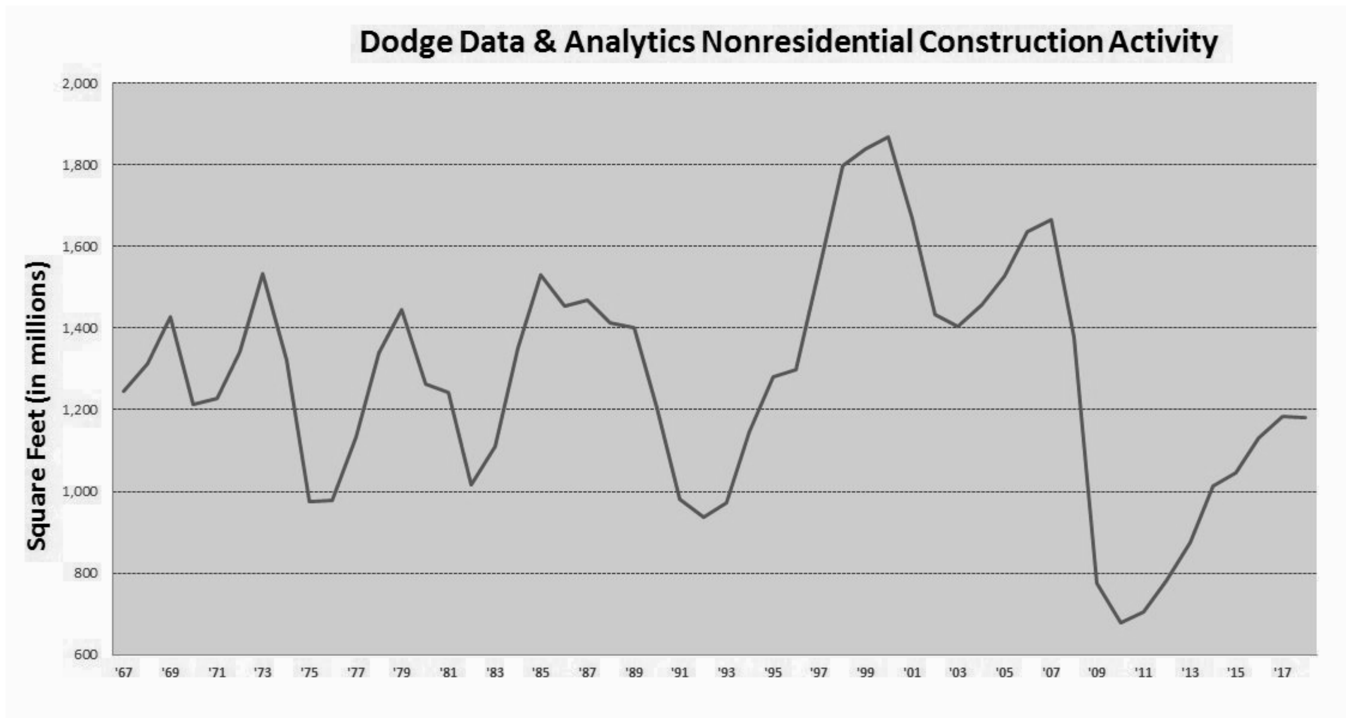
Industry Conditions

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. Following a significant downturn in 2008 and 2009, the current recovery of low-rise construction has been uneven and slow but is now showing some signs of steady growth. We believe that the economy is recovering and that the nonresidential construction industry will return to mid-cycle levels of activity over the next several years.

The graph below shows the annual nonresidential new construction starts, measured in square feet, since 1968 as compiled and reported by Dodge:



Current market estimates continue to show uneven activity across the nonresidential construction markets. According to Dodge, low-rise nonresidential construction starts, as measured in square feet and comprising buildings of up to five stories, were down as much as approximately 7% in our fiscal 2018 as compared to our fiscal 2017. However, Dodge typically revises initial reported figures, and we expect this metric will be revised upwards over time. Leading indicators for low-rise, nonresidential construction activity indicate positive momentum into fiscal 2019.

The leading indicators that we follow and that typically have the most meaningful correlation to nonresidential low-rise construction starts are the American Institute of Architects' ("AIA") Architecture Mixed Use Index, Dodge Residential single family starts and the Conference Board Leading Economic Index ("LEI"). Historically, there has been a very high correlation to the Dodge low-rise nonresidential starts when the three leading indicators are combined and then seasonally adjusted. The combined forward projection of these metrics, based on a 9 to 14-month historical lag for each metric, indicates low single digit growth for low-rise new construction starts in fiscal 2019.

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."

RESULTS OF OPERATIONS

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

	Fiscal year ended		
	October 28, 2018	**October 29, 2017**	**October 30, 2016**
Sales	**100.0%**	100.0%	100.0%
Cost of sales	**76.9**	76.5	74.6
Gross profit	**23.1**	23.5	25.4
Engineering, selling, general and administrative expenses	**15.4**	16.6	18.0
Intangible asset amortization	**0.5**	0.5	0.6
Goodwill impairment	**—**	0.3	—
Restructuring and impairment charges, net	**0.1**	0.3	0.3
Strategic development and acquisition related costs	**0.9**	0.1	0.2
Loss on disposition of business	**0.3**	—	—
Gain on insurance recovery	**(0.2)**	(0.6)	—
Income from operations	**7.1**	6.2	6.5
Interest income	**0.0**	0.0	0.0
Interest expense	**(1.1)**	(1.6)	(1.8)
Foreign exchange (loss) gain	**0.0**	0.0	(0.1)
Gain from bargain purchase	**—**	—	0.1
Loss on extinguishment of debt	**(1.1)**	—	—
Other income, net	**0.0**	0.1	0.0
Income before income taxes	**4.2**	4.7	4.7
Provision for income taxes	**1.0**	1.6	1.7
Net income	**3.2%**	3.1%	3.0%

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. For fiscal 2018, we had four operating segments: (i) Engineered Building Systems; (ii) Metal Components; (iii) Insulated Metal Panels; and (iv) Metal Coil Coating. 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 using similar basic raw materials enabling us to leverage our supply chain. 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. The Insulated Metal Panels segment produces panels consisting of rigid foam encased between two sheets of coated metal in a variety of modules, lengths and reveal combinations which are used in architectural, commercial, industrial and cold storage market applications. 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 the Engineered Building Systems, Metal Components and Insulated Metal Panels segments; (ii) building components provided by the Metal Components and Insulated Metal Panels 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, investments, prepaid expenses, current and 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 amounts primarily include interest income, interest expense and other income (expense). See Note 20 — Operating Segments in the notes to the consolidated financial statements for more information on our segments.

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

	2018	%	2017	%	2016	%
Total sales:						
Engineered Building Systems	**$ 798,299**	**39.9**	$ 693,980	39.2	$ 672,235	39.9
Metal Components	**689,344**	**34.5**	636,661	36.0	586,690	34.8
Insulated Metal Panels	**504,413**	**25.2**	441,404	24.9	396,327	23.5
Metal Coil Coating	**417,296**	**20.9**	368,880	20.8	346,348	20.6
Intersegment sales	**(408,775)**	**(20.5)**	(370,647)	(20.9)	(316,672)	(18.8)
Total net sales	**$ 2,000,577**	**100.0**	$ 1,770,278	100.0	$ 1,684,928	100.0
External sales:						
Engineered Building Systems	**$ 755,353**	**37.8**	$ 659,863	37.3	$ 652,471	38.7
Metal Components	**612,645**	**30.6**	544,669	30.8	495,020	29.4
Insulated Metal Panels	**424,762**	**21.2**	372,304	21.0	347,771	20.6
Metal Coil Coating	**207,817**	**10.4**	193,442	10.9	189,666	11.3
Total net sales	**$ 2,000,577**	**100.0**	$ 1,770,278	100.0	$ 1,684,928	100.0
Operating income (loss):						
Engineered Building Systems	**$ 66,689**		$ 41,388		$ 62,046	
Metal Components	**87,593**		78,768		70,742	
Insulated Metal Panels	**47,495**		47,932		24,620	
Metal Coil Coating	**28,588**		21,459		32,422	
Corporate	**(104,445)**		(79,767)		(81,051)	
Total operating income	**$ 125,920**		$ 109,780		$ 108,779	
Unallocated other expense	**(42,825)**		(26,642)		(29,815)	
Income before income taxes	**$ 83,095**		$ 83,138		$ 78,964	

RESULTS OF OPERATIONS FOR FISCAL 2018 COMPARED TO FISCAL 2017

Consolidated sales increased by 13.0%, or $230.3 million for fiscal 2018, compared to fiscal 2017. The year-over-year improvement was primarily driven by continued commercial discipline in the pass-through of higher costs in a rising cost environment across each of our segments and underlying volume growth in the Engineered Building Systems and Insulated Metal Panel segments. Each segment achieved year over year external revenue growth.

Consolidated cost of sales increased by 13.6%, or $183.7 million for fiscal 2018, compared to fiscal 2017. This increase resulted primarily from higher input costs, including transportation, materials and skilled labor.

Gross margin was 23.1% for fiscal 2018 compared to 23.5% for fiscal 2017. The lower margin in the current period was primarily driven by higher freight and manufacturing costs, both of which experienced significant inflationary pressures during fiscal 2018. These factors were largely mitigated during the second half of the fiscal year through commercial discipline.

Engineered Building Systems sales increased 15.0%, or $104.3 million to $798.3 million in fiscal 2018, compared to $694.0 million in fiscal 2017. The increase in sales is a result of commercial discipline, the pass through of higher materials costs, and to a lesser extent, higher internal and external volumes. Sales to third parties for fiscal 2018 increased $95.5 million to $755.4 million from $659.9 million in the prior fiscal year.

Operating income of the Engineered Building Systems segment increased to $66.7 million in fiscal 2018 compared to $41.4 million in the prior fiscal year. The $25.3 million increase resulted primarily from the increased revenue discussed above, as well as better leverage of engineering, selling, general and administrative expenses resulting from the execution of prior year cost reduction initiatives.

Metal Components sales increased 8.3%, or $52.7 million to $689.3 million in fiscal 2018, compared to $636.7 million in fiscal 2017. The increase was primarily driven by higher external volumes and the pass-through of increasing materials costs, offset by a decrease in internal volume based on a shift in internal production strategy, which moved a portion of fabrication from Metal Components to the Engineered Buildings Systems segment. Sales to third parties for fiscal 2018 increased $68.0 million to $612.6 million from $544.7 million in the prior fiscal year.

Operating income of the Metal Components segment increased to $87.6 million in fiscal 2018, compared to $78.8 million in the prior fiscal year. The $8.8 million increase was driven primarily by commercial discipline and improved operating leverage across the cost structure on higher volumes, offset by higher transportation costs.

Insulated Metal Panels sales increased 14.3%, or $63.0 million to $504.4 million in fiscal 2018, compared to $441.4 million in fiscal 2017. Sales to third parties for fiscal 2018 increased $52.5 million to $424.8 million from $372.3 million in the prior fiscal year due to continued high demand, predominantly within our cold storage and industrial, commercial, and institutional products. In addition, the increase in sales was also driven by a $10.6 million, or 13.2%, increase in internal sales, primarily through the Engineered Building Systems and Metal Components divisions as we continue to execute on our adjacency initiatives.

Operating income of the Insulated Metal Panels segment decreased to $47.5 million in fiscal 2018, compared to $47.9 million in the prior fiscal year. The $0.4 million decrease was driven by a $6.7 million loss recognized on the sale of the China manufacturing facility and impacts from a change in product mix during the current year. In addition, prior period operating income includes $9.2 million of gain on insurance recovery for settlements on damaged or destroyed plant and equipment whereas in fiscal 2018 we recorded a gain of $4.7 million as we reached final settlement on this matter. Largely offsetting these factors were increased fiscal 2018 volume and better leverage of our fixed cost structure.

Metal Coil Coating sales increased by 13.1%, or $48.4 million to $417.3 million in fiscal 2018, compared to $368.9 million in the prior year. Sales to third parties increased $14.4 million to $207.8 million from $193.4 million in the prior fiscal year primarily due to the pass-through of increasing material costs. In addition, the increase in sales was also driven by a $34.0 million, or 16.3%, increase in internal sales.

Operating income of the Metal Coil Coating segment increased to $28.6 million in fiscal 2018, compared to $21.5 million in the prior fiscal year. The $7.1 million increase was primarily due to the increase in package product sales and lower engineering, selling, general and administrative expenses resulting from the execution of prior year cost reduction initiatives. In addition, fiscal 2017 included a $6.0 million goodwill impairment, discussed below.

Consolidated engineering, selling, general and administrative expenses increased to $307.1 million in fiscal 2018, compared to $293.1 million in the prior fiscal year. The $14.0 million increase is related to higher current year revenue, as well as a $4.6 million charge related to the acceleration of retirement benefits of our former CEO. Excluding the effects of the acceleration of CEO retirement benefits, as a percentage of sales, engineering, selling, general and administrative expenses were 15.1% for fiscal 2018 as compared to 16.6% for fiscal 2017.

Consolidated intangible asset amortization remained consistent at $9.6 million during fiscal 2018 and fiscal 2017.

Goodwill impairment for fiscal 2017 of $6.0 million was related to the coil coating operations of CENTRIA within our Metal Coil Coating segment. There was no corresponding impairment for fiscal 2018.

Consolidated restructuring charges for fiscal 2018 and 2017 were $1.9 million and $5.3 million, respectively. Each period generally includes severance-related costs, related to our actions taken to streamline our management and engineering and drafting activities, and also to optimize our overall manufacturing structure and footprint. In fiscal 2017, we incurred severance-related charges including in connection with the closure of three facilities, included in our Engineered Building Systems segment, Metal Components segment, and Insulated Metal Panels segment. The current fiscal year charges are offset by a $0.6 million gain on the sale of a facility that was previously designated as "held for sale".

Consolidated strategic development and acquisition related costs were $17.2 million during fiscal 2018, compared to $2.0 million in the prior fiscal year. These non-operational costs include external legal, financial and due diligence costs incurred to deliver on our strategic initiatives.

Loss on disposition of business for fiscal 2018 was $5.7 million. During fiscal 2018, we recorded a loss of $6.7 million on the sale of our China manufacturing facility included in the Insulated Metal Panels segment and also recorded a $1.0 million gain related to the disposal of a non-strategic product line previously consolidated within the Insulated Metal Panels segment. There was no corresponding loss for fiscal 2017.

Consolidated gain on insurance recovery for fiscal 2018 and 2017 were $4.7 million and $9.7 million, respectively, which related to settlements with our insurers for property damage to two facilities in the Metal Components and Insulated Metal Panels segment.

Consolidated interest expense decreased to $21.8 million for fiscal 2018, compared to $28.9 million for fiscal 2017. The decrease is primarily due to the redemption of our 8.25% Senior Notes and lower variable rates on the Pre-merger Term Loan Credit Facility, both results of activities to strengthen our capital structure that were completed in February 2018.

Loss on debt extinguishment for fiscal 2018 was $21.9 million. There was no corresponding amount recorded in fiscal 2017. During our second quarter of fiscal 2018, we recognized a pretax loss, primarily on the extinguishment of our 8.25% senior notes due 2023, of $21.9 million, of which approximately $15.5 million represented the call premium paid on the redemption of the notes.

Consolidated foreign exchange gain (loss) was a loss of $0.2 million for fiscal 2018, compared to a gain of $0.5 million for the prior year primarily due to the fluctuations in the exchange rate between the Canadian dollar and U.S. dollar in the current period.

Consolidated provision for income taxes was $20.0 million for fiscal 2018, compared to $28.4 million for the prior fiscal year, primarily as a result of higher pre-tax income in fiscal 2017. The effective tax rate for fiscal 2018 was 24.1% compared to 34.2% for fiscal 2017. The change in the effective tax rate was primarily driven by the effects associated with the enactment of U.S. Tax Reform.

Diluted income per common share improved to $0.94 per diluted common share for fiscal 2018, compared to $0.77 per diluted common share for fiscal 2017. The improvement in diluted income per common share was primarily due to the $8.3 million increase in net income applicable to common shares resulting from the factors described above in this section and share repurchases executed during fiscal 2018.

RESULTS OF OPERATIONS FOR FISCAL 2017 COMPARED TO FISCAL 2016

Consolidated sales increased by 5.1%, or $85.4 million for fiscal 2017, compared to fiscal 2016. The increase was driven by continued commercial discipline in the pass-through of higher costs in a rising steel price environment predominantly in the Engineered Building Systems and Metal Components segments despite overall tonnage volumes being lower year over year.

Consolidated cost of sales increased by 7.6%, or $95.4 million for fiscal 2017, compared to fiscal 2016. This increase was the result of rising raw materials costs during fiscal 2017 as compared to declining materials costs in fiscal 2016.

Gross margin was 23.5% for fiscal 2017 compared to 25.4% for fiscal 2016. The decrease in gross margin was primarily a result of lower volumes in the Engineered Building Systems segment, uneven production flow and increased transportation costs.

Engineered Building Systems sales increased 3.2%, or $21.7 million to $694.0 million in fiscal 2017, compared to $672.2 million in fiscal 2016. The increase in sales is a result of commercial discipline, partially offset by lower volumes in the fourth quarter of fiscal 2017, primarily driven by hurricane related disruptions. Sales to third parties for fiscal 2017 increased $7.4 million to $659.9 million from $652.5 million in the prior fiscal year.

Operating income of the Engineered Building Systems segment decreased to $41.4 million in fiscal 2017 compared to $62.0 million in the prior fiscal year. The $20.7 million decrease resulted from rapidly rising steel costs during the current year as compared to the prior fiscal year, combined with the disruptive impact of hurricanes during the fourth quarter of fiscal 2017.

Metal Components sales increased 8.5%, or $50.0 million to $636.7 million in fiscal 2017, compared to $586.7 million in fiscal 2016. The increase in sales was primarily driven by higher external volumes and the execution of commercial discipline. Sales to third parties for fiscal 2017 increased $49.6 million to $544.7 million from $495.0 million in the prior fiscal year.

Operating income of the Metal Components segment increased to $78.8 million in fiscal 2017, compared to $70.7 million in the prior fiscal year. The $8.0 million increase was driven by the increased sales discussed in the immediately preceding paragraph.

Insulated Metal Panels sales increased 11.4%, or $45.1 million to $441.4 million in fiscal 2017, compared to $396.3 million in fiscal 2016. The increase in sales was primarily driven by commercial discipline and improved product mix.

Operating income of the Insulated Metal Panels segment increased to $47.9 million in fiscal 2017, compared to $24.6 million in the prior fiscal year. The $23.3 million increase was driven predominantly due to a higher mix of higher margin architectural products.

Metal Coil Coating sales increased by 6.5%, or $22.5 million to $368.9 million in fiscal 2017, compared to $346.3 million in the prior year. The increase in sales was primarily the result of pass through of higher steel prices through its coil package products. Metal Coil Coating third-party sales increased $3.8 million to $193.4 million from $189.7 million in the prior fiscal year and accounted for 10.9% of total consolidated third-party sales for fiscal 2017.

Operating income of the Metal Coil Coating segment decreased to $21.5 million in fiscal 2017, compared to $32.4 million in the prior fiscal year. The $11.0 million decrease was driven by lower manufacturing efficiency due to lower volumes and higher material costs in fiscal 2017.

Consolidated engineering, selling, general and administrative expenses decreased to $293.1 million in fiscal 2017, compared to $302.6 million in the prior fiscal year. As a percentage of sales, engineering, selling, general and administrative expenses were 16.6% for fiscal 2017 as compared to 18.0% for fiscal 2016. The $9.4 million decrease in expenses was primarily due to the cost reductions resulting from execution of strategic initiatives.

Consolidated intangible asset amortization remained consistent at $9.6 million during fiscal 2017 and fiscal 2016.

Goodwill impairment for fiscal 2017 of $6.0 million was related to the coil coating operations of CENTRIA within our Metal Coil Coating segment.

Consolidated restructuring charges for fiscal 2017 were $5.3 million. These charges relate to our efforts to streamline our management, engineering and drafting and manufacturing structures as well as to optimize our manufacturing footprint. We incurred severance-related charges associated with these activities, including in connection with the closure of three facilities, included in our Engineered Building Systems segment, Metal Components segment, and Insulated Metal Panels segment in fiscal 2017.

Consolidated strategic development and acquisition related costs decreased to $2.0 million during fiscal 2017, compared to $2.7 million in the prior fiscal year. These non-operational costs include external legal, financial and due diligence costs incurred to deliver on our strategic initiatives.

Consolidated interest expense decreased to $28.9 million for fiscal 2017, compared to $31.0 million for fiscal 2016. The decrease is primarily a result of voluntary principal prepayments the Company made on its term loan during fiscal 2017 and 2016.

Consolidated foreign exchange gain (loss) was a gain of $0.5 million for fiscal 2017, compared to a loss of $1.4 million for the prior year primarily due to the fluctuations in the exchange rate between the Canadian dollar and U.S. dollar in the current period.

Consolidated provision for income taxes was $28.4 million for fiscal 2017, compared to $27.9 million for the prior fiscal year, primarily as a result of higher pre-tax income in fiscal 2017. The effective tax rate for fiscal 2017 was 34.2% compared to 35.4% for fiscal 2016.

Diluted income per common share improved to $0.77 per diluted common share for fiscal 2017, compared to $0.70 per diluted common share for fiscal 2016. The improvement in diluted income per common share was primarily due to the $3.8 million increase in net income applicable to common shares resulting from the factors described above in this section and share repurchases executed during fiscal 2017.

LIQUIDITY AND CAPITAL RESOURCES

General

Our cash and cash equivalents decreased from $65.7 million to $54.3 million during fiscal 2018. The following table summarizes our consolidated cash flows for fiscal 2018 and fiscal 2017 (in thousands):

	Fiscal Year Ended	
	October 28, 2018	October 29, 2017
Net cash provided by operating activities	$ 82,463	$ 63,874
Net cash used in investing activities	(38,174)	(10,284)
Net cash used in financing activities	(55,582)	(53,529)
Effect of exchange rate changes on cash and cash equivalents	(93)	194
Net (decrease) increase in cash and cash equivalents	(11,386)	255
Cash and cash equivalents at beginning of period	65,658	65,403
Cash and cash equivalents at end of period	$ 54,272	$ 65,658

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 generally rely on cash as well as short-term borrowings, when needed, 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.

Net cash provided by operating activities was $82.5 million during fiscal 2018 compared to $63.9 million during fiscal 2017. The change was driven by an increase in earnings in the current fiscal year as compared to the prior fiscal year, offset by net cash used for working capital as described below.

Net cash used in accounts receivable was $35.4 million for the fiscal year ended October 28, 2018 compared to $19.6 million for the fiscal year ended October 29, 2017. The increase in accounts receivable as of October 28, 2018 as compared to the prior fiscal year was primarily the result of strong revenue growth during the current period. Our trailing 90-days sales outstanding ("DSO") was approximately 35.2 days at October 28, 2018 as compared to 35.1 days at October 29, 2017.

The change in cash relating to inventory for the fiscal year ended October 28, 2018 was $47.1 million and resulted primarily from higher inventory purchases to support higher sales and the continued increase in material costs, particularly steel. Our trailing 90-days inventory on-hand ("DIO") was 54.9 days at October 28, 2018 as compared to 51.5 days at October 29, 2017.

Net cash provided by accounts payable was $24.5 million for the fiscal year ended October 28, 2018 compared to $4.9 million for the fiscal year ended October 29, 2017. Our vendor payments can fluctuate significantly based on the timing of disbursements, inventory purchases and vendor payment terms. Our trailing 90-days payable outstanding ("DPO") at October 28, 2018 was 33.4 days compared to 32.5 days at October 29, 2017.

Net cash provided by accrued expenses was $16.3 million for the fiscal year ended October 28, 2018 compared to $12.3 million net cash used in accrued expenses for the fiscal year ended October 29, 2017. The change was primarily driven by timing of compensation payments.

Investing Activities

Cash used in investing activities increased to $38.2 million during fiscal 2018 compared to $10.3 million used in the prior fiscal year. In fiscal 2018, we used $47.8 million for capital expenditures, sold a business in China, resulting in a net use of $4.4 million of cash and sold a non-strategic product line in our Insulated Metal Panels segment for $3.0 million. Additionally, we sold one manufacturing facility in our Engineered Building Systems segment and two manufacturing facilities in our Metal Components segment for total cash consideration of $6.3 million and we received insurance proceeds of $4.7 million as reimbursement for new assets acquired for a facility in the Insulated Metal Panels segment that experienced a fire in June 2016. In fiscal 2017, we used $22.1 million for capital expenditures. These cash outflows were partially offset by $8.6 million in cash proceeds from insurance for an involuntary loss on conversion at two of our facilities and $3.2 million in cash received from the sale of assets previously classified as held for sale.

Financing Activities

Cash used in financing activities was $55.6 million in fiscal 2018 compared $53.5 million in the prior fiscal year. During fiscal 2018, we borrowed periodically under our ABL Facility and repaid all of that amount during the period, used $51.8 million to repurchase shares of our outstanding common stock under programs approved by the Board of Directors on September 8, 2016 and October 10, 2017 and for the purchases of shares related to restricted stock that were withheld to satisfy minimum tax withholding obligations arising in connection with the vesting of restricted stock awards and units. Net cash used in the redemption of our Senior Notes and refinancing of long-term debt, including payments of financing cost; as well as payments on the refinanced term loan was $3.2 million. We received $1.3 million in cash proceeds from the exercises of stock options.

During fiscal 2017 we used $43.6 million to repurchase shares of our Common Stock under our authorized stock repurchase programs and for the purchases of shares related to restricted stock that were withheld to satisfy minimum tax withholding obligations arising in connection with the vesting of restricted stock awards and units. In addition, we used $10.2 million to make voluntary principal prepayments on borrowings under the credit agreement that governed our then-outstanding term loans Credit Agreement and we received $1.7 million in cash proceeds from the exercises of stock options.

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 Clayton, Dubilier & Rice Fund VIII L.P. ("CD&R Fund VIII"). In connection with the Investment Agreement and the Stockholders Agreement dated October 20, 2009 (the "Old Stockholders Agreement"), CD&R Fund VIII and CD&R Friends & Family Fund VIII, L.P. (collectively, the "CD&R Fund VIII Investor Group") purchased convertible preferred stock, which was later converted to shares of our Common Stock on May 14, 2013.

On January 2014, the CD&R Fund VIII Investor Group completed a registered underwritten offering, in which the CD&R Fund VIII Investor Group offered 8.5 million shares of Common Stock at a price to the public of $18.00 per share (the "2014 Secondary Offering"). The underwriters also exercised their option to purchase 1.275 million additional shares of Common Stock. In addition, the Company entered into an agreement with the CD&R Fund VIII Investor Group 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 Fund VIII Investor Group in the underwritten offering (the "2014 Stock Repurchase"). The 2014 Stock Repurchase, which was completed at the same time as the 2014 Secondary Offering, represented a private, non-underwritten transaction between NCI and the CD&R Fund VIII Investor Group that was approved and recommended by the Affiliate Transactions Committee of our board of directors.

On July 25, 2016, the CD&R Fund VIII Investor Group completed a registered underwritten offering, in which the CD&R Fund VIII Investor Group offered 9.0 million shares of our Common Stock at a price to the public of $16.15 per share (the "2016 Secondary Offering"). The underwriters also exercised their option to purchase 1.35 million additional shares of our Common Stock from the CD&R Fund VIII Investor Group. The aggregate offering price for the 10.35 million shares sold in the 2016 Secondary Offering was approximately $160.1 million, net of underwriting discounts and commissions. The CD&R Fund VIII Investor Group received all of the proceeds from the 2016 Secondary Offering and no shares in the 2016 Secondary Offering were sold by the Company or any of its officers or directors (although certain of our directors are affiliated with the CD&R Fund VIII Investor Group). In connection with the 2016 Secondary Offering and 2016 Stock Repurchase (as defined below), we incurred approximately $0.7 million in expenses, which were included in engineering, selling, general and administrative expenses in the consolidated statements of operations for the fiscal year ended October 30, 2016.

On July 18, 2016, the Company entered into an agreement with the CD&R Fund VIII Investor Group to repurchase approximately 2.9 million shares of our Common Stock at the price per share equal to the price per share paid by the underwriters to the CD&R Fund VIII Investor Group in the underwritten offering (the "2016 Stock Repurchase"). The 2016 Stock Repurchase, which was completed concurrently with the 2016 Secondary Offering, represented a private, non-underwritten transaction between the Company and the CD&R Fund VIII Investor Group that was approved and recommended by the Affiliate Transactions Committee of our board of directors. See Note 18 — Stock Repurchase Program.

On December 11, 2017, the CD&R Fund VIII Investor Group completed a registered underwritten offering of 7,150,000 shares of the Company's Common Stock at a price to the public of $19.36 per share (the "2017 Secondary Offering"). Pursuant to the underwriting agreement, at the CD&R Fund VIII Investor Group request, the Company purchased 1.15 million of the 7.15 million shares of the Common Stock from the underwriters in the 2017 Secondary Offering at a price per share equal to the price at which the underwriters purchased the shares from the CD&R Fund VIII Investor Group. The total amount the Company spent on these repurchases was $22.3 million.

At October 28, 2018 and October 29, 2017, the CD&R Fund VIII Investor Group owned approximately 34.4% and 43.8%, respectively, of the outstanding shares of our Common Stock.

On November 16, 2018, the Company entered into (i) the New Stockholders Agreement between the Company and each of the Investors, pursuant to which the Company granted to the Investors certain governance, preemptive and subscription rights and (ii) the New Registration Rights Agreement with the Investors, pursuant to which the Company granted the Investors customary demand and piggyback registration rights, including rights to demand registrations and underwritten shelf registration statement offerings with respect to the shares of NCI Common Stock that are held by the Investors following the consummation of the Merger. Pursuant to the terms of the New Stockholders Agreement, the Company and the CD&R Fund VIII Investor Group terminated the Old Stockholders Agreement and the Old Registration Rights Agreement.

In addition, pursuant to Section 3.1(c)(i) of the New Stockholders Agreement, the CD&R Investor Group is entitled to nominate for election, fill vacancies and appoint five out of twelve initial members of NCI's board of directors following consummation of the Merger and, thereafter, so long as the CD&R Investor Group beneficially owns at least 7.5% of the outstanding shares of NCI Common Stock, to nominate for election, fill vacancies and appoint replacements for a number of Board members in proportion to the CD&R Investor Group's percentage beneficial ownership of outstanding NCI Common Stock, but never to exceed one less than the number of independent, non-CD&R-affiliated directors serving on the Board.

The New Stockholders Agreement contains voting agreements between the Company and each of the Investors, including the requirement that each Investor shall vote all of the shares of Common Stock that it beneficially owns (a) in favor of all director nominees, other than CD&R Investor Nominees or director nominees proposed by a Golden Gate Investor, nominated by the Board for election by the stockholders of the Company in accordance with the terms of the New Stockholders Agreement and the Sixth Amended and Restated By-laws of the Company, (b) as recommended by the Board, on any and all (i) proposals relating to or concerning compensation or equity incentives for directors, officers or employees of the Company adopted in the ordinary course of business consistent with past practice, (ii) proposals by stockholders of the Company, other than a proposal by a CD&R Investor or a Golden Gate Investor, and (iii) proposals the subject matter of which is a CD&R Investor Consent Action (as defined in the New Stockholders Agreement), provided that, in respect of clauses (i) and (iii) only, that the Board's recommendation is consistent with the CD&R Investor Group's exercise of its consent rights provided in the New Stockholders Agreement, and (c) not in favor of any transaction constituting, or that would result in, a Change of Control (as defined in the New Stockholders Agreement) that has not been approved by a majority of the Independent Non-CD&R Investor Directors (as defined in the New Stockholders Agreement), if the per share consideration to be received by any CD&R Investor or Golden Gate Investor in connection with such transaction is not equal to, and in the same form as, the per-share consideration to be received by the shareholders not affiliated with the Investors.

Debt

On February 8, 2018, the Company entered into a Term Loan Credit Agreement (the "Pre-merger Term Loan Credit Agreement") and ABL Credit Agreement (the "Pre-merger ABL Credit Agreement"), the proceeds of which, together, were used to redeem the 8.25% senior notes and to refinance the Company's then existing term loan credit facility and the Company's then existing asset-based revolving credit facility.

The Pre-merger Term Loan Credit Agreement provided for an aggregate principal amount of $415.0 million (the "Pre-merger Term Loan Credit Facility"). Proceeds from borrowings under the Pre-merger Term Loan Credit Facility were used, together with cash on hand, (i) to refinance the existing term loan credit agreement, (ii) to redeem and repay the Notes (the foregoing, collectively, the "Refinancing") and (iii) to pay any fees, premiums and expenses incurred in connection with the Refinancing.

The Pre-merger ABL Credit Agreement provided for an asset-based revolving credit facility which allowed aggregate maximum borrowings by the ABL Borrowers of up to $150.0 million (the "Pre-merger ABL Credit Facility"). As set forth in the Pre-merger ABL Credit Agreement, extensions of credit under the Pre-merger ABL Credit Facility are limited by a borrowing base calculated periodically based on specified percentages of the value of eligible accounts receivable, eligible credit card receivables and eligible inventory, less certain reserves and certain adjustments. Availability is reduced by issuance of letters of credit as well as any borrowings.

As of October 28, 2018, we had an aggregate principal amount of $412.9 million of outstanding indebtedness, comprising $412.9 million of borrowings under our Pre-merger Term Loan Credit Facility. We had no revolving loans outstanding under the Pre-merger ABL Credit Facility. Our excess availability under the Pre-merger ABL Credit Facility was $141.0 million as of October 28, 2018. In addition, standby letters of credit related to certain insurance policies totaling approximately $9.0 million were outstanding but undrawn under the Pre-merger ABL Credit Facility.

For additional information, see Note 11 — Long-Term Debt and Note Payable in the notes to the consolidated financial statements.

In connection with the merger with Ply Gem, on November 16, 2018 we assumed the outstanding debt obligations of Ply Gem and repaid in full amounts outstanding under the Pre-merger Term Loan Credit Agreement and the Pre-merger ABL Credit

Agreement. For additional information, see “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” for more information on our indebtedness following the Merger.

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, $141.0 million is available with our Pre-merger ABL Credit Facility at October 28, 2018 and we have a cash balance of $54.3 million as of October 28, 2018. Following the consummation of the Merger, we have a U.S. ABL Facility and a Canadian ABL Facility, which together have an aggregate capacity of approximately $611 million, and a Cash Flow Revolver of up to $115 million, none of which was drawn as of November 16, 2018.

We expect that, for the next 12 months, cash generated from operations and our Pre-merger ABL Credit 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 for fiscal 2019 and expansion when needed.

We expect to contribute $1.2 million to our defined benefit plans in fiscal 2019.

During fiscal 2018 we repurchased an aggregate of $46.7 million of our Common Stock under the stock repurchase programs authorized in September 8, 2016 and October 10, 2017. On March 7, 2018, the Company announced that its Board of Directors authorized new stock repurchase programs for up to an aggregate of $50.0 million. At October 28, 2018, approximately $55.6 million remained available for stock repurchases under the stock repurchase programs authorized on October 10, 2017 and March 7, 2018. We also withheld 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.

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.

In connection with the Merger, on November 16, 2018, we assumed the outstanding debt obligations of Ply Gem and repaid in full amounts outstanding under the Pre-merger Term Loan Credit Agreement and the Pre-merger ABL Credit Agreement. For additional information, see “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” for more information on our indebtedness following the Merger.

NON-GAAP MEASURES

Set forth below are certain non-GAAP measures which include adjusted operating income (loss), adjusted EBITDA, adjusted net income per diluted common share and adjusted net income applicable to common shares. We define adjusted operating income (loss) as operating income (loss) adjusted for items broadly consisting of selected items which management does not consider representative of our ongoing operations. 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 term loan and asset-based lending credit agreements 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.

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

	Fiscal Three Months Ended		Fiscal Year Ended	
	October 28, 2018	October 29, 2017	October 28, 2018	October 29, 2017
Net income per diluted common share, GAAP basis	$ 0.41	$ 0.25	$ 0.94	$ 0.77
Loss on extinguishment of debt	—	—	0.33	—
Loss on disposition of business	—	—	0.08	—
Goodwill impairment	—	0.09	—	0.08
Restructuring and impairment charges, net	0.01	0.02	0.03	0.07
Strategic development and acquisition related costs	0.18	0.00	0.26	0.03
Acceleration of CEO retirement benefits	—	—	0.07	—
Gain on insurance recovery	—	—	(0.07)	(0.14)
Other, net	—	0.00	0.00	0.01
Tax effect of applicable non-GAAP adjustments[1]	(0.05)	(0.04)	(0.19)	(0.02)
Adjusted net income per diluted common share	$ 0.55	$ 0.32	$ 1.45	$ 0.80

	Fiscal Three Months Ended		Fiscal Year Ended	
	October 28, 2018	October 29, 2017	October 28, 2018	October 29, 2017
Net income applicable to common shares, GAAP basis	$ 27,417	$ 17,412	$ 62,694	$ 54,399
Loss on extinguishment of debt	—	—	21,875	—
Loss on disposition of business	—	—	5,673	—
Goodwill impairment	—	6,000	—	6,000
Restructuring and impairment charges, net	769	1,710	1,912	5,297
Strategic development and acquisition related costs	11,661	193	17,164	1,971
Acceleration of CEO retirement benefits	—	—	4,600	—
Gain on insurance recovery	—	—	(4,741)	(9,749)
Other, net	—	28	(323)	591
Tax effect of applicable non-GAAP adjustments[1]	(3,418)	(3,093)	(12,783)	(1,603)
Adjusted net income applicable to common shares	$ 36,429	$ 22,250	$ 96,071	$ 56,906

(1) The Company calculated the tax effect of non-GAAP adjustments by applying the combined federal and state applicable statutory tax rate for the period to each applicable non-GAAP item.

The following tables reconcile adjusted operating income (loss) and adjusted EBITDA to operating income (loss) for the periods indicated below:

Consolidated

(In thousands)	Fiscal Three Months Ended				Fiscal Year Ended
	January 28, 2018	April 29, 2018	July 29, 2018	October 28, 2018	October 28, 2018
Total Net Sales	$ 421,349	$ 457,069	$ 548,525	$ 573,634	$ 2,000,577
Operating Income, GAAP	**12,898**	**18,956**	**54,501**	**39,565**	**125,920**
Restructuring and impairment charges, net	1,094	488	(439)	769	1,912
Strategic development and acquisition related costs	727	1,134	3,642	11,661	17,164
Loss (gain) on disposition of business	—	6,686	(1,013)	—	5,673
Acceleration of CEO retirement benefits	4,600	—	—	—	4,600
Gain on insurance recovery	—	—	(4,741)	—	(4,741)
Adjusted Operating Income	**19,319**	**27,264**	**51,950**	**51,995**	**150,528**
Other income and expense	928	(34)	87	(261)	720
Depreciation and amortization	10,358	10,442	10,174	11,351	42,325
Share-based compensation expense	2,270	1,998	1,041	2,729	8,038
Adjusted EBITDA	**$ 32,875**	**$ 39,670**	**$ 63,252**	**$ 65,814**	**$ 201,611**
Year over year growth, Total Net Sales	7.6%	8.7%	16.9%	17.4%	13.0%
Operating Income Margin	3.1%	4.1%	9.9%	6.9%	6.3%
Adjusted Operating Income Margin	4.6%	6.0%	9.5%	9.1%	7.5%
Adjusted EBITDA Margin	7.8%	8.7%	11.5%	11.5%	10.1%

	Fiscal Three Months Ended				Fiscal Year Ended
	January 29, 2017	April 30, 2017	July 30, 2017	October 29, 2017	October 29, 2017
Total Net Sales	$ 391,703	$ 420,464	$ 469,385	$ 488,726	$ 1,770,278
Operating Income, GAAP	**9,886**	**32,472**	**34,097**	**33,325**	**109,780**
Restructuring and impairment charges, net	2,264	315	1,009	1,709	5,297
Strategic development and acquisition related costs	357	124	1,297	193	1,971
Loss on sale of assets and asset recovery	—	137	—	—	137
Gain on insurance recovery	—	(9,601)	(148)	—	(9,749)
Unreimbursed business interruption costs	—	191	235	28	454
Goodwill impairment	—	—	—	6,000	6,000
Adjusted Operating Income	**12,507**	**23,638**	**36,490**	**41,255**	**113,890**
Other income and expense	309	449	1,322	(62)	2,018
Depreciation and amortization	10,315	10,062	10,278	10,664	41,319
Share-based compensation expense	3,042	2,820	2,284	2,084	10,230
Adjusted EBITDA	**$ 26,173**	**$ 36,969**	**$ 50,374**	**$ 53,941**	**$ 167,457**
Operating Income Margin	2.5%	7.7%	7.3%	6.8%	6.2%
Adjusted Operating Income Margin	3.2%	5.6%	7.8%	8.4%	6.4%
Adjusted EBITDA Margin	6.7%	8.8%	10.7%	11.0%	9.5%

Engineered Building Systems

(In thousands)	Fiscal Three Months Ended				Fiscal Year Ended
	January 28, 2018	April 29, 2018	July 29, 2018	October 28, 2018	October 28, 2018
Total Sales	$ 156,964	$ 167,240	$ 230,098	$ 243,997	$ 798,299
External Sales	148,288	157,136	218,614	231,315	755,353
Operating Income, GAAP	**8,263**	**9,271**	**24,296**	**24,859**	**66,689**
Restructuring and impairment charges, net	1,136	280	(464)	397	1,349
Strategic development and acquisition related costs	173	—	—	—	173
Adjusted Operating Income	**9,572**	**9,551**	**23,832**	**25,256**	**68,211**
Other income and expense	733	(88)	(179)	(156)	310
Depreciation and amortization	2,077	2,323	1,905	2,322	8,627
Adjusted EBITDA	**$ 12,382**	**$ 11,786**	**$ 25,558**	**$ 27,422**	**$ 77,148**
Year over year growth, Total sales	3.8%	2.8%	19.9%	29.7%	15.0%
Year over year growth, External Sales	2.3%	1.7%	20.0%	29.8%	14.5%
Operating Income Margin	5.3%	5.5%	10.6%	10.2%	8.4%
Adjusted Operating Income Margin	6.1%	5.7%	10.4%	10.4%	8.5%
Adjusted EBITDA Margin	7.9%	7.0%	11.1%	11.2%	9.7%

	Fiscal Three Months Ended				Fiscal Year Ended
	January 29, 2017	April 30, 2017	July 30, 2017	October 29, 2017	October 29, 2017
Total Sales	$ 151,263	$ 162,624	$ 191,910	$ 188,183	$ 693,980
External Sales	145,021	154,456	182,164	178,222	659,863
Operating Income, GAAP	**6,503**	**6,894**	**14,948**	**13,043**	**41,388**
Restructuring and impairment charges, net	1,910	186	941	695	3,732
Loss on sale of assets and asset recovery	—	137	—	—	137
Adjusted Operating Income	**8,413**	**7,217**	**15,889**	**13,738**	**45,257**
Other income and expense	(41)	(125)	1,291	(694)	431
Depreciation and amortization	2,276	2,285	2,255	2,198	9,014
Adjusted EBITDA	**$ 10,648**	**$ 9,377**	**$ 19,435**	**$ 15,242**	**$ 54,702**
Operating Income Margin	4.3%	4.2%	7.8%	6.9%	6.0%
Adjusted Operating Income Margin	5.6%	4.4%	8.3%	7.3%	6.5%
Adjusted EBITDA Margin	7.0%	5.8%	10.1%	8.1%	7.9%

Metal Components

(In thousands)	Fiscal Three Months Ended				Fiscal Year Ended
	January 28, 2018	April 29, 2018	July 29, 2018	October 28, 2018	October 28, 2018
Total Sales	$ 146,832	$ 168,456	$ 186,421	$ 187,635	$ 689,344
External Sales	127,528	147,661	165,697	171,759	612,645
Operating Income, GAAP	**17,089**	**22,082**	**28,688**	**19,734**	**87,593**
Restructuring and impairment charges, net	(1,403)	120	25	—	(1,258)
Adjusted Operating Income	**15,686**	**22,202**	**28,713**	**19,734**	**86,335**
Other income and expense	53	67	54	82	256
Depreciation and amortization	1,576	1,444	1,357	1,440	5,817
Adjusted EBITDA	**$ 17,315**	**$ 23,713**	**$ 30,124**	**$ 21,256**	**$ 92,408**
Year over year growth, Total sales	9.4%	8.8%	12.1%	3.5%	8.3%
Year over year growth, External Sales	10.4%	10.8%	17.8%	10.7%	12.5%
Operating Income Margin	11.6%	13.1%	15.4%	10.5%	12.7%
Adjusted Operating Income Margin	10.7%	13.2%	15.4%	10.5%	12.5%
Adjusted EBITDA Margin	11.8%	14.1%	16.2%	11.3%	13.4%

	Fiscal Three Months Ended				Fiscal Year Ended
	January 29, 2017	April 30, 2017	July 30, 2017	October 29, 2017	October 29, 2017
Total Sales	$ 134,173	$ 154,895	$ 166,305	$ 181,288	$ 636,661
External Sales	115,557	133,290	140,639	155,183	544,669
Operating Income, GAAP	**12,376**	**19,997**	**23,276**	**23,119**	**78,768**
Restructuring and impairment charges, net	305	129	60	69	563
Gain on insurance recovery	—	(420)	(148)	—	(568)
Adjusted Operating Income	**12,681**	**19,706**	**23,188**	**23,188**	**78,763**
Other income and expense	28	52	55	84	219
Depreciation and amortization	1,334	1,302	1,266	1,422	5,324
Adjusted EBITDA	**$ 14,043**	**$ 21,060**	**$ 24,509**	**$ 24,694**	**$ 84,306**
Operating Income Margin	9.2%	12.9%	14.0%	12.8%	12.4%
Adjusted Operating Income Margin	9.5%	12.7%	13.9%	12.8%	12.4%
Adjusted EBITDA Margin	10.5%	13.6%	14.7%	13.6%	13.2%

Insulated Metal Panels

(In thousands)	Fiscal Three Months Ended				Fiscal Year Ended
	January 28, 2018	April 29, 2018	July 29, 2018	October 28, 2018	October 28, 2018
Total Sales	$ 110,794	$ 113,413	$ 133,740	$ 146,466	$ 504,413
External Sales	97,513	99,792	106,605	120,852	424,762
Operating Income, GAAP	**7,071**	**1,540**	**17,859**	**21,025**	**47,495**
Restructuring and impairment charges, net	1,284	88	—	372	1,744
Strategic development and acquisition related costs	300	61	—	(23)	338
Loss (gain) on disposition of business	—	6,686	(1,013)	—	5,673
Gain on insurance recovery	—	—	(4,741)	—	(4,741)
Adjusted Operating Income	**8,655**	**8,375**	**12,105**	**21,374**	**50,509**
Other income and expense	(273)	223	(51)	92	(9)
Depreciation and amortization	4,388	4,335	4,324	4,557	17,604
Adjusted EBITDA	**$ 12,770**	**$ 12,933**	**$ 16,378**	**$ 26,023**	**$ 68,104**
Year over year growth, Total sales	16.4%	10.2%	11.7%	18.6%	14.3%
Year over year growth, External Sales	18.3%	15.0%	8.8%	15.0%	14.1%
Operating Income Margin	6.4%	1.4%	13.4%	14.4%	9.4%
Adjusted Operating Income Margin	7.8%	7.4%	9.1%	14.6%	10.0%
Adjusted EBITDA Margin	11.5%	11.4%	12.2%	17.8%	13.5%

	Fiscal Three Months Ended				Fiscal Year Ended
	January 29, 2017	April 30, 2017	July 30, 2017	October 29, 2017	October 29, 2017
Total Sales	$ 95,195	$ 102,937	$ 119,730	$ 123,542	$ 441,404
External Sales	82,441	86,773	98,026	105,064	372,304
Operating Income, GAAP	**2,192**	**19,377**	**11,468**	**14,895**	**47,932**
Restructuring and impairment charges, net	—	—	8	683	691
Strategic development and acquisition related costs	—	—	—	90	90
Gain on insurance recovery	—	(9,181)	—	—	(9,181)
Unreimbursed business interruption costs	—	191	235	28	454
Adjusted Operating Income	**2,192**	**10,387**	**11,711**	**15,696**	**39,986**
Other income and expense	35	340	(211)	356	520
Depreciation and amortization	4,392	4,258	4,516	4,742	17,908
Adjusted EBITDA	**$ 6,619**	**$ 14,985**	**$ 16,016**	**$ 20,794**	**$ 58,414**
Operating Income Margin	2.3%	18.8%	9.6%	12.1%	10.9%
Adjusted Operating Income Margin	2.3%	10.1%	9.8%	12.7%	9.1%
Adjusted EBITDA Margin	7.0%	14.6%	13.4%	16.8%	13.2%

Metal Coil Coating

(In thousands)	Fiscal Three Months Ended				Fiscal Year Ended
	January 28, 2018	April 29, 2018	July 29, 2018	October 28, 2018	October 28, 2018
Total Sales	$ 88,343	$ 95,190	$ 116,440	$ 117,323	$ 417,296
External Sales	48,020	52,480	57,609	49,708	207,817
Operating Income, GAAP	**5,376**	**7,129**	**9,121**	**6,962**	**28,588**
Adjusted Operating Income	**5,376**	**7,129**	**9,121**	**6,962**	**28,588**
Depreciation and amortization	2,058	2,085	2,097	2,248	8,488
Adjusted EBITDA	**$ 7,434**	**$ 9,214**	**$ 11,218**	**$ 9,210**	**$ 37,076**
Year over year growth, Total sales	0.0 %	9.8%	22.2%	19.0 %	13.1%
Year over year growth, External Sales	(1.4)%	14.2%	18.6%	(1.1)%	7.4%
Operating Income Margin	6.1 %	7.5%	7.8%	5.9 %	6.9%
Adjusted Operating Income Margin	6.1 %	7.5%	7.8%	5.9 %	6.9%
Adjusted EBITDA Margin	8.4 %	9.7%	9.6%	7.9 %	8.9%

	Fiscal Three Months Ended				Fiscal Year Ended
	January 29, 2017	April 30, 2017	July 30, 2017	October 29, 2017	October 29, 2017
Total Sales	$ 88,340	$ 86,729	$ 95,261	$ 98,550	$ 368,880
External Sales	48,684	45,945	48,556	50,257	193,442
Operating Income, GAAP	**6,706**	**6,227**	**7,107**	**1,419**	**21,459**
Goodwill impairment	—	—	—	6,000	6,000
Adjusted Operating Income	**6,706**	**6,227**	**7,107**	**7,419**	**27,459**
Other income and expense	31	—	—	—	31
Depreciation and amortization	2,106	2,009	2,063	2,065	8,243
Adjusted EBITDA	**$ 8,843**	**$ 8,236**	**$ 9,170**	**$ 9,484**	**$ 35,733**
Operating Income Margin	7.6 %	7.2%	7.5%	1.4 %	5.8%
Adjusted Operating Income Margin	7.6 %	7.2%	7.5%	7.5 %	7.4%
Adjusted EBITDA Margin	10.0 %	9.5%	9.6%	9.6 %	9.7%

Corporate

(In thousands)	Fiscal Three Months Ended				Fiscal Year Ended
	January 28, 2018	April 29, 2018	July 29, 2018	October 28, 2018	October 28, 2018
Operating Loss, GAAP	**$ (24,901)**	**$ (21,066)**	**$ (25,463)**	**$ (33,015)**	**$ (104,445)**
Restructuring and impairment charges, net	77	—	—	—	77
Strategic development and acquisition related costs	254	1,073	3,642	11,684	16,653
Acceleration of CEO retirement benefits	4,600	—	—	—	4,600
Adjusted Operating Loss	**(19,970)**	**(19,993)**	**(21,821)**	**(21,331)**	**(83,115)**
Other income and expense	415	(236)	263	(279)	163
Depreciation and amortization	259	255	491	784	1,789
Share-based compensation expense	2,270	1,998	1,041	2,729	8,038
Adjusted EBITDA	**$ (17,026)**	**$ (17,976)**	**$ (20,026)**	**$ (18,097)**	**$ (73,125)**

	Fiscal Three Months Ended				Fiscal Year Ended
	January 29, 2017	April 30, 2017	July 30, 2017	October 29, 2017	October 29, 2017
Operating Loss, GAAP	**$ (17,891)**	**$ (20,023)**	**$ (22,702)**	**$ (19,151)**	**$ (79,767)**
Restructuring and impairment charges, net	49	—	—	262	311
Strategic development and acquisition related costs	357	124	1,297	103	1,881
Adjusted Operating Loss	**(17,485)**	**(19,899)**	**(21,405)**	**(18,786)**	**(77,575)**
Other income and expense	256	182	187	192	817
Depreciation and amortization	207	208	178	237	830
Share-based compensation expense	3,042	2,820	2,284	2,084	10,230
Adjusted EBITDA	**$ (13,980)**	**$ (16,689)**	**$ (18,756)**	**$ (16,273)**	**$ (65,698)**

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 October 28, 2018, we were not involved in any unconsolidated SPE transactions.

CONTRACTUAL OBLIGATIONS

The following table shows our contractual obligations as of October 28, 2018 (in thousands):

	Payments due by period				
Contractual Obligation	**Total**	**Less than 1 year**	**1 – 3 years**	**3 – 5 years**	**More than 5 years**
Total debt[(1)]	$ 412,925	$ 4,150	$ 8,300	$ 8,300	$ 392,175
Interest payments on debt[(2)]	107,578	17,398	34,268	33,564	22,348
Operating leases	44,998	13,951	14,425	8,929	7,693
Projected pension obligations[(3)]	19,578	754	3,929	5,061	9,834
Total contractual obligations	$ 585,079	$ 36,253	$ 60,922	$ 55,854	$ 432,050

(1) Reflects amounts outstanding under the Pre-merger Term Loan Credit Facility and the Pre-merger ABL Credit Facility which were paid off in full upon consummation of the Merger. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" for more information on our indebtedness following the Merger.

(2) Interest payments were calculated based on rates in effect at October 28, 2018 for variable rate obligations.

(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 plans and bond rates.

Includes obligations with respect to the Company's Defined Benefit Plans and the other post-employment benefit ("OPEB") Plans.

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 IBNR claims. For all insurance carriers, the total standby letters of credit are approximately $9.0 million and $10.0 million at October 28, 2018 and October 29, 2017, 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 $355,000 per claim. Each reporting period, we record the costs of our health insurance plan, including paid claims, an estimate of the change in in IBNR claims, taxes and administrative fees, when applicable, (collectively the "Plan Costs") as general and administrative expenses 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 $250,000 per occurrence. The Property and Auto Liability deductibles are $500,000 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 because, as a general matter, the accruals historically have proved 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 $0.2 million.

Share-Based Compensation. Under FASB Accounting Standards Codification ("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 is 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. With the adoption of ASU 2016-09 in the first quarter of fiscal 2018, we account for forfeitures of outstanding but unvested grants in the period they occur. For the fiscal year ended October 29, 2017, the forfeiture rate in our calculation of share-based compensation expense was based on historical experience and was estimated at 5.0% 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 granted an immaterial amount of options during the fiscal years ended October 29, 2017 and October 30, 2016. We did not grant stock options during the fiscal year ended October 28, 2018.

Long-term incentive awards granted to our senior executives generally have a three-year performance period. Long-term incentive awards include restricted stock units and PSUs representing 40% and 60% of the total value, respectively. The restricted stock units vest upon continued employment. Vesting of the PSUs is contingent upon continued employment and the achievement of targets with respect to the following metrics, as defined by management: (1) cumulative free cash flow (weighted 40%); (2) cumulative earnings per share (weighted 40%); and (3) total shareholder return (weighted 20%), in each case during the performance period. At the end of the performance period, the number of actual shares to be awarded varies between 0% and 200% of target amounts. The PSUs vest pro rata if an executive's employment terminates prior to the end of the performance period due to death, disability, or termination by the Company without cause or by the executive for good reason. If an executive's employment terminates for any other reason prior to the end of the performance period, all outstanding unvested PSUs, whether earned or unearned, will be forfeited and cancelled. If a change in control occurs prior to the end of the performance period, the PSU payout will be calculated and paid assuming that the maximum benefit had been achieved. If an executive's employment terminates due to death or disability while any of the restricted stock is unvested, then all of the unvested restricted stock will become vested. If an executive's employment is terminated by the Company without cause or after reaching normal retirement age, the unvested restricted stock will be forfeited. If a change in control occurs prior to the end of the performance period, the restricted stock will fully vest. The fair value of the awards is based on the Company's stock price as of the date of grant. During the fiscal years 2018, 2017 and 2016, we granted PSUs with fair values of approximately $3.8 million, $4.6 million and $4.7 million, respectively, to the Company's senior executives.

Long-term incentive awards granted to our key employees generally have a three-year performance period. Long-term incentive awards are granted 50% in restricted stock units and 50% in PSUs. Vesting of PSUs is contingent upon continued employment and the achievement of free cash flow and earnings per share targets, as defined by management, over a three-year period. At the end of the performance period, the number of actual shares to be awarded varies between 0% and 150% of target amounts. However, a minimum of 50% of the awards will vest upon continued employment over the three-year period if the minimum targets are not met. The PSUs vest earlier upon death, disability or a change in control. A portion of the awards also vests upon 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 the Company's stock price as of the date of grant. During the fiscal years ended October 28, 2018, October 29, 2017 and October 30, 2016, we granted Performance Share Awards with an equity fair value of $2.8 million, $2.0 million and $2.4 million, respectively. The PSUs granted in December 2017, 2016 and 2015 to our senior executives cliff vest at the end of the three-year performance period. For the PSUs granted in December 2014 to our senior executives, one-half vested on December 15, 2016 and one-half vested on December 15, 2017.

We granted 0.4 million, 0.3 million and 0.3 million restricted shares during the fiscal years ended October 28, 2018, October 29, 2017 and October 30, 2016, respectively. The restricted stock units granted in December 2017, 2016 and 2015 to our senior executives vest one-third annually. For the restricted stock units granted in December 2014 to our senior executives, two-thirds vested on December 15, 2016 and one-third vested on December 15, 2017.

The compensation cost related to 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. For awards with performance conditions, the amount of share-based compensation expense recognized is based upon the probable outcome of the performance conditions, as defined and determined by management. Our option awards and restricted stock awards are subject to graded vesting over a service period, which is typically three or four years. We generally 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, Mexican federal, and other 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.

As of October 28, 2018, the $1.8 million net operating loss and tax credit carryforward included $0.1 million for U.S. state loss carryforwards and $1.7 million for foreign loss carryforward. The state net operating loss carryforwards will expire in 2019 to 2029 years, if unused and the foreign loss carryforward will start to expire in fiscal 2028, 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, typically engage an outside appraisal firm to assist in the fair value determination of the acquired long-lived assets.

The Company has approximately $148.3 million of goodwill as of October 28, 2018, of which approximately $14.3 million pertains to our Engineered Building Systems segment, $7.1 million pertains to our Metal Components segment, $121.5 million pertains to our Insulated Metal Panels segment and $5.4 million pertains to our Metal Coil Coating segment. The Company also has $13.5 million of other intangible assets with indefinite lives as of October 28, 2018 pertaining to our Engineered Building Systems segment. We perform an annual impairment assessment of goodwill and indefinite-lived intangibles. Additionally, we assess goodwill and indefinite-lived intangibles for impairment whenever events or changes in circumstances indicate that the fair values may be below the carrying values of such assets. 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.

The fair value of our reporting units is based on a blend of estimated discounted cash flows, publicly traded company multiples and transaction multiples. The results from each of these models are then weighted and combined into a single estimate of fair value for our 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 the reporting units, weighted average cost of capital, working capital and capital expenditure requirements. During fiscal 2017, management early adopted the new accounting principle that simplified the test for goodwill impairment by eliminating the second step of the goodwill test. Management does 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 result in an impairment of goodwill.

We completed our annual goodwill impairment test as of July 30, 2018 for each of our reporting units. We have the option of performing an assessment of certain qualitative factors 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 impairment test. We elected to apply the qualitative assessment for the goodwill in our reporting units within each of our operating segments as of July 30, 2018. Additionally, we applied the qualitative assessment for our indefinite-lived intangible as of July 30, 2018. Under the qualitative assessment, various events and circumstances (or factors) that would affect the estimated fair value of a reporting unit are identified (similar to impairment indicators above). These factors are then classified by the type of impact they would have on the estimated fair value using positive, neutral, and negative categories based on current business conditions. Additionally, an assessment of the level of impact that a particular factor would have on the estimated fair value is determined using relative weightings. Additionally, the Company considers the results of the most recent quantitative impairment test completed for a reporting unit and compares the weighted average cost of capital (WACC), publicly traded company multiples and observable and recent transaction multiples between the current and prior years for a reporting unit. Based on our assessment of these tests, we do not believe it is more likely than not that the fair value of these reporting units or the indefinite-lived intangible assets are less than their respective carrying amounts.

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 2018, 2017 and 2016, we established new reserves (net of recoveries of previously written off balances) for doubtful accounts of $(0.5) million, $1.9 million and $1.3 million, respectively. In fiscal years 2018, 2017 and 2016, we wrote off uncollectible accounts, net of recoveries, of $1.6 million, $1.0 million and $1.6 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 net realizable value. 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 net realizable value 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 depending on the intended use of the related asset, if certain events or changes in circumstances indicate that the carrying value of such asset groups may not be recoverable and the undiscounted cash flows estimated to be generated by those asset groups are less than the carrying amount of those asset groups. Events and circumstances which indicate an impairment include (a) a significant decrease in the market value of the asset groups; (b) a significant change in the extent or manner in which an asset group 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 group; (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 group; or (f) a current expectation that, more likely than not, an asset group will be sold or otherwise disposed of significantly before the end of its previously estimated useful life. We assess our asset groups for any indicators of impairment on at least a quarterly basis.

If we determine that the carrying value of an asset group 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 group over its fair value. The fair value of asset groups is determined based on prices of similar assets adjusted for their remaining useful life.

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 operations 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.

RECENT ACCOUNTING PRONOUNCEMENTS

See Note 3 — Accounting Pronouncements in the notes to the consolidated financial statements for information on recent accounting pronouncements.

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 October 28, 2018, material costs (predominantly steel costs) constituted approximately 66% 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 (Galvalume® is a registered trademark of BIEC International, Inc.). 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.

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.

With material costs (predominantly steel costs) accounting for approximately 66% of our cost of sales for fiscal 2018, a one percent change in the cost of steel could have resulted in a pre-tax impact on cost of sales of approximately $10.1 million for our fiscal year ended October 28, 2018. The impact to our financial results of operations of such an increase 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 October 28, 2018, all our contracts for the purchase of natural gas met the scope exemption for normal purchases and normal sales.

Ply Gem is also subject to significant market risk with respect to the pricing of principal raw materials, which include PVC resin, aluminum, glass and wood. If prices of these raw materials were to increase dramatically, we may not be able to pass such increases on to our customers and, as a result, gross margins could decline significantly. We manage the exposure to commodity pricing risk by increasing our selling prices for corresponding material cost increases, continuing to diversify our product mix, strategic buying programs and vendor partnering.

Interest Rates

We are subject to market risk exposure related to changes in interest rates on our Pre-merger Term Loan Credit Facility and Pre-merger ABL Credit Facility. These instruments bear interest at an agreed upon percentage point spread from either the prime interest rate or LIBOR. Under our Pre-merger Term Loan Credit Facility, we may, at our option, fix the interest rate for certain borrowings based on a spread over LIBOR for 30 days to six months. At October 28, 2018, we had $412.9 million outstanding under our Pre-merger Term Loan Credit Facility. Based on this balance, an immediate change of one percent in the interest rate would cause a change in interest expense of approximately $4.1 million on an annual basis. The fair value of our term loan credit facility at October 28, 2018 and October 29, 2017 was approximately $412.4 million and $144.1 million, respectively, compared to the face value of $412.9 million and $144.1 million, respectively.

See Note 11 — Long-Term Debt and Note Payable in the notes 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 October 28, 2018. Weighted average variable rates are based on an adjusted LIBOR rates at October 28, 2018, plus applicable margins.

	Scheduled Maturity Date[(1)]							Fair Value
	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021	Fiscal Year 2022	Fiscal Year 2023	Thereafter	Total	October 28, 2018
	(In thousands, except interest rate percentages)							
Total Debt:								
Variable Rate	$ 4,150	$ 4,150	$ 4,150	$ 4,150	$ 4,150	$ 392,175	$ 412,925	$ 412,409 [(2)]
Average interest rate	4.24%	4.24%	4.24%	4.24%	4.24%	4.24%	4.24%	

(1) Expected maturity date amounts are based on the face value of debt and do not reflect fair market value of the debt. Amounts reflect maturity dates under the Pre-merger Term Loans which were repaid in full on November 16, 2018. See "Item 7.

Management's Discussion and Analysis of Financial Condition and Results of Operations" for a description of our new debt facilities.

(2) 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 losses were $0.3 million and $0.8 million for the fiscal years ended October 29, 2017 and October 30, 2016, respectively. For the fiscal year ended October 28, 2018, the net foreign currency re-measurement gain (loss) was insignificant.

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 (losses) gains included in net income for the fiscal years ended October 28, 2018, October 29, 2017 and October 30, 2016 were $(0.2) million, $0.8 million and $(0.6) million, respectively. Net foreign currency translation adjustment, net of tax, and included in other comprehensive income was $(0.1) million, $0.2 million and $(0.3) million for the fiscal years ended October 28, 2018, October 29, 2017 and October 30, 2016, respectively.

On January 29, 2018, we closed on the sale of CENTRIA International LLC, which owned our China manufacturing facility and are therefore no longer exposed to fluctuations in the foreign currency exchange rate between the U.S. dollar and Chinese yuan. The functional currency for our China operations was the Chinese yuan. The net foreign currency translation adjustment was insignificant for the fiscal years ended October 28, 2018 and October 29, 2017.

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

INDEX TO FINANCIAL STATEMENTS

Management’s Report on Internal Control Over Financial Reporting	60
Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting	61
Report of Independent Registered Public Accounting Firm	62
Financial Statements:	
Consolidated Statements of Operations for the Fiscal Years Ended October 28, 2018, October 29, 2017 and October 30, 2016	63
Consolidated Statements of Comprehensive Income for the Fiscal Years Ended October 28, 2018, October 29, 2017 and October 30, 2016	64
Consolidated Balance Sheets as of October 28, 2018 and October 29, 2017	65
Consolidated Statements of Cash Flows for the Fiscal Years Ended October 28, 2018, October 29, 2017 and October 30, 2016	66
Consolidated Statements of Stockholders’ Equity for the Fiscal Years Ended October 28, 2018, October 29, 2017 and October 30, 2016	67
Notes to the consolidated financial statements	68

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 October 28, 2018. 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 (2013 framework). 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 October 28, 2018, 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 October 28, 2018, as stated in their report included elsewhere herein.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of NCI Building Systems, Inc.

Opinion on Internal Control over Financial Reporting

We have audited NCI Building Systems, Inc. internal control over financial reporting as of October 28, 2018, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, NCI Building Systems, Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of October 28, 2018, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of NCI Building Systems, Inc., as of October 28, 2018 and October 29, 2017, the related consolidated statements of operations, comprehensive income (loss), stockholders' equity and cash flows for each of the three years in the period ended October 28, 2018, and the related notes and our report dated December 19, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

The Company'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. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. 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.

Definition and Limitations of Internal Control Over Financial Reporting

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.

/s/ Ernst & Young LLP

Houston, Texas
December 19, 2018

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of NCI Building Systems, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of NCI Building Systems, Inc. (the "Company") as of October 28, 2018 and October 29, 2017, and the related consolidated statements of operations, comprehensive income (loss), stockholders' equity and cash flows for each of the three years in the period ended October 28, 2018, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at October 28, 2018 and October 29, 2017, and the results of its operations and its cash flows for each of the three years in the period ended October 28, 2018, 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) (PCAOB), the Company's internal control over financial reporting as of October 28, 2018, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated December 19, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 1991.

Houston, Texas
December 19, 2018

CONSOLIDATED STATEMENTS OF OPERATIONS

NCI BUILDING SYSTEMS, INC.

	Fiscal Year Ended		
	October 28, 2018	**October 29, 2017**	**October 30, 2016**
	(In thousands, except per share data)		
Sales	**$ 2,000,577**	$ 1,770,278	$ 1,684,928
Cost of sales	**1,537,895**	1,354,214	1,257,038
Gross profit	**462,682**	416,064	427,890
Engineering, selling, general and administrative expenses	**307,106**	293,145	302,551
Intangible asset amortization	**9,648**	9,620	9,638
Goodwill impairment	**—**	6,000	—
Restructuring and impairment charges, net	**1,912**	5,297	4,252
Strategic development and acquisition related costs	**17,164**	1,971	2,670
Loss on disposition of business	**5,673**	—	—
Gain on insurance recovery	**(4,741)**	(9,749)	—
Income from operations	**125,920**	109,780	108,779
Interest income	**140**	238	146
Interest expense	**(21,808)**	(28,899)	(31,019)
Foreign exchange (loss) gain	**(244)**	547	(1,401)
Gain from bargain purchase	**—**	—	1,864
Loss on extinguishment of debt	**(21,875)**	—	—
Other income, net	**962**	1,472	595
Income before income taxes	**83,095**	83,138	78,964
Provision for income taxes	**19,989**	28,414	27,937
Net income	**$ 63,106**	$ 54,724	$ 51,027
Net income allocated to participating securities	**(412)**	(325)	(389)
Net income applicable to common shares	**$ 62,694**	$ 54,399	$ 50,638
Income per common share:			
Basic	**$ 0.95**	$ 0.77	$ 0.70
Diluted	**$ 0.94**	$ 0.77	$ 0.70
Weighted average number of common shares outstanding:			
Basic	**66,260**	70,629	72,411
Diluted	**66,362**	70,778	72,857

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

NCI BUILDING SYSTEMS, INC.

	Fiscal Year Ended		
	October 28, 2018	**October 29, 2017**	**October 30, 2016**
		(In thousands)	
Comprehensive income:			
Net income	**$ 63,106**	$ 54,724	$ 51,027
Other comprehensive income (loss), net of tax:			
Foreign exchange translation (losses) gains and other (net of income tax of $0 in 2018, 2017 and 2016)	**(93)**	198	(325)
Unrecognized actuarial gains (losses) on pension obligation (net of income tax of ($322), ($1,805), and $1,245 in 2018, 2017 and 2016, respectively)	**916**	2,824	(1,948)
Other comprehensive income (loss)	**823**	3,022	(2,273)
Comprehensive income	**$ 63,929**	$ 57,746	$ 48,754

See accompanying notes to the consolidated financial statements.

CONSOLIDATED BALANCE SHEETS
NCI BUILDING SYSTEMS, INC.

	October 28, 2018	October 29, 2017
	(In thousands, except share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 54,272**	$ 65,658
Restricted cash	**245**	136
Accounts receivable, net	**233,297**	199,897
Inventories, net	**254,531**	198,296
Income taxes receivable	**1,012**	3,617
Investments in debt and equity securities, at market	**5,285**	6,481
Prepaid expenses and other	**34,821**	31,359
Assets held for sale	**7,272**	5,582
Total current assets	**590,735**	511,026
Property, plant and equipment, net	**236,240**	226,995
Goodwill	**148,291**	148,291
Intangible assets, net	**127,529**	137,148
Deferred income taxes	**982**	2,544
Other assets, net	**6,598**	5,108
Total assets	**$ 1,110,375**	$ 1,031,112
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	**$ 4,150**	$ —
Note payable	**497**	440
Accounts payable	**170,663**	147,772
Accrued compensation and benefits	**65,136**	59,189
Accrued interest	**1,684**	6,414
Accrued income taxes	**11,685**	—
Other accrued expenses	**81,884**	76,897
Total current liabilities	**335,699**	290,712
Long-term debt, net of deferred financing costs of $5,699 and $6,857 on October 28, 2018 and October 29, 2017, respectively	**403,076**	387,290
Deferred income taxes	**2,250**	4,297
Other long-term liabilities	**39,085**	43,566
Total long-term liabilities	**444,411**	435,153
Stockholders' equity:		
Common stock, $.01 par value, 100,000,000 shares authorized; 66,264,654 and 68,677,684 shares issued in 2018 and 2017, respectively; and 66,203,841 and 68,386,556 shares outstanding in 2018 and 2017, respectively	**663**	687
Additional paid-in capital	**523,788**	562,277
Accumulated deficit	**(186,291)**	(248,046)
Accumulated other comprehensive loss, net	**(6,708)**	(7,531)
Treasury stock, at cost (60,813 and 291,128 shares in 2018 and 2017, respectively)	**(1,187)**	(2,140)
Total stockholders' equity	**330,265**	305,247
Total liabilities and stockholders' equity	**$ 1,110,375**	$ 1,031,112

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

NCI BUILDING SYSTEMS, INC.

	Fiscal Year Ended		
	October 28, 2018	**October 29, 2017**	**October 30, 2016**
		(In thousands)	
Cash flows from operating activities:			
Net income	**$ 63,106**	$ 54,724	$ 51,027
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation and amortization	**42,325**	41,318	41,924
Amortization of deferred financing costs	**1,501**	1,819	1,908
Loss on extinguishment of debt	**21,875**	—	—
Share-based compensation expense	**11,638**	10,230	10,892
Loss on disposition of business, net	**5,092**	—	—
(Gains) losses on assets, net	**(502)**	1,371	(2,673)
Goodwill impairment	—	6,000	—
Gain on insurance recovery	**(4,741)**	(9,749)	—
Provision for doubtful accounts	**(491)**	1,948	1,343
(Benefit) provision for deferred income taxes	**(889)**	866	1,318
Changes in operating assets and liabilities, net of effect of acquisitions and dispositions:			
Accounts receivable	**(35,397)**	(19,582)	(18,141)
Inventories	**(58,534)**	(11,473)	(29,054)
Income taxes	**2,605**	(2,637)	(1,953)
Prepaid expenses and other	**(5,479)**	(2,271)	671
Accounts payable	**24,465**	4,858	(1,598)
Accrued expenses	**16,284**	(12,320)	12,656
Other, net	**(395)**	(1,228)	159
Net cash provided by operating activities	**82,463**	63,874	68,479
Cash flows from investing activities:			
Acquisitions, net of cash acquired	—	—	(4,343)
Capital expenditures	**(47,827)**	(22,074)	(21,024)
Proceeds from sale of property, plant and equipment	**6,338**	3,197	5,417
Business disposition, net	**(1,426)**	—	—
Proceeds from insurance	**4,741**	8,593	10,000
Net cash used in investing activities	**(38,174)**	(10,284)	(9,950)
Cash flows from financing activities:			
(Deposit) refund of restricted cash	**(109)**	173	370
Proceeds from stock options exercised	**1,279**	1,651	12,612
Proceeds from ABL facility	**100,000**	35,000	—
Payments on ABL facility	**(100,000)**	(35,000)	—
Proceeds from term loan	**415,000**	—	—
Payments on term loan	**(146,221)**	(10,180)	(40,000)
Payments on senior notes	**(265,470)**	—	—
Payments on note payable	**(1,742)**	(1,570)	(1,430)
Payments of financing costs	**(6,546)**	—	—
Payments related to tax withholding for share-based compensation	**(5,068)**	(2,389)	(1,141)
Purchases of treasury stock	**(46,705)**	(41,214)	(62,874)
Net cash used in financing activities	**(55,582)**	(53,529)	(92,463)
Effect of exchange rate changes on cash and cash equivalents	**(93)**	194	(325)
Net (decrease) increase in cash and cash equivalents	**(11,386)**	255	(34,259)
Cash and cash equivalents at beginning of period	**65,658**	65,403	99,662
Cash and cash equivalents at end of period	**$ 54,272**	$ 65,658	$ 65,403
Supplemental disclosure of cash flow information:			
Interest paid, net of amounts capitalized	**$ 24,841**	$ 27,659	$ 28,063
Taxes paid, net of amounts refunded	**$ 5,972**	$ 28,980	$ 36,073

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
NCI BUILDING SYSTEMS, INC.

	Common Stock		Additional Paid-In Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive (Loss) Income	Treasury Stock		Stockholders' Equity
	Shares	Amount				Shares	Amount	
				(In thousands, except share data)				
Balance, November 1, 2015	74,529,750	$ 745	$ 640,767	$(353,733)	$ (8,280)	(447,426)	$ (7,523)	$ 271,976
Treasury stock purchases	—	—	—	—	—	(4,589,576)	(64,015)	(64,015)
Retirement of treasury shares	(4,423,564)	(44)	(62,235)	—	—	4,423,564	62,279	—
Issuance of restricted stock	56,868	—	—	—	—	(161,633)	—	—
Stock options exercised	1,418,219	14	12,598	—	—	—	—	12,612
Excess tax shortfall from share-based compensation arrangements	—	—	(289)	—	—	—	—	(289)
Foreign exchange translation losses and other, net of taxes	—	—	—	—	(325)	—	—	(325)
Deferred compensation obligation	—	—	1,387	—	—	—	—	1,387
Unrecognized actuarial losses on pension obligations	—	—	—	—	(1,948)	—	—	(1,948)
Share-based compensation	—	—	10,892	—	—	—	—	10,892
Net income	—	—	—	51,027	—	—	—	51,027
Balance, October 30, 2016	71,581,273	$ 715	$ 603,120	$(302,706)	$ (10,553)	(775,071)	$ (9,259)	$ 281,317
Treasury stock purchases	—	—	—	—	—	(2,957,838)	(43,603)	(43,603)
Retirement of treasury shares	(3,443,448)	(34)	(50,553)	—	—	3,443,448	50,587	—
Issuance of restricted stock	356,701	4	(4)	—	—	(19,806)	—	—
Stock options exercised	182,923	2	1,651	—	—	—	—	1,653
Excess tax benefits from share-based compensation arrangements	—	—	1,515	—	—	—	—	1,515
Foreign exchange translation gains and other, net of taxes	—	—	(3,547)	(64)	198	—	—	(3,413)
Deferred compensation obligation	235	—	(135)	—	—	18,139	135	—
Unrecognized actuarial gains on pension obligations	—	—	—	—	2,824	—	—	2,824
Share-based compensation	—	—	10,230	—	—	—	—	10,230
Net income	—	—	—	54,724	—	—	—	54,724
Balance, October 29, 2017	68,677,684	$ 687	$ 562,277	$(248,046)	$ (7,531)	(291,128)	$ (2,140)	$ 305,247
Treasury stock purchases	—	—	—	—	—	(2,938,974)	(51,773)	(51,773)
Retirement of treasury shares	(2,938,974)	(29)	(51,743)	—	—	2,938,974	51,772	—
Issuance of restricted stock	410,520	4	(4)	—	—	181,439	—	—
Stock options exercised	115,424	1	1,278	—	—	—	—	1,279
Foreign exchange translation losses and other, net of taxes	—	—	(55)	—	(93)	—	—	(148)
Deferred compensation obligation	—	—	(954)	—	—	48,876	954	—
Unrecognized actuarial gains on pension obligations	—	—	—	—	916	—	—	916
Share-based compensation	—	—	11,638	—	—	—	—	11,638
Cumulative effect of accounting change	—	—	1,351	(1,351)	—	—	—	—
Net income	—	—	—	63,106	—	—	—	63,106
Balance, October 28, 2018	**66,264,654**	**$ 663**	**$ 523,788**	**$(186,291)**	**$ (6,708)**	**(60,813)**	**$ (1,187)**	**$ 330,265**

See accompanying notes to the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NCI BUILDING SYSTEMS, INC.

1. NATURE OF BUSINESS AND BASIS OF PRESENTATION

Nature of Business

NCI Building Systems, Inc. (together with its subsidiaries, unless otherwise indicated, 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. We provide metal coil coating services and design, engineer, manufacture and market metal components and engineered building systems primarily used in nonresidential construction. We manufacture and distribute extensive lines of metal products for the nonresidential construction market under multiple brand names through a broad network of manufacturing facilities and distribution centers. We sell our products primarily for use in new construction activities and also in repair and retrofit activities, mostly in North America.

We have four operating segments: Engineered Building Systems, Metal Components, Insulated Metal Panels and Metal Coil Coating. Operating segments are defined as components of an enterprise that engage in business activities and for 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 market the products in each of our operating segments nationwide primarily through a direct sales force and, in the case of our Engineered Building Systems segment, through authorized builder networks.

Basis of Presentation

Our consolidated financial statements include the accounts of the Company and all majority-owned subsidiaries. All intercompany accounts, transactions and profits arising from consolidated entities have been eliminated in consolidation.

Fiscal Year

We use a 52/53 week fiscal year ending on the Sunday closest to October 31. The year end for fiscal 2018 is October 28, 2018. Fiscal years 2018, 2017, and 2016 were 52-week fiscal years.

On November 16, 2018, the board of directors of the Company approved a change to the Company's fiscal year from a 52/53 week year with the Company's fiscal year end on the Sunday closest to October 31 to a fiscal year of the 12 month period of January 1 to December 31 of each calendar year, to commence with the fiscal year ending December 31, 2019. The Company will file a transition report on Form 10-Q on or before February 11, 2019 that will cover the transition period from October 29, 2018 to December 31, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Examples include provisions for bad debts and inventory reserves, accounting for business combinations, valuation of reporting units for purposes of assessing goodwill and other indefinite-lived intangible assets for impairment, valuation of asset groups for impairment testing, accruals for employee benefits, general liability insurance, warranties and certain contingencies. We base our estimates on historical experience, market participant fair value considerations, projected future cash flows, and various other factors that are believed to be reasonable under the circumstances. Actual results could differ from those estimates.

(b) Cash and Cash Equivalents. Cash equivalents are stated at cost plus accrued interest, which approximates fair value. Cash equivalents are highly liquid debt instruments with an original maturity of three months or less and may consist of time deposits with a number of commercial banks with high credit ratings, money market instruments, certificates of deposit and commercial paper. Our policy allows us to also invest excess funds in no-load, open-end, management investment trusts ("mutual funds"). The mutual funds invest exclusively in high quality money market instruments. As of October 28, 2018, our cash and cash equivalents were only invested in cash.

(c) Accounts Receivable and Related Allowance. We report accounts receivable net of the allowance for doubtful accounts. Trade accounts receivable are the result of sales of building systems, metal components, insulated metal panels and metal coating services to customers throughout the United States and Canada and affiliated territories, including international builders who resell to end users. Sales are primarily denominated in U.S. dollars. Credit sales do not normally require a pledge of collateral;

however, various types of liens may be filed to enhance the collection process and we require payment prior to shipment for certain international shipments.

We establish reserves for doubtful accounts on a customer by customer basis when we believe the required payment of specific amounts owed is unlikely to occur. In establishing these reserves, we consider changes in the financial position of a customer, availability of security, lien rights and bond rights as well as disputes, if any, with our customers. Our allowance for doubtful accounts reflects reserves for customer receivables to reduce receivables to amounts expected to be collected. We determine past due status as of the contractual payment date. Interest on delinquent accounts receivable is included in the trade accounts receivable balance and recognized as interest income when earned and collectability is reasonably assured. Uncollectible accounts are written off when a settlement is reached for an amount that is less than the outstanding historical balance or we have exhausted all collection efforts. The following table represents the rollforward of our uncollectible accounts for the fiscal years ended October 28, 2018, October 29, 2017 and October 30, 2016 (in thousands):

	October 28, 2018	October 29, 2017	October 30, 2016
Beginning balance	**$ 8,325**	$ 7,413	$ 7,695
Provision for bad debts	**(491)**	1,948	1,343
Amounts charged against allowance for bad debts, net of recoveries	**(1,585)**	(1,036)	(1,625)
Ending balance	**$ 6,249**	$ 8,325	$ 7,413

(d) Inventories. Beginning with our prospective adoption of ASU 2015-11 in the first quarter of fiscal 2018, inventories are stated at the lower of cost or net realizable value less allowance for inventory obsolescence using the First-In, First-Out Method ("FIFO") for steel coils and other raw materials. Prior inventory balances are stated at the lower of cost or market value less allowance for inventory obsolescence using FIFO. See Note 3 — Accounting Pronouncements.

The components of inventory are as follows (in thousands):

	October 28, 2018	October 29, 2017
Raw materials	**$ 205,902**	$ 150,919
Work in process and finished goods	**48,629**	47,377
	$ 254,531	$ 198,296

The following table represents the rollforward of reserve for obsolete materials and supplies activity for the fiscal years ended October 28, 2018, October 29, 2017 and October 30, 2016 (in thousands):

	October 28, 2018	October 29, 2017	October 30, 2016
Beginning balance	**$ 5,205**	$ 3,984	$ 3,749
Provisions	**3,069**	1,923	1,463
Dispositions	**(1,655)**	(702)	(1,228)
Ending balance	**$ 6,619**	$ 5,205	$ 3,984

The principal raw material used in the manufacturing of our Engineered Building Systems, Metal Components and Insulated Metal Panels segments is steel which we purchase from multiple steel producers.

(e) Assets Held for Sale. We record assets held for sale at the lower of the carrying value or fair value less costs to sell. The following criteria are used to determine if property is held for sale: (i) management has the authority and commits to a plan to sell the property; (ii) the property is available for immediate sale in its present condition; (iii) there is an active program to locate a buyer and the plan to sell the property has been initiated; (iv) the sale of the property is probable within one year; (v) the property is being actively marketed at a reasonable sale price relative to its current fair value; and (vi) it is unlikely that the plan to sell will be withdrawn or that significant changes to the plan will be made.

In determining the fair value of the assets less cost to sell, we consider factors including current sales prices for comparable assets in the area, recent market analysis studies, appraisals and any recent legitimate offers. If the estimated fair value less cost to sell of an asset is less than its current carrying value, the asset is written down to its estimated fair value less cost to sell.

During fiscal 2018 and 2017, we reclassified $5.0 million and $4.7 million, respectively, from property, plant and equipment to assets held for sale for idled facilities in our Metal Components, Insulated Metal Panels and Engineering Building Systems segments that met the held for sale criteria. The total carrying value of assets held for sale (primarily representing idled facilities in our Insulated Metal Panels and Engineered Building Systems segments) is $7.3 million and $5.6 million at October 28, 2018 and October 29, 2017, respectively. All of these assets continue to be actively marketed for sale or are under contract at October 28, 2018.

During fiscal 2018 and 2017, we sold certain idled facilities in our Metal Components and Engineered Building Systems segments, along with related equipment, which previously had been classified as held for sale. In connection with the sales of these assets, during fiscal 2018 and 2017, we received net cash proceeds of $4.1 million and $3.2 million, respectively, and recognized a net gain (loss) of $0.5 million and $(0.2) million, respectively. Certain assets held for sale are valued at fair value and are measured at fair value on a nonrecurring basis. Assets held for sale are reported at fair value, if, on an individual basis, the fair value of the asset is less than cost. The fair value of assets held for sale is estimated using Level 3 inputs, such as broker quotes for like-kind assets or other market indications of a potential selling value that approximates fair value. Assets held for sale, reported at fair value less cost to sell totaled $5.0 million as of October 28, 2018.

Due to uncertainties in the estimation process, it is reasonably possible that actual results could differ from the estimates used in our historical analysis. Our assumptions about property sales prices require significant judgment because the current market is highly sensitive to changes in economic conditions. We determined the estimated fair values of assets held for sale based on current market conditions and assumptions made by management, which may differ from actual results and may result in impairments if market conditions deteriorate.

(f) Property, Plant and Equipment and Leases. Property, plant and equipment are stated at cost and depreciated using the straight-line method over their estimated useful lives. Leasehold improvements are capitalized and amortized using the straight-line method over the shorter of their estimated useful lives or the term of the underlying lease. Computer software developed or purchased for internal use is depreciated using the straight-line method over its estimated useful life. Depreciation and amortization are recognized in cost of sales and engineering, selling, general and administrative expenses based on the nature and use of the underlying asset(s). Operating leases are expensed using the straight-line method over the term of the underlying lease.

Depreciation expense for fiscal 2018, 2017 and 2016 was $32.7 million, $31.7 million and $32.3 million, respectively. Of this depreciation expense, $5.8 million, $5.8 million and $6.4 million was related to computer software and equipment depreciation for fiscal 2018, 2017 and 2016.

Property, plant and equipment consists of the following (in thousands):

	October 28, 2018	October 29, 2017
Land	**$ 17,398**	$ 18,473
Buildings and improvements	**172,920**	178,019
Machinery, equipment and furniture	**356,509**	336,163
Transportation equipment	**4,287**	4,599
Computer software and equipment	**116,449**	117,515
Construction in progress	**28,608**	15,092
	696,171	669,861
Less: accumulated depreciation	**(459,931)**	(442,866)
	$ 236,240	$ 226,995

Estimated useful lives for depreciation are:

Buildings and improvements	15 – 39 years
Machinery, equipment and furniture	3 – 15 years
Transportation equipment	4 – 10 years
Computer software and equipment	3 – 7 years

We capitalize interest on capital invested in projects in accordance with Accounting Standards Codification ("ASC") Topic 835, *Interest*. For fiscal 2018, 2017 and 2016, the total amount of interest capitalized was $0.4 million, $0.2 million and $0.2 million, respectively. Upon commencement of operations, capitalized interest, as a component of the total cost of the asset, is amortized over the estimated useful life of the asset.

Involuntary conversions result from the loss of an asset because of an unforeseen event (e.g., destruction due to fire). Some of these events are insurable and result in property damage insurance recovery. Amounts the Company receives from insurance carriers are net of any deductibles related to the covered event. The Company records a receivable from insurance to the extent it recognizes a loss from an involuntary conversion event and the likelihood of recovering such loss is deemed probable at the balance sheet date. To the extent that any of the Company's insurance claim receivables are later determined not probable of recovery (e.g., due to new information), such amounts are expensed. The Company recognizes gains on involuntary conversions when the amount received from insurers exceeds the net book value of the impaired asset(s). In addition, the Company does not recognize a gain related to insurance recoveries until the contingency related to such proceeds has been resolved, through either receipt of a non-refundable cash payment from the insurers or by execution of a binding settlement agreement with the insurers that clearly states that a non-refundable payment will be made. To the extent that an asset is rebuilt or new assets are acquired, the associated expenditures are capitalized, as appropriate, in the consolidated balance sheets and presented as capital expenditures in the Company's consolidated statements of cash flows. With respect to business interruption insurance claims, the Company recognizes income only when non-refundable cash proceeds are received from insurers, which are presented in the Company's consolidated statements of operations as a component of gross profit or operating income and in the consolidated statements of cash flows as an operating activity.

In June 2016, the Company experienced a fire at a facility in the Insulated Metal Panels segment. We estimated that fixed assets with a net book value of approximately $6.7 million were impaired as a result of the fire. During the second quarter of fiscal 2017, the Company settled the property damage claims with the insurers for actual cash value of $18.0 million. Of this amount, the Company received proceeds of $10.0 million from our insurers during the fourth quarter of fiscal 2016. The remaining $8.0 million was received in May 2017.

Approximately $8.8 million was previously recognized to offset the loss on involuntary conversion and other amounts incurred related to the incident. The remaining $9.2 million was recognized as a gain on insurance recovery in the consolidated statement of operations during the quarter ended April 30, 2017 as all contingencies were resolved.

The Company's property insurance policy is a replacement cost policy. During the third quarter of fiscal 2018, the Company received final proceeds of $4.7 million as reimbursement for new assets acquired and recognized a $4.7 million gain on insurance recovery in the consolidated statements of operations.

(g) Internally Developed Software. Internally developed software is stated at cost less accumulated amortization and is amortized using the straight-line method over its estimated useful life ranging from 3 to 7 years. Software assets are reviewed for impairment when events or circumstances indicate the carrying value may not be recoverable over the remaining lives of the assets. During the software application development stage, capitalized costs include external consulting costs, cost of software licenses and internal payroll and payroll related costs for employees who are directly associated with a software project. Upgrades and enhancements are capitalized if they result in added functionality which enable the software to perform tasks it was previously incapable of performing. Software maintenance, training, data conversion and business process reengineering costs are expensed in the period in which they are incurred.

(h) Goodwill and Other Intangible Assets. We review the carrying values of goodwill and identifiable intangibles whenever events or changes in circumstances indicate that such carrying values may not be recoverable and annually for goodwill and indefinite lived intangible assets as required by ASC Topic 350, *Intangibles — Goodwill and Other*. This guidance provides the option to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. If, based on a review of qualitative factors, it is more likely than not that the fair value of a reporting unit is less than its carrying value, we perform a quantitative analysis. Prior to July 30, 2017, the test for impairment was a two-step process that involved comparing the estimated fair value of each reporting unit to the reporting unit's carrying value, including goodwill. If the fair value of a reporting unit exceeded its carrying amount, the goodwill of the reporting unit was not considered impaired; therefore the second step of the impairment test would not be deemed necessary. If the carrying amount of the reporting unit exceeded its fair value, we would then perform the second step to the goodwill impairment test, which involved the determination of the fair value of a reporting unit's assets and liabilities as if those assets and liabilities had been acquired/assumed in a business combination at the impairment testing date, to measure the amount of goodwill impairment loss to be recorded. However, with the adoption of Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2017-04, we prospectively adopted a new accounting principle that eliminated the second step of the goodwill impairment test. Therefore, beginning with the annual goodwill impairment tests occurring on the first day of the fourth quarter of fiscal 2017, if the carrying value of a reporting unit exceeds its fair value, we measure any goodwill impairment losses as the amount by which the carrying amount of a reporting unit exceeds its fair value, not to exceed the total amount of goodwill allocated to that reporting unit.

Unforeseen events, changes in circumstances, 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 acquired assets or the strategy for our overall business and significant negative industry or economic trends. We recorded a non-cash loss on goodwill impairment of $6.0 million in fiscal 2017, which is included in goodwill impairment in the consolidated statements of operations. See Note 6 — Goodwill and Other Intangible Assets.

(i) Revenue Recognition. We recognize revenues when 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. A portion of our revenue, exclusively within our Engineered Building Systems segment, includes multiple-element revenue arrangements due to multiple deliverables. Each deliverable is generally determined based on customer-specific manufacturing and delivery requirements.

Because the separate deliverables have value to the customer on a stand-alone basis, they are typically considered separate units of accounting. A portion of the entire job order value is allocated to each unit of accounting. Revenue allocated to each deliverable is recognized upon shipment. We use estimated selling price ("ESP") based on underlying cost plus a reasonable margin to determine how to separate multiple-element revenue arrangements into separate units of accounting, and how to allocate the arrangement consideration among those separate units of accounting. We determine ESP based on our normal pricing and discounting practices.

Our sales arrangements do not include a general right of return of the delivered product(s). In certain cases, the cancellation terms of a job order provide us with the opportunity to bill for certain incurred costs. In those instances, revenue is not recognized until all revenue recognition criteria are met, including reasonable assurance of collectability.

In our Metal Coil Coating segment, our revenue activities broadly consist of cleaning, treating, painting and packaging various flat rolled metals as well as slitting and/or embossing the metal. We enter into two types of sales arrangements with our customers: toll processing sales and package sales. The primary distinction between these two arrangements relates to ownership of the underlying metal coil during treatment. In toll processing arrangements, we do not maintain ownership of the underlying metal coil during treatment and only recognize revenue for the toll processing activities, typically, cleaning, painting, slitting, embossing and packaging. In package sales arrangements, we have ownership of the metal coil during treatment and recognize revenue on both the toll processing activities and the sale of the underlying metal coil. Under either arrangement, revenue and the related direct and indirect costs are recognized when all of the recognition criteria are met, which is generally when the products are shipped to the customer.

(j) Equity Raising and Deferred Financing Costs. Equity raising costs are recorded as a reduction to additional paid in capital upon the execution of an equity transaction. Deferred financing costs are capitalized as incurred and amortized using the straight-line method, which approximates the effective interest method, over the expected life of the associated debt. See Note 11 — Long-Term Debt and Note Payable.

(k) Cost of Sales. Cost of sales includes the cost of inventory sold during the period, including costs for manufacturing, inbound freight, receiving, inspection, warehousing, and internal transfers less vendor rebates. Costs associated with shipping and handling our products are included in cost of sales. Purchasing costs and engineering and drafting costs are included in engineering, selling, general and administrative expense. Purchasing costs were $3.9 million, $3.9 million and $5.3 million and engineering and drafting costs were $41.1 million, $43.1 million and $44.2 million in each of fiscal 2018, 2017 and 2016, respectively. Approximately $2.3 million and $2.6 million of these engineering, selling, general and administrative costs were capitalized and remained in inventory at the end of fiscal 2018 and 2017, respectively.

(l) Warranty. We sell weathertightness warranties to our customers for protection from leaks in our roofing systems related to weather. These warranties range from two years to twenty years. We sell two types of warranties, standard and Single Source™, and three grades of coverage for each. The type and grade of coverage determines the price to the customer. For standard warranties, our responsibility for leaks in a roofing system begins after 24 consecutive leak-free months. For Single Source™ warranties, the roofing system must pass our inspection before warranty coverage will be issued. Inspections are typically performed at three stages of the roofing project: (i) at the project start-up; (ii) at the project mid-point; and (iii) at the project completion. These inspections are included in the cost of the warranty. If the project requires or the customer requests additional inspections, those inspections are billed to the customer. Upon the sale of a warranty, we record the resulting revenue as deferred revenue, which is included in other accrued expenses and other long-term liabilities in our consolidated balance sheets depending on when the revenues are expected to be recognized. Deferred revenue of $25.3 million, classified within other accrued expenses at October 29, 2017 has been reclassified to other long-term liabilities to correct the prior year balance sheet classification. See Note 10 — Warranty.

(m) Insurance. Group medical insurance is purchased through Blue Cross Blue Shield (“BCBS”). The plans include a Preferred Provider Organization Plan (“PPO”) and a Consumer Driven Health Plan (“CDHP”). These plans are managed-care plans utilizing networks to achieve discounts through negotiated rates with the providers within these networks. The claims incurred under these plans are self-funded for the first $355,000 of each claim. We purchase individual stop loss reinsurance to limit our claims liability to $355,000 per claim. BCBS administers all claims, including claims processing, utilization review and network access charges.

Insurance is purchased for workers compensation and employer liability, general liability, property and auto liability/auto physical damage. We utilize either deductibles or self-insurance retentions (“SIR”) to limit our exposure to catastrophic loss. The workers compensation insurance has a $250,000 per-occurrence deductible. The property and auto liability insurances have per-occurrence deductibles of $500,000 and $250,000, respectively. The general liability insurance has a $1,000,000 SIR. Umbrella insurance coverage is purchased to protect us against claims that exceed our per-occurrence or aggregate limits set forth in our respective policies. All claims are adjusted utilizing a third-party claims administrator and insurance carrier claims adjusters.

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 on 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 lag factor and (iii) an estimated growth factor to provide for those claims that have been incurred but not yet reported and paid. We use an actuary to determine the claims lag and estimated liability for IBNR claims.

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 independent third-party actuarial 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, to include statutory impairment ratings. For general liability and automobile claims, accruals are developed based on independent third-party actuarial 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. Each reporting period, we record the costs of our workers' compensation, general liability and automobile claims, including paid claims, an estimate of the change in IBNR claims, taxes and administrative fees as general and administrative expenses on our consolidated statements of operations.

(n) Advertising Costs. Advertising costs are expensed as incurred. Advertising expense was $9.3 million, $7.1 million and $7.1 million in fiscal 2018, 2017 and 2016, respectively.

(o) Impairment of Long-Lived Assets. We assess impairment of property, plant and equipment at an asset group level in accordance with the provisions of ASC Topic 360, *Property, Plant and Equipment.* We assess the recoverability of the carrying amount of property, plant and equipment if certain events or changes in circumstances indicate that the carrying value of such asset groups may not be recoverable, such as a significant decrease in market value of the asset groups or a significant change in our business conditions. If we determine that the carrying value of an asset group 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 group over its fair value. The fair value of an asset group is determined based on prices of similar assets adjusted for their remaining useful life.

(p) Share-Based Compensation. Compensation expense is recorded for restricted stock awards under the fair value method. Compensation expense for performance stock units ("PSUs") granted to our senior executives and Performance Share Awards granted to our key employees is recorded based on the probable outcome of the performance conditions associated with the respective shares, as determined by management. We recorded pre-tax compensation expense relating to restricted stock awards, Performance Share Awards, stock options and performance share unit awards of $11.6 million, $10.2 million and $10.9 million for fiscal 2018, 2017 and 2016, respectively. Included in the share-based compensation expense during fiscal 2018 were accelerated awards of $3.6 million due to the retirement of the Company's former CEO. See Note 7 — Share-Based Compensation.

(q) Foreign Currency Re-measurement and Translation. 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 other income in the current period. Net foreign currency re-measurement losses were $0.3 million and $0.8 million for the fiscal years ended October 29, 2017 and October 30, 2016, respectively. For the fiscal year ended October 28, 2018, the net foreign currency re-measurement gain (loss) was insignificant.

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 (losses) gains included in other income for the fiscal years ended October 28, 2018, October 29, 2017 and October 30, 2016 were $(0.2) million, $0.8 million and $(0.6) million, respectively. Net foreign currency translation adjustments, net of tax, and included in other comprehensive income were $(0.1) million, $0.2 million and $(0.3) million for the fiscal years ended October 28, 2018, October 29, 2017 and October 30, 2016, respectively.

(r) Contingencies. We establish reserves for estimated loss contingencies and unasserted claims 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. 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.

(s) 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, Mexican federal and other 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.

In assessing the realizability of deferred tax assets, we must consider whether it is more likely than not that some portion, or all, of the deferred tax assets will not be realized. We consider all available evidence, both positive and negative, in determining whether a valuation allowance is required. Such evidence includes the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment, and judgment is required in considering the relative weight of negative and positive evidence.

(t) Reclassifications. Certain reclassifications have been made to the prior period amounts in our consolidated balance sheets, consolidated cash flows and notes to the consolidated financial statements to conform to the current presentation. The net effect of these reclassifications was not material to our consolidated financial statements.

3. ACCOUNTING PRONOUNCEMENTS

Adopted Accounting Pronouncements

In July 2015, the FASB issued ASU 2015-11, *Inventory (Topic 330): Simplifying the Measurement of Inventory.* ASU 2015-11 requires that inventory that is accounted for using first-in, first-out (FIFO) or average cost method be measured at the lower of cost or net realizable value. We adopted this guidance in our first quarter of fiscal 2018 on a prospective basis. The adoption of this guidance did not have a material impact on our financial position or results of operations.

In November 2015, the FASB issued ASU 2015-17, *Balance Sheet Classification of Deferred Taxes*. ASU 2015-17 requires all deferred tax assets and liabilities to be presented on the balance sheet as noncurrent. This guidance did not change the requirement that deferred tax assets and liabilities be offset and presented by tax jurisdiction. We adopted ASU 2015-17 in our first quarter in fiscal 2018 on a retrospective basis. As a result deferred tax assets of $20.1 million that were presented on our October 29, 2017 consolidated balance sheet have been reclassified to non-current deferred tax liabilities and the remaining $2.5 million deferred tax assets have been reclassified to non-current deferred tax assets to be consistent with the current year classification.

In March 2016, the FASB issued ASU 2016-09, *Improvements to Employee Share-Based Payment Accounting*, which simplifies certain aspects of the accounting for share-based payment transactions, including income tax effects, forfeitures, minimum statutory tax withholding requirements, classification as either equity or liability, and classification on the statement of cash flows. We adopted ASU 2016-09 in our first quarter in fiscal 2018. ASU 2016-09 requires all excess tax benefits and tax deficiencies be recognized as income tax expense or benefit in the income statement, thus eliminating additional paid-in capital pools. The Company applied the new standard guidance prospectively to all excess tax benefits and tax deficiencies resulting from settlements after October 29, 2017. The standard also requires a policy election to either estimate the number of awards that are expected to vest or account for forfeitures when they occur. The Company recognized a cumulative effect adjustment of $1.4 million to increase accumulated deficit on a modified retrospective basis as of October 29, 2017 and has elected to account for forfeitures when they occur on a prospective basis. The standard requires that excess tax benefits should be classified along with other income tax cash flows as an operating activity on the statement of cash flows, which differs from the Company's historical classification of the excess tax benefits as cash inflows from financing activities. The Company elected to apply this provision using the retrospective transition method and reclassified $1.5 million and $(0.3) million of excess tax benefits/(shortfalls) from financing activities to operating activities on the statement of cash flows for the fiscal year ended October 29, 2017 and October 30, 2016, respectively. Additionally, the standard requires cash paid by an employer when directly withholding shares for tax withholding purposes to be classified in the statement of cash flows as a financing activity. Payments for shares withheld for tax withholding purposes of $5.1 million, $2.4 million and $1.1 million are classified on the consolidated statements of cash flows for the fiscal years ended October 28, 2018, October 29, 2017 and October 30, 2016, respectively.

In January 2017, the FASB issued ASU 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business*. This ASU adds guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. Under the new guidance, if a single asset or group of similar identifiable assets comprise substantially all of the fair value of the gross assets acquired (or disposed of) in a transaction, the assets and related activities are not a business. Also, a minimum of an input process and a substantive process must be present and significantly contribute

to the ability to create outputs in order to be considered a business. We early adopted ASU 2017-01 in the third quarter of fiscal 2018, as permitted. The adoption of this guidance did not have a material impact on our consolidated financial position or results of operations.

Recent Accounting Pronouncements

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. During 2016, the FASB also issued ASU 2016-08, *Revenue from Contracts with Customers: Principal versus Agent Considerations (Reporting Revenue Gross versus Net);* ASU 2016-10, *Revenue from Contracts with Customers: Identifying Performance Obligations and Licensing*; ASU 2016-11, *Rescission of SEC Guidance Because of Accounting Standards Updates 2014-09 and 2014-16 Pursuant to Staff Announcements at the March 3, 2016 EITF Meeting*; and ASU 2016-12, *Revenue from Contracts with Customers: Narrow-Scope Improvements and Practical Expedients;* and ASU 2016-20, *Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers* (collectively, the "new revenue standard"), all of which were issued to improve and clarify the guidance in ASU 2014-09. These ASUs are effective for our transition period ending December 31, 2018, using either a full or modified retrospective approach. We performed an assessment of the differences between the new revenue standard and current accounting practices. As part of our implementation process, we identified significant revenue streams and evaluated a sample of contracts within each significant revenue stream in order to determine the effect of the standard on our revenue recognition practices. We are substantially complete with this evaluation. We are in the process of establishing new policies, procedures, and internal controls to be put in place upon adoption of the standard. To adopt the new revenue standard, we will apply the modified retrospective approach, pursuant to which we will record an adjustment to the opening balance of accumulated deficit as of October 29, 2018 (the first day of our transition period ending December 31, 2018) for the impact of applying the new revenue standard to all contracts existing as of the date of application. Although this is still under review and not finalized, we expect that the adjustment related to changes in the timing of revenue recognition for: tolling services within the Metal Coil Coating segment, fixed price contracts within the Insulated Metal Panels segment, and our weathertightness warranties offered primarily in the Engineered Building Systems and Metal Components segments will not be material. We do anticipate the adoption will have a material impact on our financial statement disclosures.

In February 2016, the FASB issued ASU 2016-02, *Leases*, which will require lessees to record most leases on the balance sheet and modifies the classification criteria and accounting for sales-type leases and direct financing leases for lessors. ASU 2016-02 is effective for our fiscal year ending December 31,2019, including interim periods within that fiscal year. ASU 2016-02, as amended by ASU 2018-11, *Leases: Targeted Improvements,* requires entities to use a modified retrospective approach, either, for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements, or under an alternative transition option, for leases existing at, or entered into after, the adoption date. While we are evaluating the impact that the adoption of this guidance will have on our consolidated financial statements, we currently believe that most of our operating leases will be reflected on the consolidated balance sheet upon adoption.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.* This ASU requires an entity to measure all expected credit losses for financial assets, including trade receivables, held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Entities will now incorporate forward-looking information based on expected losses to estimate credit losses. ASU 2016-13 is effective for our fiscal year ending December 31, 2020, including interim periods within that fiscal year. We are evaluating the impact that the adoption of this ASU will have on our consolidated financial position, result of operations and cash flows.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*, which provides guidance on eight cash flow classification issues with the objective of reducing differences in practice. We will be required to adopt the amendments in this ASU in our transition period ending December 31, 2018. Adoption is required to be on a retrospective basis, unless impracticable for any of the amendments, in which case a prospective application is permitted. We are evaluating the impact that ASU 2016-15 will have on our consolidated financial statements.

In October 2016, the FASB issued ASU 2016-16, *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other than Inventory*, which eliminates the exception that prohibits the recognition of current and deferred income tax effects for intra-entity transfers of assets other than inventory until the asset has been sold to an outside party. We will be required to adopt the amendments in this ASU in the transition period ending December 31, 2018. The application of the amendments will require

the use of a modified retrospective basis through a cumulative-effect adjustment to retained earnings as of the beginning of the period of adoption. We are evaluating the standard and the impact it will have on our consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)*, which clarifies how entities should present restricted cash and restricted cash equivalents in the statement of cash flows. Entities will no longer present transfers between cash and cash equivalents and restricted cash and restricted cash equivalents in the statement of cash flows. An entity with a material balance of restricted cash and restricted cash equivalents must disclose information about the nature of the restrictions. We will be required to adopt this guidance on a retrospective basis in the transition period ending December 31, 2018. The adoption of ASU 2016-18 will not have a material impact on our consolidated financial statements.

In March 2017, the FASB issued ASU 2017-07, *Compensation—Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, which amends the requirements related to the income statement presentation of the components of net periodic benefit cost for employer sponsored defined benefit pension and other postretirement benefit plans. Under the new guidance, an entity must disaggregate and present the service cost component of net periodic benefit cost in the same income statement line items as other employee compensation costs arising from services rendered during the period, and only the service cost component will be eligible for capitalization. Other components of net periodic benefit cost will be presented separately from the line items that include the service cost. We will be required to adopt this guidance in the transition period ending December 31, 2018. Entities must use a retrospective transition method to adopt the requirement for separate presentation of the income statement service cost and other components, and a prospective transition method to adopt the requirement to limit the capitalization of benefit cost to the service component. We are evaluating the standard and the impact it will have on our consolidated financial statements.

In May 2017, the FASB issued ASU 2017-09, *Compensation—Stock Compensation (Topic 718): Scope of Modification Accounting*, which provides clarity on the accounting for modifications of stock-based awards. We will be required to adopt this guidance on a prospective basis in the transition period ending December 31, 2018 for share-based payment awards modified on or after the adoption date. We do not anticipate the adoption of ASU 2017-09 to have a material impact on our consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement *(Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement,* which modifies disclosure requirements for fair value measurements under ASC 820, *Fair Value Measurement.* We will be required to adopt this guidance retrospectively in the annual and interim periods for our fiscal year ending December 31, 2020, with early adoption permitted. We are evaluating the impact of adopting this guidance.

In August 2018, the FASB issued ASU 2018-14, *Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20): Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans*, which removes disclosures no longer considered cost beneficial, clarifies the specific requirements of disclosures and adds disclosure requirements identified as relevant. We will be required to adopt this guidance for our fiscal year ending December 31, 2020, with early adoption permitted. Certain provisions are applied prospectively while others are applied retrospectively. We are evaluating the impact of adopting this guidance.

In August 2018, the FASB issued ASU 2018-15, *Intangibles—Goodwill and Other—Internal-Use Software—General (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract*, which aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The accounting for the service element of a hosting arrangement that is a service contract is not affected by these amendments. We will be required to adopt this guidance in the annual and interim periods for our fiscal year ending December 31, 2020, with early adoption permitted. The amendments in this ASU may be applied either retrospectively or prospectively. We are evaluating the impact ASU 2018-15 will have on our consolidated financial statements.

4. ACQUISITION

Fiscal 2016 acquisition

On November 3, 2015, we acquired manufacturing operations in Hamilton, Ontario, Canada for cash consideration of $2.2 million, net of post-closing working capital adjustments. This business allows us to service customers more competitively within the Canadian and Northeastern United States insulated metal panel ("IMP") markets. Because the business was acquired from

a seller in connection with a divestment required by a regulatory authority, the fair value of the net assets acquired exceeded the purchase consideration by $1.9 million, which was recorded as a non-taxable gain from bargain purchase in the consolidated statements of operations during the first quarter of fiscal 2016.

The fair values of the assets acquired and liabilities assumed as part of this acquisition as of November 3, 2015, as determined in accordance with ASC Topic 805, were as follows (in thousands):

	November 3, 2015
Current assets	$ 307
Property, plant and equipment	4,810
Assets acquired	5,117
Current liabilities assumed	380
Fair value of net assets acquired	4,737
Total cash consideration transferred	2,201
Deferred tax liabilities	672
Gain from bargain purchase	$ (1,864)

The results of operations for this business are included in our Insulated Metal Panels segment. Pro forma financial information and other disclosures for this acquisition have not been presented as such is not material to the Company's financial position or operating results.

5. RESTRUCTURING

As part of the plans developed in the fourth quarter of fiscal 2015 to improve engineering, selling, general and administrative ("ESG&A") and manufacturing cost efficiency and optimize our combined manufacturing footprint, we incurred restructuring charges of $1.5 million, including $1.3 million, $1.3 million and $0.1 million in the Engineered Building Systems, Insulated Metal Panels and Corporate segments, respectively, partially offset by a net gain of $1.2 million on sales of facilities in our Engineered Metal Buildings and Metal Components segments, for the fiscal year ended October 28, 2018.

For the fiscal year ended October 29, 2017, we incurred restructuring charges, primarily consisting of severance related costs of $4.7 million, including $3.2 million, $1.2 million and $0.3 million in the Engineered Building Systems segment, Metal Components segment and Corporate, respectively.

For the fiscal year ended October 30, 2016, we incurred restructuring charges, primarily consisting of severance related costs of $3.6 million, including $1.0 million, $1.7 million and $0.9 million in the Engineered Building Systems segment, Metal Components segment and Corporate, respectively. These charges include severance related costs associated with the consolidation and closing of two manufacturing facilities in our Metal Components segment during fiscal 2016. We also incurred approximately $0.6 million of other costs associated with the restructuring actions during fiscal 2016.

The following table summarizes our restructuring plan costs and charges related to the restructuring plans during the fiscal year ended October 28, 2018 and since inception, which are recorded in restructuring and impairment charges in the Company's consolidated statements of operations (in thousands):

	Fiscal Year Ended	Costs Incurred To Date (since inception)
	October 28, 2018	
General severance	**$ 2,272**	$ 11,234
Plant closing severance	**31**	3,310
Asset impairments	**1,171**	7,140
Gain on sale of facility	**(2,049)**	(2,049)
Other restructuring costs	**102**	1,415
Total restructuring costs	**$ 1,527**	$ 21,050

The following table summarizes our severance liability and cash payments made pursuant to the restructuring plans from inception through October 28, 2018 (in thousands):

	General Severance	Plant Closing Severance	Total
Balance, November 2, 2014	$ —	$ —	$ —
Costs incurred	3,887	1,575	5,462
Cash payments	(2,941)	(1,575)	(4,516)
Accrued severance[(1)]	739	—	739
Balance, November 1, 2015	$ 1,685	$ —	$ 1,685
Costs incurred[(1)]	2,725	165	2,890
Cash payments	(3,928)	(165)	(4,093)
Balance, October 30, 2016	$ 482	$ —	$ 482
Costs incurred	2,350	1,539	3,889
Cash payments	(2,549)	(1,539)	(4,088)
Balance, October 29, 2017	$ 283	$ —	$ 283
Costs incurred	2,272	31	2,303
Cash payments	(2,134)	(31)	(2,165)
Balance at October 28, 2018	**$ 421**	**$ —**	**$ 421**

(1) During the second and fourth quarters of fiscal 2015, we entered into transition and separation agreements with certain executive officers. Each terminated executive officer was entitled to severance benefit payments issuable in two installments. The termination benefits were measured initially at the separation dates based on the fair value of the liability as of the termination date and were recognized ratably over the future service period. Costs incurred during fiscal 2016 exclude $0.7 million of amortization expense associated with these termination benefits.

We expect to fully execute our plans in phases over the next 3 months and estimate that additional restructuring charges associated with these plans will not be material.

6. GOODWILL AND OTHER INTANGIBLE ASSETS

Our goodwill balance and changes in the carrying amount of goodwill by operating segment are as follows (in thousands):

	Engineered Building Systems	Metal Components	Insulated Metal Panels	Metal Coil Coating	Total
Balance, October 30, 2016	$ 14,310	$ 7,110	121,444	$ 11,407	$ 154,271
Impairment [(1)]	—	—	—	(6,000)	(6,000)
Other, net	—	—	20	—	20
Balance, October 29, 2017	$ 14,310	$ 7,110	121,464	5,407	$ 148,291
Balance, October 28, 2018	**$ 14,310**	**$ 7,110**	**$ 121,464**	**$ 5,407**	**$ 148,291**

(1) Our July 31, 2017 goodwill impairment testing indicated an impairment as the carrying value of CENTRIA's coil coating operations, included in our Metal Coil Coating segment, exceeded its fair value. As a result, we recorded a non-cash charge of $6.0 million in goodwill impairment on our consolidated statements of operations for the year ended October 29, 2017.

In accordance with ASC Topic 350, *Intangibles — Goodwill and Other*, goodwill is tested for impairment at least annually at the reporting unit level, which is defined as an operating segment or a component of an operating segment that constitutes a business for which financial information is available and is regularly reviewed by management. Management has determined that we have six reporting units for the purpose of allocating goodwill and the subsequent testing of goodwill for impairment. Our Engineered Building Systems segment has one reporting unit, our Metal Components segment has two reporting units, our Insulated Metal Panels segment has two reporting units and our Metal Coil Coating segment has one reporting unit.

In the first quarter of fiscal 2018 we assessed goodwill for impairment upon the change in reporting segments, which changed the composition of the Metal Coil Coating reporting unit. At the beginning of the fourth quarter of each fiscal year, we perform

an annual impairment assessment of goodwill and indefinite-lived intangible assets. Additionally, we assess goodwill and indefinite-lived intangible assets for impairment whenever events or changes in circumstances indicate that the fair value may be below the carrying value. We completed our interim impairment test as of January 29, 2018 and our annual impairment assessment of goodwill and indefinite-lived intangible assets as of July 30, 2018. We elected to apply the qualitative assessment for each of the reporting units with goodwill and the indefinite lived intangibles for the interim and annual tests. Under the qualitative assessment, relevant events and circumstances (or factors) that would affect the estimated fair value of a reporting unit are identified. These factors are then classified by the type of impact they would have on the estimated fair value using positive, neutral, and negative categories based on current business conditions. Additionally, an assessment of the level of impact that a particular factor would have on the estimated fair value is determined using relative weightings. Based on our assessment of these tests, we do not believe it is more likely than not that the fair value of these reporting units or the indefinite-lived intangible assets are less than their respective carrying amounts.

The following table represents all our intangible assets activity for the fiscal years ended October 28, 2018 and October 29, 2017 (in thousands):

	Range of Life (Years)	October 28, 2018	October 29, 2017
Amortized intangible assets:			
Cost:			
Trade names	15	**$ 29,167**	$ 29,167
Customer lists and relationships	12 – 20	**136,210**	136,210
		$ 165,377	$ 165,377
Accumulated amortization:			
Trade names		**$ (12,657)**	$ (10,713)
Customer lists and relationships		**(38,646)**	(30,971)
		$ (51,303)	$ (41,684)
Net book value		**$ 114,074**	$ 123,693
Indefinite-lived intangible assets:			
Trade names		**13,455**	13,455
Total intangible assets at net book value		**$ 127,529**	$ 137,148

The Star and Ceco trade name assets within the Engineered Building Systems segment have an indefinite life and are not amortized, but are reviewed annually and tested for impairment. These 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 intention is to maintain these trade names indefinitely.

All other intangible assets are amortized on a straight-line basis or a basis consistent with the expected future cash flows over their expected useful lives. As of October 28, 2018 and October 29, 2017, the weighted average amortization period for all our intangible assets was 14.2 years and 15.0 years, respectively. Amortization expense of intangibles was $9.6 million, $9.6 million and $9.6 million for 2018, 2017 and 2016, respectively. We expect to recognize amortization expense over the next five fiscal years as follows (in thousands):

2019	$ 9,620
2020	9,327
2021	9,064
2022	8,721
2023	8,667

In accordance with ASC Topic 350, *Intangibles — Goodwill and Other*, we evaluate the remaining useful life of intangible assets on an annual basis. We also review finite-lived intangible assets for impairment when events or changes in circumstances indicate the carrying values may not be recoverable in accordance with ASC Topic 360, *Property, Plant and Equipment*.

7. SHARE-BASED COMPENSATION

Our 2003 Long-Term Stock Incentive Plan (the "Incentive Plan") is an equity-based compensation plan that allows for the grant of a variety of awards, including stock options, restricted stock, restricted stock units, stock appreciation rights, performance share units ("PSUs"), phantom stock awards, long-term incentive awards with performance conditions ("Performance Share Awards") and cash awards. Awards are generally granted once per year, with the amounts and types of awards determined by the Compensation Committee of our Board of Directors (the "Committee"). As a general rule, option awards terminate on the earlier of (i) 10 years from the date of grant, (ii) 30 days after termination of employment or service for a reason other than death, disability or retirement, (iii) one year after death or (iv) one year for incentive stock options or five years for other awards after disability or retirement. Awards are non-transferable except by disposition on death or to certain family members, trusts and other family entities as the Committee may approve. Awards may be paid in cash, shares of our Common Stock or a combination, in lump sum or installments and currently or by deferred payment, all as determined by the Committee.

As of October 28, 2018, and for all periods presented, our share-based awards under this plan have consisted of restricted stock grants, PSUs and stock option grants, none of which can be settled through cash payments, and Performance Share Awards. Both our stock options and restricted stock awards are subject only to vesting requirements based on continued employment at the end of a specified time period and typically vest in annual increments over three to four years or earlier upon death, disability or a change in control. Restricted stock awards issued after December 15, 2013 do not vest upon attainment of a specified retirement age, as provided by the agreements governing such awards. The vesting of our Performance Share Awards is described below.

A total of approximately 3,771,000 and 2,287,000 shares were available at October 28, 2018 and October 29, 2017, respectively, under the Incentive Plan for the further grants of awards.

Our option awards and time-based restricted stock awards are typically subject to graded vesting over a service period, which is typically three or four years. Our performance-based and market-based restricted stock awards are typically subject to cliff vesting at the end of the service period, which is typically three years. We recognize compensation cost for these awards on a straight-line basis over the requisite service period for each annual award grant. In addition, certain of our awards provide for accelerated vesting upon qualified retirement, after a change in control or upon termination without cause or for good reason. We recognize compensation cost for such awards over the period from grant date to the date the employee first becomes eligible for retirement.

We adopted the provisions of ASU 2016-09, *Improvements to Employee Share-Based Payment Accounting,* in our first quarter in fiscal 2018. For additional information see Note 3 - Accounting Pronouncements.

Stock Option Awards

The fair value of each option award is estimated as of the date of grant using a Black-Scholes-Merton option pricing formula. Expected volatility is based on normalized historical volatility of our stock over a preceding period commensurate with the expected term of the option. 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 do not currently pay dividends on our Common Stock and have no current plans to do so in the future.

There were 115,424, 182,923 and 1,418,219 options exercised during fiscal 2018, 2017 and 2016, respectively. Cash received from the option exercises was $1.3 million, $1.7 million and $12.6 million during fiscal 2018, 2017 and 2016, respectively. The total intrinsic value of options exercised in fiscal 2018, 2017 and 2016 was $0.8 million, $1.4 million and $9.9 million, respectively.

During fiscal 2017 and 2016, we granted 10,424 and 28,535 stock options, respectively, and the weighted average grant-date fair value of options granted during fiscal 2017 and 2016 was $6.59 and $5.38, respectively. We did not grant stock options during fiscal 2018.

The weighted average assumptions for the option awards granted on December 15, 2016 and December 15, 2015 are as follows:

	December 15, 2016	December 15, 2015
Expected volatility	42.63%	43.71%
Expected term (in years)	5.50	5.50
Risk-free interest rate	2.15%	1.77%

The following is a summary of stock option transactions during fiscal 2018, 2017 and 2016 (in thousands, except weighted average exercise prices and weighted average remaining life):

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Life	Aggregate Intrinsic Value
Balance, November 1, 2015	1,904	$ 9.85		
Granted	29	12.76		
Exercised	(1,418)	(8.89)		
Cancelled	(7)	(227.21)		
Balance, October 30, 2016	508	10.24		
Granted	11	15.70		
Exercised	(183)	(9.03)		
Balance, October 29, 2017	336	11.06		
Exercised	(115)	11.09		
Cancelled	(6)	15.70		
Balance, October 28, 2018	**215**	**$ 10.94**	**2.9**	**$ 428**
Exercisable at October 28, 2018	**212**	**$ 10.86**	**2.8**	**$ 428**

The following summarizes additional information concerning outstanding options at October 28, 2018 (in thousands, except weighted average remaining life and weighted average exercise prices):

Options Outstanding		
Number of Options	Weighted Average Remaining Life	Weighted Average Exercise Price
194	2.5 years	$ 10.30
21	6.4 years	16.90
215	2.9 years	$ 10.94

The following summarizes additional information concerning options exercisable at October 28, 2018 (in thousands, except weighted average exercise prices):

Options Exercisable	
Number of Options	Weighted Average Exercise Price
194	$ 10.30
18	16.88
212	$ 10.86

Restricted stock and performance awards

Long-term incentive awards granted to our senior executives generally have a three-year performance period. Long-term incentive awards include restricted stock units and PSUs representing 40% and 60% of the total value, respectively. The restricted stock units vest upon continued employment. Vesting of the PSUs is contingent upon continued employment and the achievement of targets with respect to the following metrics, as defined by management: (1) cumulative free cash flow (weighted 40%); (2) cumulative earnings per share (weighted 40%); and (3) total shareholder return (weighted 20%), in each case during the performance period. At the end of the performance period, the number of actual shares to be awarded varies between 0% and 200% of target amounts. The PSUs vest pro rata if an executive's employment terminates prior to the end of the performance period due to death, disability, or termination by the Company without cause or by the executive for good reason. If an executive's employment terminates for any other reason prior to the end of the performance period, all outstanding unvested PSUs, whether earned or unearned, will be forfeited and cancelled. If a change in control occurs prior to the end of the performance period, the PSU payout will be calculated and paid assuming that the maximum benefit had been achieved. If an executive's employment terminates due to death or disability while any of the restricted stock is unvested, then all of the unvested restricted stock will become vested. If an executive's employment is terminated by the Company without cause or after reaching normal retirement

age, the unvested restricted stock will be forfeited. If a change in control occurs prior to the end of the performance period, the restricted stock will fully vest. The fair value of the awards is based on the Company's stock price as of the date of grant. During the fiscal years 2018, 2017 and 2016, we granted PSUs with fair values of approximately $3.8 million, $4.6 million and $4.7 million, respectively, to the Company's senior executives.

The restricted stock units granted in December 2017, 2016 and 2015 to our senior executives vest one-third annually. For the restricted stock units granted in December 2014 to our senior executives, two-thirds vested on December 15, 2016 and one-third vested on December 15, 2017. The PSUs granted in December 2017, 2016 and 2015 to our senior executives cliff vest at the end of the three-year performance period. For the PSUs granted in December 2014 to our senior executives, one-half vested on December 15, 2016 and one-half vested on December 15, 2017.

Long-term incentive awards granted to our key employees generally have a three-year performance period. Long-term incentive awards are granted 50% in restricted stock units and 50% in PSUs. Vesting of PSUs is contingent upon continued employment and the achievement of free cash flow and earnings per share targets, as defined by management, over a three-year period. At the end of the performance period, the number of actual shares to be awarded varies between 0% and 150% of target amounts. However, a minimum of 50% of the awards will vest upon continued employment over the three-year period if the minimum targets are not met. The PSUs vest earlier upon death, disability or a change in control. A portion of the awards also vests upon 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 the Company's stock price as of the date of grant. The fair value and cash value of Performance Share Awards granted in fiscal 2018, 2017 and 2016 are as follows (in millions):

	Fiscal year ended		
	October 28, 2018	**October 29, 2017**	**October 30, 2016**
Equity fair value	**$ 2.8**	$ 2.0	$ 2.4
Cash value	**$ —**	$ 2.0	$ 2.1

On December 15, 2017, the performance period ended for certain PSUs granted to senior executives and key employees in December 2014. The PSUs vested at 69.4%, and resulted in the issuance of 0.1 million shares, net of shares withheld for taxes.

During fiscal 2018, 2017 and 2016, we granted time-based restricted stock awards with a fair value of $7.1 million, $4.5 million and $4.2 million, respectively.

Restricted stock and performance award transactions during fiscal 2018, 2017 and 2016 were as follows (in thousands, except weighted average grant prices):

	Restricted Stock and Performance Awards					
	Time-Based		Performance-Based		Market-Based	
	Number of Shares	Weighted Average Grant Price	Number of Shares(1)	Weighted Average Grant Price	Number of Shares(1)	Weighted Average Grant Price
Balance, November 1, 2015	828	$ 15.87	343	$ 17.19	40	$ 11.78
Granted	329	12.64	516	12.76	71	14.60
Vested	(335)	15.09	—	—	—	—
Forfeited	(60)	14.33	(60)	15.22	(4)	13.81
Balance, October 30, 2016	762	$ 14.91	799	$ 14.82	107	$ 14.02
Granted	285	15.84	362	15.70	58	16.03
Vested	(392)	15.14	(165)	16.07	—	—
Forfeited	(27)	14.41	(124)	15.88	(21)	11.51
Balance, October 29, 2017	628	$ 15.21	872	$ 14.76	144	$ 15.15
Granted	367	19.37	281	19.65	44	19.65
Vested	(423)	15.67	(94)	17.07	—	—
Forfeited	(64)	17.15	(183)	16.26	(43)	16.49
Balance, October 28, 2018	**508**	**$ 17.58**	**876**	**$ 16.14**	**145**	**$ 16.02**

(1) The number of restricted stock shown reflects the shares that would be granted if the target level of performance is achieved. The number of shares actually issued may vary.

Share-Based Compensation Expense

Share-based compensation expense is recorded over the requisite service or performance period. For awards with performance conditions, the amount of share-based compensation expense recognized is based upon the probable outcome of the performance conditions, as defined and determined by management. With the adoption of ASU 2016-09 in the first quarter of fiscal 2018, we account for forfeitures of outstanding but unvested grants in the period they occur. We estimated a forfeiture rate of 5.0% for our non-officers and 0% for our officers in our calculation of share-based compensation expense for the fiscal years ended October 29, 2017 and October 30, 2016. These estimates are based on historical forfeiture behavior exhibited by our employees.

Share-based compensation expense as well as the unrecognized share-based compensation expense and weighted average period over which expense attributable to unvested awards will be recognized are as follows (in millions, except weighted average remaining years):

	Fiscal year ended		
	October 28, 2018	October 29, 2017	October 30, 2016
Cost of goods sold	**$ 0.9**	$ 1.0	$ 1.1
Engineering, selling, general and administrative	**10.7**	9.2	9.8
Total recognized share-based compensation expense	**$ 11.6**	$ 10.2	$ 10.9

	Fiscal Year Ended October 28, 2018	
	Unrecognized Share-Based Compensation Expense	Weighted Average Remaining Years
Stock options	$ —	0.1
Time-based restricted stock	4.8	1.9
Performance- and market-based restricted stock	7.0	1.9
Total unrecognized share-based compensation expense	$ 11.8	

As of October 28, 2018, we do not have any amounts capitalized for share-based compensation cost in inventory or similar assets. The total income tax benefit recognized in results of operations for share-based compensation arrangements was $3.2 million, $4.0 million and $4.2 million for the fiscal years ended October 28, 2018, October 29, 2017 and October 30, 2016, respectively.

8. EARNINGS PER COMMON SHARE

Basic earnings per common share is computed by dividing net income allocated to common shares by the weighted average number of common shares outstanding. Diluted income per common share, if applicable, considers the dilutive effect of common stock equivalents. The reconciliation of the numerator and denominator used for the computation of basic and diluted income per common share is as follows (in thousands, except per share data):

	Fiscal Year Ended		
	October 28, 2018	**October 29, 2017**	**October 30, 2016**
Numerator for Basic and Diluted Earnings Per Common Share:			
Net income applicable to common shares	**$ 62,694**	$ 54,399	$ 50,638
Denominator for Basic and Diluted Earnings Per Common Share:			
Weighted average basic number of common shares outstanding	**66,260**	70,629	72,411
Common stock equivalents:			
Employee stock options	**89**	124	446
PSUs and Performance Share Awards	**13**	25	—
Weighted average diluted number of common shares outstanding	**66,362**	70,778	72,857
Basic earnings per common share	**$ 0.95**	$ 0.77	$ 0.70
Diluted earnings per common share	**$ 0.94**	$ 0.77	$ 0.70
Incentive Plan securities excluded from dilution(1)	**1**	0	195

(1) Represents securities not included in the computation of diluted earnings per common share because their effect would have been anti-dilutive.

We calculate earnings per share using the "two-class" method, whereby unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents are "participating securities" and, therefore, these participating securities are treated as a separate class in computing earnings per share. The calculation of earnings per share presented here excludes the income attributable to unvested restricted stock units related to our Incentive Plan from the numerator and excludes the dilutive impact of those shares from the denominator. Awards subject to the achievement of performance conditions or market conditions for which such conditions had been met at the end of any of the fiscal periods presented are included in the computation of diluted earnings per common share if their effect was dilutive.

9. OTHER ACCRUED EXPENSES

Other accrued expenses are comprised of the following (in thousands):

	October 28, 2018	**October 29, 2017**
Accrued warranty obligation and deferred warranty revenue	**$ 7,005**	$ 7,082
Deferred revenue	**21,040**	28,295
Other accrued expenses	**53,839**	41,520
Total other accrued expenses	**$ 81,884**	$ 76,897

10. WARRANTY

The following table represents the rollforward of our accrued warranty obligation and deferred warranty revenue activity for the fiscal years ended October 28, 2018 and October 29, 2017 (in thousands):

	October 28, 2018	October 29, 2017
Beginning balance	**$ 32,418**	$ 33,122
Warranties sold	**3,297**	2,149
Revenue recognized	**(2,656)**	(2,323)
Cost incurred and other	**(2,400)**	(530)
Ending balance	**30,659**	32,418
Less: Current portion	**7,005**	7,082
Total warranty reserve, less current portion	**$ 23,654**	$ 25,336

11. LONG-TERM DEBT AND NOTE PAYABLE

Debt is comprised of the following (in thousands):

	October 28, 2018	October 29, 2017
Term loan credit facility, due February 2025 and June 2022, respectively	**$ 412,925**	$ 144,147
8.25% senior notes, due January 2023	**—**	250,000
Asset-based lending credit facility, due February 2023 and June 2019, respectively	—	—
Less: unamortized deferred financing costs[(1)]	**5,699**	6,857
Total long-term debt, net of deferred financing costs	**407,226**	387,290
Less: current portion of long-term debt	**4,150**	—
Total long-term debt, less current portion	**$ 403,076**	$ 387,290

(1) Includes the unamortized deferred financing costs associated with the term loan credit facilities and 8.25% senior notes due 2023 (the “Notes”). The unamortized deferred financing costs associated with the asset-based lending credit facilities of $1.1 million and $0.7 million as of October 28, 2018 and October 29, 2017, respectively, are classified in other assets on the consolidated balance sheets.

The scheduled maturity of our debt is as follows (in thousands):

2019	$ 4,150
2020	4,150
2021	4,150
2022	4,150
2023 and thereafter	396,325
	$ 412,925

Debt Redemption and Refinancing

On February 8, 2018, the Company entered into the Pre-merger Term Loan Credit Agreement and the Pre-merger ABL Credit Agreement (each defined below), the proceeds of which, together, were used to redeem the 8.25% senior notes and to refinance the Company’s then existing term loan credit facility and the Company’s then existing asset-based revolving credit facility.

Term Loan Credit Agreement

On February 8, 2018, the Company entered into a Term Loan Credit Agreement (the “Pre-merger Term Loan Credit Agreement”) which provides for a term loan credit facility in an original aggregate principal amount of $415.0 million (“Pre-merger Term Loan Credit Facility”). Proceeds from borrowings under the Pre-merger Term Loan Credit Facility were used,

together with cash on hand, (i) to refinance the existing term loan credit agreement, (ii) to redeem and repay the Notes and (iii) to pay any fees, premiums and expenses incurred in connection with the refinancing.

The term loans under the Pre-merger Term Loan Credit Agreement will mature on February 7, 2025 and, prior to such date, will amortize in nominal quarterly installments equal to one percent of the aggregate initial principal amount thereof per annum.

The term loans under the Pre-merger Term Loan Credit Agreement may be prepaid at the Company's option at any time, subject to minimum principal amount requirements. Prepayments in connection with a repricing transaction (as defined in the Pre-merger Term Loan Credit Agreement) during the first six months after the closing of the Pre-merger Term Loan Credit Facility will be subject to a prepayment premium equal to 1% of the principal amount of the term loans being prepaid. Prepayments may otherwise be made without premium or penalty (other than customary breakage costs). The Company will also have the ability to repurchase a portion of the term loans under the Pre-merger Term Loan Credit Agreement subject to certain terms and conditions set forth in the Pre-merger Term Loan Credit Agreement.

Subject to certain exceptions, the term loans under the Pre-merger Term Loan Credit Agreement will be subject to mandatory prepayment in an amount equal to:

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

The obligations under the Pre-merger Term Loan Credit Agreement are guaranteed by each direct and indirect U.S. restricted subsidiary of the Company, other than certain excluded subsidiaries, and are secured by:

- a perfected security interest in substantially all tangible and intangible assets of the Company and each guarantor (other than ABL Priority Collateral (as defined below)), including the capital stock of each direct material domestic subsidiary owned by the Company and each guarantor, and 65% of the capital stock of any non-U.S. subsidiary held directly by the Company or any guarantor, subject to customary exceptions (the "Term Loan Priority Collateral"), which security interest will be senior to the security interest in the foregoing assets securing the Pre-merger ABL Credit Facility (as defined below); and
- a perfected security interest in the ABL Priority Collateral, which security interest will be junior to the security interest in the ABL Priority Collateral securing the ABL Credit Facility.

At the Company's election, the interest rates applicable to the term loans under the Pre-merger Term Loan Credit Agreement will be based on a fluctuating rate of interest measured by reference to either (i) an adjusted LIBOR plus a borrowing margin of 2.00% per annum or (ii) an alternative base rate not less than 1.00% plus a borrowing margin of 1.00% per annum. At October 28, 2018, the interest rate on the Term Loans was 4.24%.

ABL Credit Agreement

On February 8, 2018, the subsidiaries of the Company, NCI Group, Inc. and Robertson-Ceco II Corporation, and the Company as a guarantor, entered into an ABL Credit Agreement (the "Pre-merger ABL Credit Agreement"). The Pre-merger ABL Credit Agreement provides for an asset-based revolving credit facility (the "Pre-merger ABL Credit Facility") which allows aggregate maximum borrowings by the ABL borrowers of up to $150 million, letters of credit of up to $30 million and up to $20 million for swingline borrowings. Borrowing availability is determined by a monthly borrowing base collateral calculation that is based on specified percentages of the value of accounts receivable, eligible credit card receivables and eligible inventory, less certain reserves and subject to certain other adjustments. Availability is reduced by issuance of letters of credit as well as any borrowings. All borrowings under the Pre-merger ABL Credit Facility mature on February 8, 2023.

The obligations under the Pre-merger ABL Credit Agreement are guaranteed by each direct and indirect U.S. restricted subsidiary of the Company, other than certain excluded subsidiaries, and are secured by:

- a perfected security interest in all present and after-acquired inventory, accounts receivable, deposit accounts, securities accounts, and any cash or other assets in such accounts (and, to the extent evidencing or otherwise related to such items, all general intangibles, intercompany debt, insurance proceeds, letter of credit rights, commercial tort claims, chattel paper, instruments, supporting obligations, documents, investment property and payment intangibles) and the proceeds of any of the foregoing and all books and records relating to, or arising from, any of the foregoing, except to the extent such proceeds constitute Term Loan Priority Collateral, and subject to customary exceptions (the "ABL Priority

Collateral"), which security interest is senior to the security interest in the foregoing assets securing the Pre-merger Term Loan Credit Facility; and

- a perfected security interest in the Term Loan Priority Collateral, which security interest will be junior to the security interest in the Term Loan Priority Collateral securing the Pre-merger Term Loan Credit Facility.

At October 28, 2018 and October 29, 2017, the Company's excess availability under its asset-based lending credit facilities was $141.0 million and $140.0 million, respectively. At October 28, 2018 and October 29, 2017, the Company had no revolving loans outstanding under its asset-based lending credit facilities. In addition, at October 28, 2018 and October 29, 2017, standby letters of credit related to certain insurance policies totaling approximately $9.0 million and $10.0 million, respectively, were outstanding but undrawn under the Company's asset-based lending credit facilities.

The Pre-merger ABL Credit Agreement includes a minimum fixed charge coverage ratio of 1.00:1.00, which will apply if the Company fails to maintain a specified minimum borrowing capacity. The minimum level of borrowing capacity as of October 28, 2018 was $14.1 million. Although the Pre-merger ABL Credit Agreement does not require any financial covenant compliance, at October 28, 2018, the Company's fixed charge coverage ratio, which is calculated on a trailing twelve month basis, was 7.70:1.00.

Loans under the Pre-merger ABL Credit Facility bear interest, at NCI's option, as follows:

(1) Base Rate loans at the Base Rate plus a margin. The margin ranges from 0.25% to 0.75% depending on the quarterly average excess availability under such facility; and

(2) LIBOR loans at LIBOR plus a margin. The margin ranges from 1.25% to 1.75% depending on the quarterly average excess availability under such facility.

A commitment fee is paid on the Pre-merger ABL Credit Facility at an annual rate of 0.25% or 0.35%, depending on the average daily used percentage, 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 Pre-merger ABL Credit Facility also apply.

Redemption of 8.25% Senior Notes

On January 16, 2015, the Company issued $250.0 million in aggregate principal of 8.25% senior notes due 2023. On February 8, 2018, the Company redeemed the outstanding $250.0 million aggregate principal amount of the Notes for approximately $265.5 million using the proceeds from borrowings under the Pre-merger Term Loan Credit Facility.

During the fiscal year ended October 28, 2018, the Company incurred a pretax loss, primarily on the extinguishment of the Notes, of $21.9 million, of which approximately $15.5 million represents the premium paid on the redemption of the Notes.

Debt Covenants

The Company's outstanding debt agreements contain a number of covenants that, among other things, limit or restrict the ability of the Company and its subsidiaries to incur additional indebtedness, make dividends and other restricted payments, create liens securing indebtedness, engage in mergers and acquisitions, enter into restrictive agreements, amend certain documents in respect of other indebtedness, change the nature of the business and engage in certain transactions with affiliates. As of October 28, 2018, the Company was in compliance with all covenants that were in effect on such date.

Insurance Note Payable

As of October 28, 2018 and October 29, 2017, the Company had an outstanding note payable in the amount of $0.5 million and $0.4 million, respectively, related to financed insurance premiums. Insurance premium financings are generally secured by the unearned premiums under such policies.

12. CD&R FUND VIII Investor Group

On August 14, 2009, the Company entered into an Investment Agreement (as amended, the "Investment Agreement"), by and between the Company and Clayton, Dubilier & Rice Fund VIII L.P. ("CD&R Fund VIII"). In connection with the Investment Agreement and the Stockholders Agreement dated October 20, 2009 (the "Old Stockholders Agreement"), CD&R Fund VIII and CD&R Friends & Family Fund VIII, L.P. (collectively, the "CD&R Fund VIII Investor Group") purchased convertible preferred stock, which was later converted to shares of our Common Stock on May 14, 2013.

In January 2014, the CD&R Fund VIII Investor Group completed a registered underwritten offering, in which the CD&R Fund VIII Investor Group offered 8.5 million shares of Common Stock at a price to the public of $18.00 per share (the "2014 Secondary Offering"). The underwriters also exercised their option to purchase 1.275 million additional shares of Common Stock. In addition, the Company entered into an agreement with the CD&R Fund VIII Investor Group to repurchase 1.15 million shares of its Common Stock at a price per share equal to the price per share paid by the underwriters to the CD&R Fund VIII Investor Group in the underwritten offering (the "2014 Stock Repurchase"). The 2014 Stock Repurchase, which was completed at the same time as the 2014 Secondary Offering, represented a private, non-underwritten transaction between NCI and the CD&R Fund VIII Investor Group that was approved and recommended by the Affiliate Transactions Committee of our board of directors.

On July 25, 2016, the CD&R Fund VIII Investor Group completed a registered underwritten offering, in which the CD&R Fund VIII Investor Group offered 9.0 million shares of our Common Stock at a price to the public of $16.15 per share (the "2016 Secondary Offering"). The underwriters also exercised their option to purchase 1.35 million additional shares of our Common Stock from the CD&R Fund VIII Investor Group. The aggregate offering price for the 10.35 million shares sold in the 2016 Secondary Offering was approximately $160.1 million, net of underwriting discounts and commissions. The CD&R Fund VIII Investor Group received all of the proceeds from the 2016 Secondary Offering and no shares in the 2016 Secondary Offering were sold by the Company or any of its officers or directors (although certain of our directors are affiliated with the CD&R Fund VIII Investor Group). In connection with the 2016 Secondary Offering and the 2016 Stock Repurchase (as defined below), we incurred approximately $0.7 million in expenses, which were included in engineering, selling, general and administrative expenses in the consolidated statements of operations for the fiscal year ended October 30, 2016.

On July 18, 2016, the Company entered into an agreement with the CD&R Fund VIII Investor Group to repurchase approximately 2.9 million shares of our Common Stock at the price per share equal to the price per share paid by the underwriters to the CD&R Fund VIII Investor Group in the underwritten offering (the "2016 Stock Repurchase"). The 2016 Stock Repurchase, which was completed concurrently with the 2016 Secondary Offering, represented a private, non-underwritten transaction between the Company and the CD&R Fund VIII Investor Group that was approved and recommended by the Affiliate Transactions Committee of our board of directors. See Note 18 — Stock Repurchase Program.

On December 11, 2017, the CD&R Fund VIII Investor Group completed a registered underwritten offering of 7,150,000 shares of the Company's Common Stock at a price to the public of $19.36 per share (the "2017 Secondary Offering"). Pursuant to the underwriting agreement, at the CD&R Fund VIII Investor Group request, the Company purchased 1.15 million of the 7.15 million shares of the Common Stock from the underwriters in the 2017 Secondary Offering at a price per share equal to the price at which the underwriters purchased the shares from the CD&R Fund VIII Investor Group. The total amount the Company spent on these repurchases was $22.3 million.

At October 28, 2018 and October 29, 2017, the CD&R Fund VIII Investor Group owned approximately 34.4% and 43.8%, respectively, of the outstanding shares of our Common Stock.

13. RELATED PARTIES

Pursuant to the Investment Agreement and the Old Stockholders Agreement, the CD&R Fund VIII Investor Group had the right to designate a number of directors to NCI's board of directors that was equivalent to the CD&R Fund VIII Investor Group's percentage interest in the Company. Among other directors appointed by the CD&R Fund VIII Investor Group, our Board of Directors appointed to the board of directors James G. Berges, Nathan K. Sleeper and Jonathan L. Zrebiec. Messrs. Berges, Sleeper and Zrebiec are partners of Clayton, Dubilier & Rice, LLC, ("CD&R, LLC"), an affiliate of the CD&R Fund VIII Investor Group.

As a result of their respective positions with CD&R, LLC and its affiliates, one or more of Messrs. Berges, Sleeper and Zrebiec may be deemed to have an indirect material interest in certain agreements executed in connection with the Equity Investment. Messrs. Berges, Sleeper and Zrebiec may be deemed to have an indirect material interest in the following agreements:

- the Investment Agreement, pursuant to which the CD&R Fund VIII Investor Group acquired a 68.4% interest in the Company, CD&R Fund VIII's transaction expenses were reimbursed and a deal fee of $8.25 million was paid to CD&R, Inc., the predecessor to the investment management business of CD&R, LLC, on October 20, 2009;
- the Old Stockholders Agreement, which set forth certain terms and conditions regarding the Equity Investment and on certain actions of the CD&R Fund VIII Investor Group and their controlled affiliates with respect to the Company, and to provide for, among other things, subscription rights, corporate governance rights and consent rights as well as other obligations and rights;

- a Registration Rights Agreement, dated as of October 20, 2009 (the "Old Registration Rights Agreement"), between the Company and the CD&R Fund VIII Investor Group, pursuant to which the Company granted to the CD&R Fund VIII Investor Group, together with any other stockholder of the Company that may become a party to the Old Registration Rights Agreement in accordance with its terms, certain customary registration rights with respect to the shares of our Common Stock held by the CD&R Fund VIII Investor Group; and
- an Indemnification Agreement, dated as of October 20, 2009 between the Company, NCI Group, Inc., a wholly owned subsidiary of the Company, Robertson-Ceco II Corporation, a wholly owned subsidiary of the Company, the CD&R Fund VIII Investor Group and CD&R, Inc., pursuant to which the Company, NCI Group, Inc. and Robertson-Ceco II Corporation agreed to indemnify CD&R, Inc., the CD&R Fund VIII Investor Group and their general partners, the special limited partner of CD&R Fund VIII and any other investment vehicle that is a stockholder of the Company and is managed by CD&R, Inc. or any of its affiliates, their respective affiliates and successors and assigns and the respective directors, officers, partners, members, employees, agents, representatives and controlling persons of each of them, or of their respective partners, members and controlling persons, against certain liabilities arising out of the Equity Investment and transactions in connection with the Equity Investment, including, but not limited to, the Pre-merger Term Loan Credit Agreement, the Pre-merger ABL Credit Facility, the Exchange Offer, and certain other liabilities and claims.

14. FAIR VALUE OF FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, restricted cash, trade accounts receivable and accounts payable approximate fair value as of October 28, 2018 and October 29, 2017 because of the relatively short maturity of these instruments. The carrying amount of revolving loans outstanding under the asset-based lending facilities approximates fair value as the interest rates are variable and reflective of market rates. The fair values of the remaining financial instruments not currently recognized at fair value on our consolidated balance sheets at the respective fiscal year ends were (in thousands):

	October 28, 2018		October 29, 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Term loan credit facility, due February 2025 and June 2022, respectively	**$ 412,925**	**$ 412,409**	$ 144,147	$ 144,147
8.25% senior notes, due January 2023	—	—	250,000	267,500

The fair values of the term loan credit facilities and 8.25% senior notes were based on recent trading activities of comparable market instruments, which are level 2 inputs.

Fair Value Measurements

ASC Subtopic 820-10, *Fair Value Measurements and Disclosures*, requires us to use valuation techniques to measure fair value that maximize the use of observable inputs and minimize the use of unobservable inputs. These inputs are prioritized as follows:

Level 1: Observable inputs such as quoted prices for identical assets or liabilities in active markets.

Level 2: Other inputs that are observable directly or indirectly, such as quoted prices for similar assets or liabilities or market-corroborated inputs.

Level 3: Unobservable inputs for which there is little or no market data and which require us to develop our own assumptions about how market participants would price the assets or liabilities.

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at October 28, 2018 and October 29, 2017.

Money market: Money market funds have original maturities of three months or less. The original cost of these assets approximates fair value due to their short-term maturity.

Mutual funds: Mutual funds are valued at the closing price reported in the active market in which the mutual fund is traded.

Assets held for sale: Assets held for sale are valued based on current market conditions, prices of similar assets in similar condition and expected proceeds from the sale of the assets.

Deferred compensation plan liability: Deferred compensation plan liability is comprised of phantom investments in the deferred compensation plan and is valued at the closing price reported in the active markets in which the money market and mutual funds are traded.

The following tables summarize information regarding our financial assets and liabilities that are measured at fair value on a recurring basis as of October 28, 2018 and October 29, 2017, segregated by level of the valuation inputs within the fair value hierarchy utilized to measure fair value (in thousands):

	Recurring fair value measurements			
	October 28, 2018			
	Level 1	Level 2	Level 3	Total
Assets:				
Short-term investments in deferred compensation plan[1]:				
Money market	$ 369	$ —	$ —	$ 369
Mutual funds – Growth	1,118	—	—	1,118
Mutual funds – Blend	2,045	—	—	2,045
Mutual funds – Foreign blend	812	—	—	812
Mutual funds – Fixed income	—	941	—	941
Total short-term investments in deferred compensation plan	4,344	941	—	5,285
Total assets	$ 4,344	$ 941	$ —	$ 5,285
Liabilities:				
Deferred compensation plan liability	$ —	$ 4,639	$ —	$ 4,639
Total liabilities	$ —	$ 4,639	$ —	$ 4,639

	Recurring fair value measurements			
	October 29, 2017			
	Level 1	Level 2	Level 3	Total
Assets:				
Short-term investments in deferred compensation plan[1]:				
Money market	$ 1,114	$ —	$ —	$ 1,114
Mutual funds – Growth	958	—	—	958
Mutual funds – Blend	1,948	—	—	1,948
Mutual funds – Foreign blend	915	—	—	915
Mutual funds – Fixed income	—	1,546	—	1,546
Total short-term investments in deferred compensation plan	4,935	1,546	—	6,481
Total assets	$ 4,935	$ 1,546	$ —	$ 6,481
Liabilities:				
Deferred compensation plan liability	$ —	$ 4,923	$ —	$ 4,923
Total liabilities	$ —	$ 4,923	$ —	$ 4,923

(1) The unrealized holding gain (loss) was insignificant for the fiscal years ended October 28, 2018 and October 29, 2017.

15. INCOME TAXES

Income tax expense is based on pretax financial accounting income. Deferred income taxes are recognized for the temporary differences between the recorded amounts of assets and liabilities for financial reporting purposes and such amounts for income tax purposes.

The income tax provision for the fiscal years ended 2018, 2017 and 2016, consisted of the following (in thousands):

	Fiscal Year Ended		
	October 28, 2018	October 29, 2017	October 30, 2016
Current:			
Federal	**$ 16,850**	$ 23,885	$ 22,602
State	**3,483**	3,218	3,179
Foreign	**545**	445	838
Total current	**20,878**	27,548	26,619
Deferred:			
Federal	**(2,937)**	(358)	105
State	**565**	769	1,380
Foreign	**1,483**	455	(167)
Total deferred	**(889)**	866	1,318
Total provision	**$ 19,989**	$ 28,414	$ 27,937

The reconciliation of income tax computed at the United States federal statutory tax rate to the effective income tax rate is as follows:

	Fiscal Year Ended		
	October 28, 2018	October 29, 2017	October 30, 2016
Statutory federal income tax rate	**23.3 %**	35.0 %	35.0 %
State income taxes	**4.2 %**	3.2 %	3.8 %
Production activities deduction	**(1.7)%**	(3.1)%	(3.4)%
Non-deductible expenses	**0.2 %**	0.9 %	1.3 %
Revaluation of U.S. deferred income tax due to statutory rate reduction	**(1.2)%**	— %	— %
One-time repatriation tax on foreign earnings	**0.6 %**	— %	— %
Other	**(1.3)%**	(1.8)%	(1.3)%
Effective tax rate	**24.1 %**	34.2 %	35.4 %

The decrease in the effective tax rate for the fiscal year ended October 28, 2018 is a result of the net impact of the Tax Cuts and Jobs Act ("U.S. Tax Reform") which was enacted by the United States on December 22, 2017. U.S. Tax Reform incorporates significant changes to U.S. corporate income tax laws including, among other things, a reduction in the federal statutory corporate income tax rate from 35% to 21%, an exemption for dividends received from certain foreign subsidiaries, a one-time repatriation tax on deemed repatriated earnings from foreign subsidiaries, immediate expensing of certain depreciable tangible assets, limitations on the deduction for net interest expense and certain executive compensation and the repeal of the Domestic Production Activities Deduction. The majority of these changes will be effective for the Company's fiscal year beginning October 29, 2018. However, the corporate income tax rate reduction is effective December 22, 2017. As such, the Company's statutory federal corporate income tax rate for the fiscal year ended October 28, 2018 is 23.3%. In addition, the one-time repatriation tax was recognized by the Company for the tax year ended October 28, 2018.

Under ASC Topic 740, Income Taxes ("ASC 740"), a company is generally required to recognize the effect of changes in tax laws in its financial statements in the period in which the legislation is enacted. U.S. income tax laws are deemed to be effective on the date the president signs tax legislation. The President signed the U.S. Tax Reform legislation on December 22, 2017. In acknowledgment of the substantial changes incorporated in the U.S. Tax Reform, the SEC staff issued Staff Accounting Bulletin 118 ("SAB 118") to provide certain guidance in determining the accounting for income tax effects of the legislation in the accounting period of enactment as well as provide a measurement period within which to finalize and reflect such final effects associated with U.S. Tax Reform. Further, SAB 118 summarizes a three-step approach to be applied each reporting period

within the overall measurement period: (1) amounts should be reflected in the period including the date of enactment for those items which are deemed to be complete, (2) to the extent the effects of certain changes due to U.S. Tax Reform for which the accounting is not deemed complete but for which a reasonable estimate can be determined, such provisional amount(s) should be reflected in the period so determined and adjusted in subsequent periods as such effects are finalized and (3) to the extent a reasonable estimate cannot be determined for a specific effect of the tax law change associated with U.S. Tax Reform, no provisional amount should be recorded but rather, continue to apply ASC 740 based upon the tax law in effect prior to the enactment of U.S. Tax Reform. Such measurement period is deemed to end when all necessary information has been obtained, prepared and analyzed such that a final accounting determination can be concluded, but in no event should the period extend beyond one year.

In consideration of this guidance, the Company obtained, prepared and analyzed various information associated with the enactment of U.S. Tax Reform. Based upon this review, the Company recognized an estimated income tax benefit with respect to U.S. Tax Reform of $0.6 million. This net income tax benefit reflects a $1.0 million net estimated income tax benefit associated with the remeasurement of the Company's net U.S. deferred tax liability, partiality offset with a $0.5 million estimated income tax expense associated with the impact of the deemed repatriated earnings from the Company's foreign subsidiaries, including the one-time repatriation tax of $1.8 million. Due to the Company's fiscal year-end of October 28, 2018 and the timing of the various technical provisions provided for under U.S. Tax Reform, the financial statement impacts recorded in fiscal 2018 relating to U.S. Tax Reform are not deemed to be complete but rather are deemed to be reasonable, provisional estimates based upon the current available information. As such, the Company will continue to update and finalize the accounting for the tax effect of the enactment of U.S. Tax Reform in the next interim period in accordance with the guidance as outlined in SAB 118, as deemed necessary.

Deferred income taxes reflect the net impact of temporary differences between the amounts of assets and liabilities recognized for financial reporting purposes and such amounts recognized for income tax purposes. The tax effects of the temporary differences for fiscal 2018 and 2017 are as follows (in thousands):

	October 28, 2018	October 29, 2017
Deferred tax assets:		
Inventory obsolescence	**$ 2,161**	$ 2,680
Bad debt reserve	**1,007**	1,686
Accrued and deferred compensation	**14,828**	16,003
Accrued insurance reserves	**1,122**	1,816
Deferred revenue	**7,495**	10,260
Net operating loss and tax credit carryover	**1,815**	3,686
Depreciation and amortization	**536**	434
Pension	**2,842**	6,510
Other reserves	**863**	716
Total deferred tax assets	**32,669**	43,791
Less valuation allowance	**(11)**	—
Net deferred tax assets	**32,658**	43,791
Deferred tax liabilities:		
Depreciation and amortization	**(33,926)**	(42,632)
U.S. tax on unremitted foreign earnings	**—**	(1,107)
Other	**—**	(1,805)
Total deferred tax liabilities	**(33,926)**	(45,544)
Total deferred tax liability, net	**$ (1,268)**	$ (1,753)

We carry out our business operations through legal entities in the U.S., Canada, Mexico and Costa Rica, and carried out operations in China until the sale of our manufacturing facility in China during fiscal 2018. These operations require that we file corporate income tax returns that are subject to U.S., state and foreign tax laws. We are subject to income tax audits in these multiple jurisdictions.

As of October 28, 2018, the $1.8 million net operating loss and tax credit carryforward included $0.1 million for U.S. state loss carryforwards. The state net operating loss carryforwards will expire in 2019 to 2029, if unused. As of October 28, 2018,

our foreign operations have a net operating loss carryforward of approximately $1.7 million, that will start to expire in fiscal 2028, if unused.

The following table represents the rollforward of the valuation allowance on deferred taxes activity for the fiscal years ended October 28, 2018, October 29, 2017 and October 30, 2016 (in thousands):

	October 28, 2018	October 29, 2017	October 30, 2016
Beginning balance	**$ —**	$ 210	$ 115
Additions (reductions)	**11**	(210)	95
Ending balance	**$ 11**	$ —	$ 210

Uncertain tax positions

There were no unrecognized tax benefits at October 28, 2018 and October 29, 2017. We do not anticipate any material change in the total amount of unrecognized tax benefits to occur within the next twelve months.

We recognize interest and penalties related to uncertain tax positions in income tax expense. To the extent accrued interest and penalties do not ultimately become payable, amounts accrued will be reduced and reflected as a reduction of the overall income tax provision in the period that such determination is made. We did not have any accrued interest and penalties related to uncertain tax positions as of October 28, 2018.

We file income tax returns in the U.S. federal jurisdiction and multiple state and foreign jurisdictions. Our tax years are closed with the IRS through the year ended October 28, 2014, as the statute of limitations related to these tax years has closed. In addition, open tax years related to state and foreign jurisdictions remain subject to examination but are not considered material.

16. ACCUMULATED OTHER COMPREHENSIVE LOSS

Accumulated other comprehensive loss consists of the following (in thousands):

	October 28, 2018	October 29, 2017
Foreign exchange translation adjustments	**$ (89)**	$ 3
Defined benefit pension plan actuarial losses, net of tax	**(6,619)**	(7,534)
Accumulated other comprehensive loss	**$ (6,708)**	$ (7,531)

17. OPERATING LEASE COMMITMENTS

We have operating lease commitments expiring at various dates, principally for real estate, office space, office equipment and transportation equipment. Certain of these operating leases have purchase options that entitle us to purchase the respective equipment at fair value at the end of the lease. In addition, many of our leases contain renewal options at rates similar to the current arrangements. As of October 28, 2018, future minimum rental payments related to noncancellable operating leases are as follows (in thousands):

2019	$ 13,951
2020	8,223
2021	6,202
2022	5,001
2023	3,928
Thereafter	7,693

Rental expense incurred from operating leases, including leases with terms of less than one year, for 2018, 2017 and 2016 was $20.1 million, $19.4 million and $17.8 million, respectively.

18. STOCK REPURCHASE PROGRAM

Our Board of Directors authorized two stock repurchase programs during the fiscal year ended October 30, 2016, which were publicly announced on January 20, 2016 and September 8, 2016. Together, these stock repurchase programs authorized for up to an aggregate of $106.3 million of the Company's Common Stock.

On July 18, 2016, the Company entered into an agreement with the CD&R Fund VIII Investor Group to repurchase approximately 2.9 million shares of our Common Stock for $45.0 million based on the price per share paid by the underwriters to the CD&R Fund VIII Investor Group in the 2016 Secondary Offering. The 2016 Stock Repurchase (as defined in Item 1. *Business)* represented a private, non-underwritten transaction between the Company and the CD&R Fund VIII Investor Group that was approved and recommended by the Affiliate Transactions Committee of our board of directors. The closing of the 2016 Stock Repurchase occurred on July 25, 2016 concurrently with the closing of the 2016 Secondary Offering. The 2016 Stock Repurchase was funded by the Company's cash on hand. In addition to the 2016 Stock Repurchase, the Company repurchased 1.6 million shares of its Common Stock for $17.9 million during fiscal 2016 through open-market purchases under the authorized stock repurchase programs.

On October 10, 2017 and March 7, 2018, the Company announced that its Board of Directors authorized new stock repurchase programs for up to an aggregate of $50.0 million and $50.0 million, respectively, of the Company's Common Stock.

During fiscal 2017 and fiscal 2018, the Company repurchased 2.8 million shares of its Common Stock for $41.2 million and 2.7 million shares of its Common Stock for $46.7 million, respectively, through open-market purchases under the authorized stock repurchase programs. The fiscal 2018 repurchases included 1.15 million shares for $22.3 million purchased pursuant to the CD&R Fund VIII Investor Group 2017 Secondary Offering (see Note 12 — CD&R Fund VIII Investor Group). As of October 28, 2018, approximately $55.6 million remains available for stock repurchases under the programs authorized on October 10, 2017 and March 7, 2018. The authorized programs have no time limit on their duration, but our Pre-merger Term Credit Agreement and Pre-merger ABL Credit Agreement apply certain limitations on our repurchase of shares of our Common Stock. The timing and method of any repurchases, which will depend on a variety of factors, including market conditions, are subject to results of operations, financial conditions, cash requirements and other factors, and may be suspended or discontinued at any time.

In addition to the Common Stock repurchases, the Company also withheld shares of restricted stock to satisfy minimum tax withholding obligations arising in connection with the vesting of restricted stock units, which are included in treasury stock purchases in the consolidated statements of stockholders' equity.

The Company canceled 4.0 million of the total shares repurchased during fiscal 2016 as well as 0.4 million shares repurchased in prior fiscal years that had been held in treasury stock, resulting in a $62.3 million decrease in both additional paid in capital and treasury stock during the fiscal year ended October 30, 2016. During the fiscal year ended October 29, 2017, the Company canceled 3.0 million of the total shares repurchased during fiscal 2017 as well as 0.4 million shares repurchased in the prior fiscal year that had been held in treasury stock, resulting in a $50.6 million decrease in both additional paid in capital and treasury stock. During fiscal year ended October 28, 2018, the Company canceled 2.7 million shares repurchased under stock repurchase programs and canceled 0.3 million shares of stock that are included in treasury stock purchases and were used to satisfy minimum tax withholding obligations arising in connection with the vesting of stock awards, resulting in a total $51.8 million decrease in both additional paid in capital and treasury stock.

Changes in treasury stock, at cost, were as follows (in thousands):

	Number of Shares	Amount
Balance, November 1, 2015	447	$ 7,523
Purchases	4,590	64,015
Issuance of restricted stock	162	—
Retirements	(4,424)	(62,279)
Balance, October 30, 2016	775	$ 9,259
Purchases	2,958	43,603
Issuance of restricted stock	20	—
Retirements	(3,444)	(50,587)
Deferred compensation obligation	(18)	(135)
Balance, October 29, 2017	291	$ 2,140
Purchases	2,939	51,773
Issuance of restricted stock	(181)	—
Retirements	(2,939)	(51,772)
Deferred compensation obligation	(49)	(954)
Balance, October 28, 2018	**61**	**$ 1,187**

19. EMPLOYEE BENEFIT PLANS

Defined Contribution Plan — We have a 401(k) profit sharing plan (the "Savings Plan") that allows participation for all eligible employees. The Savings Plan allows us to match between 50% and 100% of the participant's contributions up to 6% of a participant's pre-tax deferrals, based on a calculation of the Company's annual return-on-assets. Contributions expense for the fiscal years ended October 28, 2018, October 29, 2017 and October 30, 2016 was $7.6 million, $6.1 million and $5.7 million, respectively, for matching contributions to the Savings Plan.

Deferred Compensation Plan — We have an Amended and Restated Deferred Compensation Plan (as amended and restated, the "Deferred Compensation Plan") that allows our officers and key employees to defer up to 80% of their annual salary and up to 90% of their bonus on a pre-tax basis until a specified date in the future, including at or after retirement. Additionally, the Deferred Compensation Plan allows our directors to defer up to 100% of their annual fees and meeting attendance fees until a specified date in the future, including at or after retirement. The Deferred Compensation Plan also permits us to make contributions on behalf of our key employees who are impacted by the federal tax compensation limits under the NCI 401(k) plan, and to receive a restoration matching amount which, under the current NCI 401(k) terms, mirrors our 401(k) profit sharing plan matching levels based on our Company's performance. The Deferred Compensation Plan provides for us to make discretionary contributions to employees who have elected to defer compensation under the plan. Deferred Compensation Plan participants will vest in our discretionary contributions ratably over three years from the date of each of our discretionary contributions.

On February 26, 2016, the Company amended its Deferred Compensation Plan, with an effective date of January 31, 2016, to require that amounts deferred into the Company Stock Fund remain invested in the Company Stock Fund until distribution. In accordance with the terms of the Deferred Compensation Plan, the deferred compensation obligation related to the Company's stock may only be settled by the delivery of a fixed number of the Company's common shares held on the participant's behalf. The deferred compensation obligation related to the Company Stock Fund recorded within equity in additional paid-in capital on the consolidated balance sheet was $0.7 million and $1.3 million as of October 28, 2018 and October 29, 2017, respectively. Subsequent changes in the fair value of the deferred compensation obligation classified within equity are not recognized. Additionally, the Company currently holds 60,813 shares in treasury shares, relating to deferred, vested awards, until participants are eligible to receive benefits under the terms of the Deferred Compensation Plan.

As of October 28, 2018 and October 29, 2017, the liability balance of the Deferred Compensation Plan was $4.6 million and $4.9 million, respectively, and was included in accrued compensation and benefits on the consolidated balance sheets. We have not made any discretionary contributions to the Deferred Compensation Plan.

A rabbi trust is used to fund the Deferred Compensation Plan and an administrative committee manages the Deferred Compensation Plan and its assets. The investments in the rabbi trust were $5.3 million and $6.5 million as of October 28, 2018 and October 29, 2017, respectively. The rabbi trust investments include debt and equity securities as well as cash equivalents and are accounted for as trading securities.

Defined Benefit Plans — With the acquisition of RCC on April 7, 2006, we assumed a defined benefit plan (the "RCC Pension Plan"). Benefits under the RCC Pension Plan are primarily based on years of service and the employee's compensation. The RCC Pension Plan is frozen and, therefore, employees do not accrue additional service benefits. Plan assets of the RCC Pension Plan are invested in broadly diversified portfolios of government obligations, mutual funds, stocks, bonds, fixed income securities, master limited partnerships and hedge funds. In accordance with ASC Topic 805, we quantified the projected benefit obligation and fair value of the plan assets of the RCC Pension Plan and recorded the difference between these two amounts as an assumed liability.

As a result of the CENTRIA Acquisition on January 16, 2015, we assumed noncontributory defined benefit plans covering certain hourly employees (the "CENTRIA Benefit Plans"). Benefits under the CENTRIA Benefit Plans are calculated based on fixed amounts for each year of service rendered. CENTRIA also sponsors postretirement medical and life insurance plans that cover certain of its employees and their spouses (the "OPEB Plans"). The contributions to the OPEB Plans by retirees vary from none to 25% of the total premiums paid. Plan assets of the CENTRIA Benefit Plans are invested in broadly diversified portfolios of equity mutual funds, international equity mutual funds, bonds, mortgages and other funds. Currently, our policy is to fund the CENTRIA Benefit Plans as required by minimum funding standards of the Internal Revenue Code. In accordance with ASC Topic 805, we remeasured the projected benefit obligation and fair value of the plan assets of the CENTRIA Benefits Plans and OPEB Plans. The difference between the two amounts was recorded as an assumed liability.

In addition to the CENTRIA Benefit Plans, CENTRIA contributes to a multi-employer plan, the Steelworkers Pension Trust. The minimum required annual contribution to this plan is $0.3 million. The current contract expires on June 1, 2019. If we were to withdraw our participation from this multi-employer plan, CENTRIA may be required to pay a withdrawal liability representing an amount based on the underfunded status of the plan. The plan is not significant to the Company's consolidated financial statements.

We refer to the RCC Pension Plan and the CENTRIA Benefit Plans collectively as the "Defined Benefit Plans" in this Note.

Assumptions—Weighted average actuarial assumptions used to determine benefit obligations were as follows:

	October 28, 2018		October 29, 2017	
	Defined Benefit Plans	OPEB Plans	Defined Benefit Plans	OPEB Plans
Discount rate	**4.40%**	**4.20%**	3.64%	3.40%

Weighted average actuarial assumptions used to determine net periodic benefit cost (income) were as follows:

	October 28, 2018		October 29, 2017	
	Defined Benefit Plans	OPEB Plans	Defined Benefit Plans	OPEB Plans
Discount rate	**3.64%**	**3.40%**	3.64%	3.25%
Expected return on plan assets	**6.19%**	**n/a**	6.18%	n/a
Health care cost trend rate-initial	**n/a**	**7.50%**	n/a	7.00%
Health care cost trend rate-ultimate	**n/a**	**4.00%**	n/a	5.00%

The basis used to determine the overall expected long-term asset return assumption for the Defined Benefit Plans was a 10-year forecast of expected return based on the target asset allocation for the plans. The weighted average expected return for the portfolio over the forecast period is 6.19%, net of investment related expenses, and taking into consideration historical experience, anticipated asset allocations, investment strategies and the views of various investment professionals.

The health care cost trend rate for the OPEB Plans was assumed at 6.5% for years 2019 to 2024, 5.5% for years 2025 to 2035, 5.0% for years 2036 to 2051 and approximately 4.0% per year thereafter.

Funded status—The changes in the projected benefit obligation, plan assets and funded status, and the amounts recognized on our consolidated balance sheets were as follows (in thousands):

	October 28, 2018			October 29, 2017		
Change in projected benefit obligation	**Defined Benefit Plans**	**OPEB Plans**	**Total**	**Defined Benefit Plans**	**OPEB Plans**	**Total**
Accumulated benefit obligation	**$ 51,032**	**$ 7,354**	**$ 58,386**	$ 56,378	$ 7,698	$ 64,076
Projected benefit obligation – beginning of fiscal year	**$ 56,378**	**$ 7,698**	**$ 64,076**	$ 58,551	$ 8,347	$ 66,898
Interest cost	**1,976**	**247**	**2,223**	2,055	257	2,312
Service cost	**87**	**28**	**115**	97	36	133
Benefit payments	**(3,838)**	**(822)**	**(4,660)**	(3,681)	(546)	(4,227)
Plan amendments	**—**	**—**	**—**	275	—	275
Actuarial (gains) losses	**(3,571)**	**203**	**(3,368)**	(919)	(396)	(1,315)
Projected benefit obligation – end of fiscal year	**$ 51,032**	**$ 7,354**	**$ 58,386**	$ 56,378	$ 7,698	$ 64,076

	October 28, 2018			October 29, 2017		
Change in plan assets	**Defined Benefit Plans**	**OPEB Plans**	**Total**	**Defined Benefit Plans**	**OPEB Plans**	**Total**
Fair value of assets – beginning of fiscal year	**$ 49,564**	**$ —**	**$ 49,564**	$ 46,160	$ —	$ 46,160
Actual return on plan assets	**(263)**	**—**	**(263)**	5,041	—	5,041
Company contributions	**2,262**	**822**	**3,084**	2,044	546	2,590
Benefit payments	**(3,838)**	**(822)**	**(4,660)**	(3,681)	(546)	(4,227)
Fair value of assets – end of fiscal year	**$ 47,725**	**$ —**	**$ 47,725**	$ 49,564	$ —	$ 49,564

	October 28, 2018			October 29, 2017		
Funded status	**Defined Benefit Plans**	**OPEB Plans**	**Total**	**Defined Benefit Plans**	**OPEB Plans**	**Total**
Fair value of assets	**$ 47,725**	**$ —**	**$ 47,725**	$ 49,564	$ —	$ 49,564
Benefit obligation	**51,032**	**7,354**	**58,386**	56,378	7,698	64,076
Funded status	**$ (3,307)**	**$ (7,354)**	**$ (10,661)**	$ (6,814)	$ (7,698)	$ (14,512)

Benefit obligations in excess of fair value of assets of $10.7 million and $14.5 million as of October 28, 2018 and October 29, 2017, respectively, are included in other long-term liabilities on the consolidated balance sheets.

Plan assets—The investment policy is to maximize the expected return for an acceptable level of risk. Our expected long-term rate of return on plan assets is based on a target allocation of assets, which is based on our goal of earning the highest rate of return while maintaining risk at acceptable levels.

As of October 28, 2018 and October 29, 2017, the weighted average asset allocations by asset category for the Defined Benefit Plans were as follows (in thousands):

Investment type	October 28, 2018	October 29, 2017
Equity securities	**55%**	58%
Debt securities	**7%**	35%
Master limited partnerships	**3%**	3%
Cash and cash equivalents	**31%**	1%
Real estate	**3%**	2%
Other	**1%**	1%
Total	**100%**	100%

The principal investment objectives are to ensure the availability of funds to pay pension and postretirement benefits as they become due under a broad range of future economic scenarios, to maximize long-term investment return with an acceptable level of risk based on our pension and postretirement obligations, and to be sufficiently diversified across and within the capital markets to mitigate the risk of adverse or unexpected results from one security class will not have an unduly detrimental. Each asset class has broadly diversified characteristics. Decisions regarding investment policy are made with an understanding of the effect of asset allocation on funded status, future contributions and projected expenses.

The plans strive to have assets sufficiently diversified so that adverse or unexpected results from one security class will not have an unduly detrimental impact on the entire portfolio. We regularly review our actual asset allocation and the investments are periodically rebalanced to our target allocation when considered appropriate. We have set the target asset allocation for the RCC Pension Plan as follows: 45% US bonds, 17% large cap US equities, 13% foreign equity, 5% master limited partnerships, 2% commodity futures, 4% real estate investment trusts, 8% emerging markets and 6% small cap US equities. The CENTRIA Benefit Plans have a target asset allocation of approximately 80%-85% equities and 15%-20% fixed income.

The fair values of the assets of the Defined Benefit Plans at October 28, 2018 and October 29, 2017, by asset category and by levels of fair value, as further defined in Note 14 — Fair Value of Financial Instruments and Fair Value Measurements were as follows (in thousands):

	October 28, 2018			October 29, 2017		
Asset category	**Level 1**	**Level 2**	**Total**	**Level 1**	**Level 2**	**Total**
Cash and cash equivalents	**$ 14,774**	**$ —**	**$ 14,774**	$ 463	$ —	$ 463
Mutual funds:						
Growth funds	**7,235**	**—**	**7,235**	7,262	—	7,262
Real estate funds	**1,245**	**—**	**1,245**	1,236	—	1,236
Commodity linked funds	**528**	**—**	**528**	544	—	544
Equity income funds	**5,043**	**—**	**5,043**	4,767	—	4,767
Index funds	**3,036**	**35**	**3,071**	2,763	110	2,873
International equity funds	**253**	**1,543**	**1,796**	260	1,726	1,986
Fixed income funds	**1,745**	**1,518**	**3,263**	1,742	1,739	3,481
Master limited partnerships	**1,448**	**—**	**1,448**	1,506	—	1,506
Government securities	**—**	**—**	**—**	—	6,400	6,400
Corporate bonds	**—**	**—**	**—**	—	7,301	7,301
Common/collective trusts	**—**	**9,322**	**9,322**	—	11,745	11,745
Total	**$ 35,307**	**$ 12,418**	**$ 47,725**	$ 20,543	$ 29,021	$ 49,564

Net periodic benefit cost (income)—The components of the net periodic benefit cost (income) were as follows (in thousands):

	October 28, 2018		October 29, 2017		October 30, 2016	
	Defined Benefit Plans	OPEB Plans	Defined Benefit Plans	OPEB Plans	Defined Benefit Plans	OPEB Plans
Interest cost	**$ 1,976**	**$ 247**	$ 2,055	$ 257	$ 2,354	$ 261
Service cost	**87**	**28**	97	36	137	34
Expected return on assets	**(2,916)**	**—**	(2,798)	—	(2,979)	—
Amortization of prior service credit	**58**	**—**	(9)	—	(9)	—
Amortization of net actuarial loss	**991**	**—**	1,374	—	1,170	—
Net periodic benefit cost	**$ 196**	**$ 275**	$ 719	$ 293	$ 673	$ 295

The amounts in accumulated other comprehensive income that have not yet been recognized as components of net periodic benefit income are as follows (in thousands):

	October 28, 2018			October 29, 2017		
	Defined Benefit Plans	OPEB Plans	Total	Defined Benefit Plans	OPEB Plans	Total
Unrecognized net actuarial loss	**$ 10,083**	**$ 578**	**$ 10,661**	$ 11,468	$ 375	$ 11,843
Unrecognized prior service credit	**195**	**—**	**195**	252	—	252
Total	**$ 10,278**	**$ 578**	**$ 10,856**	$ 11,720	$ 375	$ 12,095

Unrecognized actuarial gains, net of income tax, of $0.9 million and $2.8 million during fiscal 2018 and 2017, respectively, are included in other comprehensive income (loss) in the consolidated statements of comprehensive income.

The changes in plan assets and benefit obligation recognized in other comprehensive income are as follows (in thousands):

	October 28, 2018		October 29, 2017		October 30, 2016	
	Defined Benefit Plans	OPEB Plans	Defined Benefit Plans	OPEB Plans	Defined Benefit Plans	OPEB Plans
Net actuarial gain (loss)	**$ 392**	**$ (203)**	$ 3,144	$ 396	$ (3,443)	$ (911)
Amortization of net actuarial loss	**991**	**—**	1,374	—	1,170	—
Amortization of prior service cost (credit)	**58**	**—**	(9)	—	(9)	—
New prior service cost	**—**	**—**	(276)	—	—	—
Total recognized in other comprehensive income (loss)	**$ 1,441**	**$ (203)**	$ 4,233	$ 396	$ (2,282)	$ (911)

The estimated amortization for the next fiscal year for amounts reclassified from accumulated other comprehensive income into the consolidated income statement is as follows (in thousands):

	October 28, 2018		
	Defined Benefit Plans	OPEB Plans	Total
Amortization of prior service credit	**$ (143)**	**$ —**	**$ (143)**
Amortization of net actuarial loss	**1,111**	**—**	**1,111**
Total estimated amortization	**$ 968**	**$ —**	**$ 968**

Actuarial gains and losses are amortized using the corridor method based on 10% of the greater of the projected benefit obligation or the market related value of assets over the average remaining service period of active employees.

We expect to contribute $1.2 million to the Defined Benefit Plans in fiscal 2019. We expect the following benefit payments to be made (in thousands):

Fiscal years ending	Defined Benefit Plans	OPEB Plans	Total
2019	$ 4,222	$ 875	$ 5,097
2020	3,954	798	4,752
2021	3,923	704	4,627
2022	3,847	600	4,447
2023	4,053	609	4,662
2024 - 2028	17,883	2,134	20,017

20. OPERATING SEGMENTS

Operating segments are defined as components of an enterprise that engage in business activities and by which discrete financial information is available and is evaluated on a regular basis by the chief operating decision maker to make decisions regarding the allocation of resources to the segment and assess the performance of the segment. On February 22, 2018, the Company announced changes to NCI's reportable business segments, effective January 28, 2018, starting with the first quarter of fiscal 2018, to align with changes in how the Company manages its business, reviews operating performance and allocates resources. We have revised our segment reporting to represent how we now manage our business, recasting prior periods to conform to the current segment presentation.

We have four operating segments: Engineered Building Systems; Metal Components; Insulated Metal Panels; and Metal Coil Coating. 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. Products of our operating segments use similar basic raw materials enabling us to leverage our supply chain. 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, and other related accessories. The Insulated Metal Panels segment produces panels consisting of rigid foam encased between two sheets of coated metal in a variety of modules, lengths and reveal combinations which are used in architectural, commercial, industrial and cold storage market applications. The Engineered Building Systems segment manufactures custom designed and engineered products such as structural frames, Long Bay® Systems, metal roofing and wall systems, and the related value-added engineering and drafting, to provide customers a complete building envelope solution. 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) structural framing provided by the Engineered Building Systems segment to the Metal Components segment; (ii) building components provided by the Metal Components and Insulated Metal Panels segments to the Engineered Building Systems segment; and (iii) hot-rolled, light gauge painted and slit material and other services provided by the Metal Coil Coating segment to the Engineered Building Systems, Metal Components and Insulated Metal Panels segments.

Corporate assets consist primarily of cash, investments, prepaid expenses, current and 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, strategic sourcing, marketing and corporate travel expenses. Additional unallocated amounts primarily include interest income, interest expense, loss on extinguishment of debt and other (expense) income.

The following table represents summary financial data attributable to these operating segments for the periods indicated (in thousands):

	Fiscal Year Ended		
	October 28, 2018	**October 29, 2017**	**October 30, 2016**
Total sales:			
Engineered Building Systems	**$ 798,299**	$ 693,980	$ 672,235
Metal Components	**689,344**	636,661	586,690
Insulated Metal Panels	**504,413**	441,404	396,327
Metal Coil Coating	**417,296**	368,880	346,348
Intersegment sales	**(408,775)**	(370,647)	(316,672)
Total net sales	**$ 2,000,577**	$ 1,770,278	$ 1,684,928
External sales:			
Engineered Building Systems	**$ 755,353**	$ 659,863	$ 652,471
Metal Components	**612,645**	544,669	495,020
Insulated Metal Panels	**424,762**	372,304	347,771
Metal Coil Coating	**207,817**	193,442	189,666
Total net sales	**$ 2,000,577**	$ 1,770,278	$ 1,684,928
Operating income (loss):			
Engineered Building Systems	**$ 66,689**	$ 41,388	$ 62,046
Metal Components	**87,593**	78,768	70,742
Insulated Metal Panels	**47,495**	47,932	24,620
Metal Coil Coating	**28,588**	21,459	32,422
Corporate	**(104,445)**	(79,767)	(81,051)
Total operating income	**$ 125,920**	$ 109,780	$ 108,779
Unallocated other expense	**(42,825)**	(26,642)	(29,815)
Income before income taxes	**$ 83,095**	$ 83,138	$ 78,964
Depreciation and amortization:			
Engineered Building Systems	**$ 8,627**	$ 9,014	$ 9,767
Metal Components	**5,817**	5,324	4,944
Insulated Metal Panels	**17,604**	17,907	17,862
Metal Coil Coating	**8,488**	8,243	8,284
Corporate	**1,789**	830	1,067
Total depreciation and amortization expense	**$ 42,325**	$ 41,318	$ 41,924

	Fiscal Year Ended		
	October 28, 2018	October 29, 2017	October 30, 2016
Capital expenditures:			
Engineered Building Systems	**$ 12,433**	$ 5,533	$ 7,571
Metal Components	**9,507**	5,708	3,245
Insulated Metal Panels	**5,975**	5,731	4,744
Metal Coil Coating	**9,028**	3,376	2,949
Corporate	**10,884**	1,726	2,515
Total capital expenditures	**$ 47,827**	$ 22,074	$ 21,024
Property, plant and equipment, net:			
Engineered Building Systems	**$ 53,907**	$ 46,620	$ 50,862
Metal Components	**52,119**	49,016	49,654
Insulated Metal Panels	**57,415**	70,853	76,899
Metal Coil Coating	**53,819**	50,855	54,407
Corporate	**18,980**	9,651	10,390
Total property, plant and equipment, net	**$ 236,240**	$ 226,995	$ 242,212
Total assets:			
Engineered Building Systems	**$ 225,304**	$ 195,426	$ 194,190
Metal Components	**226,083**	186,369	172,048
Insulated Metal Panels	**376,488**	380,308	388,183
Metal Coil Coating	**196,558**	175,046	181,497
Corporate	**85,942**	93,963	89,478
	$ 1,110,375	$ 1,031,112	$ 1,025,396

The following table represents summary financial data attributable to various geographic regions for the periods indicated (in thousands):

	Fiscal Year Ended		
	October 28, 2018	October 29, 2017	October 30, 2016
Total sales:			
United States of America	**$ 1,874,129**	$ 1,666,645	$ 1,589,479
Canada	**99,306**	73,090	61,781
China	**4**	8,923	6,733
Mexico	**2,460**	4,910	4,060
All other	**24,678**	16,710	22,875
Total net sales	**$ 2,000,577**	$ 1,770,278	$ 1,684,928
Long-lived assets:			
United States of America	**$ 494,425**	$ 493,203	$ 523,134
Canada	**7,041**	8,180	9,247
China	**—**	448	170
Mexico	**10,594**	10,603	10,701
Total long-lived assets	**$ 512,060**	$ 512,434	$ 543,252

Sales are determined based on customers' requested shipment location.

21. CONTINGENCIES

As a manufacturer of products primarily for use in nonresidential building construction, the Company is 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, the Company and/or its subsidiaries become involved in various legal proceedings or other contingent matters arising from claims, or potential claims. The Company insures against these risks to the extent deemed prudent by its management and to the extent insurance is available. Many of these insurance policies contain deductibles or self-insured retentions in amounts the Company deems prudent and for which the Company is responsible for payment. In determining the amount of self-insurance, it is the Company's 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.

22. QUARTERLY RESULTS (Unaudited)

Shown below are selected unaudited quarterly data (in thousands, except per share data):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
FISCAL YEAR 2018				
Sales	**$ 421,349**	**$ 457,069**	**$ 548,525**	**$ 573,634**
Gross profit	**$ 91,917**	**$ 104,083**	**$ 133,401**	**$ 133,281**
Net income (loss)	**$ 5,249**	**$ (5,684)**	**$ 35,986**	**$ 27,555**
Net income allocated to participating securities	**$ (38)**	**$ —**	**$ (221)**	**$ (138)**
Net income (loss) applicable to common shares[3]	**$ 5,211**	**$ (5,684)**	**$ 35,765**	**$ 27,417**
Income (loss) per common share:[1][2]				
Basic	**$ 0.08**	**$ (0.09)**	**$ 0.54**	**$ 0.41**
Diluted	**$ 0.08**	**$ (0.09)**	**$ 0.54**	**$ 0.41**
FISCAL YEAR 2017				
Sales	$ 391,703	$ 420,464	$ 469,385	$ 488,726
Gross profit	$ 83,951	$ 100,839	$ 114,969	$ 116,305
Net income	$ 2,039	$ 16,974	$ 18,221	$ 17,490
Net income allocated to participating securities	$ (8)	$ (115)	$ (102)	$ (78)
Net income applicable to common shares[3]	$ 2,031	$ 16,859	$ 18,119	$ 17,412
Income per common share:[1][2]				
Basic	$ 0.03	$ 0.24	$ 0.26	$ 0.25
Diluted	$ 0.03	$ 0.24	$ 0.25	$ 0.25

(1) The sum of the quarterly income per share amounts may not equal the annual amount reported, as per share amounts are computed independently for each quarter and for the full year based on the respective weighted average common shares outstanding.

(2) Excludes net income allocated to participating securities. The participating securities are treated as a separate class in computing earnings per share (see Note 8 — Earnings per Common Share).

(3) The quarterly income before income taxes were impacted by the following special income (expense) items:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
FISCAL YEAR 2018				
Loss on extinguishment of debt	**$ —**	**$ (21,875)**	**$ —**	**$ —**
(Loss) gain on disposition of business	**—**	**(6,686)**	**1,013**	**—**
Restructuring and impairment charges, net	**(1,094)**	**(488)**	**439**	**(769)**
Strategic development and acquisition related costs	**(727)**	**(1,134)**	**(3,642)**	**(11,661)**
Acceleration of CEO retirement benefits	**(4,600)**	**—**	**—**	**—**
Gain on insurance recovery	**—**	**—**	**4,741**	**—**
Discrete tax effects of U.S. tax reform	**323**	**—**	**—**	**—**
Total special income (expense) items in income before income taxes	**$ (6,098)**	**$ (30,183)**	**$ 2,551**	**$ (12,430)**
FISCAL YEAR 2017				
Goodwill impairment	$ —	$ —	$ —	$ (6,000)
Restructuring charges and impairment charges, net	(2,264)	(315)	(1,009)	(1,710)
Strategic development and acquisition related costs	(357)	(124)	(1,297)	(193)
Loss on sale of assets and asset recovery	—	(137)	—	—
Gain on insurance recovery	—	9,601	148	—
Unreimbursed business interruption costs	—	(191)	(235)	(28)
Total special income (expense) items in income before income taxes	$ (2,621)	$ 8,834	$ (2,393)	$ (7,931)

23. SUBSEQUENT EVENTS

Merger with Ply Gem

On July 17, 2018, we entered into an Agreement and Plan of Merger (the "Merger Agreement") with Ply Gem Parent, LLC ("Ply Gem"), and for certain limited purposes as set forth in the Merger Agreement, Clayton, Dubilier & Rice, LLC, pursuant to which Ply Gem would be merged with and into NCI, with NCI surviving the Merger and continuing its corporate existence (the "Merger"). On November 15, 2018, at a special meeting of shareholders of NCI, NCI's shareholders approved the Merger Agreement and the issuance of 58,709,067 shares of NCI common stock, par value $0.01 per share ("NCI Common Stock") in the aggregate, on a pro rata basis, to the holders of all of the equity interests in Ply Gem (the "Stock Issuance"), representing approximately 47% of the total number of shares of NCI Common Stock outstanding after closing. The Merger was consummated on November 16, 2018 and the total value of shares of NCI Common Stock issued pursuant to the Stock Issuance was approximately $713.9 million based on the number of shares issued multiplied by the NCI closing share price of $12.16 on November 16, 2018 (the "Acquisition date").

In connection with the Merger, on November 16, 2018, NCI assumed (i) the obligations of the company formerly known as Ply Gem Midco, Inc. ("Ply Gem Midco"), a subsidiary of Ply Gem immediately prior to the consummation of the Merger, as borrower under the Current Cash Flow Credit Agreement (as defined below), (ii) the obligations of Ply Gem Midco as parent borrower under the Current ABL Credit Agreement (as defined below) and (iii) the obligations of Ply Gem Midco as issuer under the Current Indenture (as defined below).

On April 12, 2018, Ply Gem Midco entered into a Cash Flow Credit Agreement (the "Current Cash Flow Credit Agreement"), by and among Ply Gem Midco, JPMorgan Chase Bank, N.A., as administrative agent and collateral agent (the "Current Cash Flow Agent"), and the several banks and other financial institutions from time to time party thereto. As of November 16, 2018, immediately prior to the Merger, the Cash Flow Credit Agreement provided for (i) a term loan facility (the "Current Term Loan Facility") in an original aggregate principal amount of $1,755.0 million and (ii) a cash flow-based revolving credit facility (the

"Current Cash Flow Revolver" and together with the Current Term Loan Facility, the "Current Cash Flow Facilities") of up to $115.0 million. On November 16, 2018, Ply Gem Midco entered into a Lender Joinder Agreement, by and among Ply Gem Midco, the additional commitment lender party thereto and the Cash Flow Agent, which amended the Current Cash Flow Credit Agreement in order to, among other things, increase the aggregate principal amount of the Current Term Loan Facility by $805.0 million (the "Incremental Term Loans"). Proceeds of the Incremental Term Loans were used to, among other things, (a) finance the Merger and to pay certain fees, premiums and expenses incurred in connection therewith, (b) repay in full amounts outstanding under the Pre-merger Term Loan Credit Agreement and the Pre-merger ABL Credit Agreement (each as defined below) and (c) repay $325.0 million of borrowings outstanding under the Current ABL Facility (as defined below). On November 16, 2018, in connection with the consummation of the Merger, NCI and Ply Gem Midco entered into a joinder agreement with respect to the Current Cash Flow Facilities, and NCI became the Borrower (as defined in the Current Cash Flow Credit Agreement) under the Current Cash Flow Facilities. The Current Term Loan Facility amortizes in nominal quarterly installments equal to one percent of the aggregate initial principal amount thereof per annum, with the remaining balance payable upon final maturity of the Current Term Loan Facility on April 12, 2025. There are no amortization payments under the Current Cash Flow Revolver, and all borrowings under the Current Cash Flow Revolver mature on April 12, 2023. At November 16, 2018, following consummation of the Merger, there was $2,555.6 million outstanding under the Current Term Loan Facility and there were no amounts drawn on the Current Cash Flow Revolver.

On April 12, 2018, Ply Gem Midco and certain subsidiaries of Ply Gem Midco entered into an Current ABL Credit Agreement (the "Current ABL Credit Agreement"), by and among Ply Gem Midco, the subsidiary borrowers from time to time party thereto, UBS AG, Stamford Branch, as administrative agent and collateral agent (the "ABL Agent"), and the several banks and other financial institutions from time to time party thereto, which provided for an asset-based revolving credit facility (the "Current ABL Facility") of up to $360.0 million, consisting of (i) $285.0 million available to U.S. borrowers (subject to U.S. borrowing base availability) (the "ABL U.S. Facility") and (ii) $75.0 million available to both U.S. borrowers and Canadian borrowers (subject to U.S. borrowing base and Canadian borrowing base availability) (the "ABL Canadian Facility"). On October 15, 2018, Ply Gem Midco entered into Amendment No. 2 to the Current ABL Credit Agreement, by and among Ply Gem Midco, the incremental lender party thereto and the ABL Agent, which amended the Current ABL Credit Agreement in order to, among other things, increase the aggregate commitments under the Current ABL Facility by $36.0 million to $396.0 million overall, and with the (x) ABL U.S. Facility being increased from $285.0 million to $313.5 million and (y) the ABL Canadian Facility being increased from $75.0 million to $82.5 million. On November 16, 2018, Ply Gem Midco entered into Amendment No. 4 to the Current ABL Credit Agreement, by and among Ply Gem Midco, the incremental lenders party thereto and the ABL Agent, which amended the Current ABL Credit Agreement in order to, among other things, increase the aggregate commitments under the Current ABL Facility by $215.0 million (the "Incremental ABL Commitments") to $611.0 million overall, and with the (x) ABL U.S. Facility being increased from $313.5 million to approximately $483.7 million and (y) the ABL Canadian Facility being increased from $82.5 million to approximately $127.3 million. On November 16, 2018, in connection with the consummation of the Merger, NCI and Ply Gem Midco entered into a joinder agreement with respect to the Current ABL Facility, and NCI became the Parent Borrower (as defined in the Current ABL Credit Agreement) under the Current ABL Facility. The Company and, at the Company's option, certain of the Company's subsidiaries are the borrowers under the Current ABL Facility. As of November 16, 2018, and following consummation of the Merger, (a) Ply Gem Industries, Inc., Atrium Windows and Doors, Inc., NCI Group, Inc. and Robertson-Ceco II Corporation were U.S. subsidiary borrowers under the Current ABL Facility, and (b) Gienow Canada Inc., Mitten Inc., North Star Manufacturing (London) Ltd. and Robertson Building Systems Limited were Canadian borrowers under the Current ABL Facility. All borrowings under the Current ABL Facility mature on April 12, 2023. At November 16, 2018, following consummation of the Merger, there were no amounts drawn and $24.7 million of letters of credit issued under the Current ABL Facility.

On April 12, 2018, Ply Gem Midco issued $645.0 million aggregate principal amount of 8.00% Senior Notes due 2026 (the "8.00% Senior Notes"). The 8.00% Senior Notes were issued pursuant to an Indenture, dated as of April 12, 2018 (as supplemented from time to time, the "Current Indenture"), by and among Ply Gem Midco, as issuer, the subsidiary guarantors from time to time party thereto and Wilmington Trust, National Association, as trustee. On November 16, 2018, in connection with the consummation of the Merger, the Company entered into a supplemental indenture and assumed the obligations of Ply Gem Midco as issuer under the Current Indenture and the 8.00% Senior Notes. The 8.00% Senior Notes bear interest at 8.00% per annum and will mature on April 15, 2026. Interest is payable semi-annually in arrears on April 15 and October 15.

On November 16, 2018, in connection with the incurrence by Ply Gem Midco of the Incremental Term Loans and the obtaining by Ply Gem Midco of the Incremental ABL Commitments, following consummation of the Merger, the Company (a) terminated all outstanding commitments and repaid all outstanding amounts under the Term Loan Credit Agreement, dated as of February 8, 2018 (the "Pre-merger Term Loan Credit Agreement"), by and among the Company, as borrower, the several

banks and other financial institutions from time to time party thereto and Credit Suisse AG, Cayman Islands Branch, as administrative agent and collateral agent, and (b) terminated all outstanding commitments and repaid all outstanding amounts under the ABL Credit Agreement, dated as of February 8, 2018 (the "Pre-merger ABL Credit Agreement"), by and among NCI Group, Inc. and Robertson-Ceco II Corporation, as borrowers, the Company, as a guarantor, the other borrowers from time to time party thereto, the several banks and other financial institutions from time to time party thereto and Wells Fargo Bank, National Association, as administrative agent and collateral agent. Outstanding letters of credit under the Pre-merger ABL Credit Agreement were cash collateralized. We estimate we will record an immaterial loss on extinguishment, primarily related to the Incremental Term Loans.

The Company incurred approximately $15.3 million of acquisition expenses during fiscal 2018 related to the Merger, primarily for various third-party consulting and due-diligence services, and investment bankers' fees, which are recorded in strategic development and acquisition related costs in the Company's consolidated statements of operations.

Item 9. ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.***

None.

Item 9A. ***Controls and Procedures.***

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and interim chief financial officer, evaluated the effectiveness of our disclosure controls and procedures as of October 28, 2018. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding the required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Management believes that our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives. Based on the evaluation of our disclosure controls and procedures as of October 28, 2018, our chief executive officer and interim chief financial officer concluded that, as of such date, our disclosure controls and procedures were effective at such reasonable assurance level.

Management's report on internal control over financial reporting is included in Item 8 and is incorporated herein by reference.

Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter ended October 28, 2018 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. ***Other Information.***

None.

PART III

Item 10. *Directors, Executive Officers and Corporate Governance.*

We have adopted a Code of Business Conduct and Ethics, a copy of which is available on our internet website at *www.ncibuildingsystems.com* under the heading "About NCI — Committees and Charters." Any amendments to or waivers from the Code of Business Conduct and Ethics that apply to our executive officers and directors will be posted to our website in the same section as the Code of Business Conduct and Ethics as noted above. However, the information on our website is not incorporated by reference into this Form 10-K.

The information under the captions "Election of Directors," "Management," "Section 16(a) Beneficial Ownership Reporting Compliance," "Board of Directors" and "Corporate Governance" in our definitive proxy statement for our annual meeting of shareholders to be held on February 28, 2019 is incorporated by reference herein.

Item 11. *Executive Compensation.*

The information under the captions "Compensation Discussion & Analysis," "Compensation Committee Report" and "Executive Compensation" in our definitive proxy statement for our annual meeting of shareholders to be held on February 28, 2019 is incorporated by reference herein.

Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.*

The information under the caption "Outstanding Capital Stock" in our definitive proxy statement for our annual meeting of shareholders to be held on February 28, 2019 is incorporated by reference herein.

Item 13. *Certain Relationships and Related Transactions, and Director Independence.*

The information under the captions "Board of Directors" and "Transactions with Related Persons" in our definitive proxy statement for our annual meeting of shareholders to be held on February 28, 2019 is incorporated by reference herein.

Item 14. *Principal Accounting Fees and Services.*

The information under the caption "Audit Committee and Auditors — Our Independent Registered Public Accounting Firm and Audit Fees" in our definitive proxy statement for our annual meeting of shareholders to be held on February 28, 2019 is incorporated by reference herein.

PART IV

Item 15. ***Exhibits, Financial Statement Schedules.***

(a) The following documents are filed as a part of this report:

1. consolidated financial statements (see Item 8).

2. consolidated financial statement schedules.

All schedules have been omitted because they are inapplicable, not required, or the information is included elsewhere in the consolidated financial statements or notes thereto.

3. Exhibits.

Index to Exhibits

2.1	Agreement and Plan of Merger, dated July 17, 2018, by and among Ply Gem Parent, LLC, NCI Building Systems, Inc. and solely for the purposes of Section 6.1(e), 6.5(a)(i), 6.5(a)(ii), 6.5(a)(iv), 6.5(b) and 6.5(c), Clayton, Dubilier and Rice, LLC. (filed as Exhibit 2.1 to NCI's Current Report on Form 8-K dated July 19, 2018 and incorporated by reference herein)
2.2	Indemnification Agreement, dated as of October 20, 2009, by and between the Company, NCI Group, Inc., Robertson-Ceco II Corporation, Clayton, Dubilier & Rice Fund VIII, L.P., CD&R Friends & Family Fund VIII, L.P. and Clayton, Dubilier & Rice, Inc. (filed as Exhibit 2.3 to NCI's Current Report on Form 8-K dated October 26, 2009 and incorporated by reference herein)
3.1	Amended and Restated Certificate of Incorporation of NCI Building Systems, Inc. (filed as Exhibit 3.2 to NCI's Current Report on Form 8-K dated November 20, 2018 and incorporated by reference herein)
3.2	Sixth Amended and Restated By-laws of NCI Building Systems, Inc., effective as of November 16, 2018 (filed as Exhibit 3.1 to NCI's Current Report on Form 8-K dated November 20, 2018 and incorporated by reference herein)
4.1	Form of certificate representing shares of NCI's common stock (filed as Exhibit 1 to NCI's registration statement on Form 8-A filed with the SEC on July 20, 1998 and incorporated by reference herein)
4.2	Indenture, dated as of April 12, 2018, by and among Ply Gem Midco, Inc., as issuer, the subsidiary guarantors from time to time party thereto and Wilmington Trust, National Association, as trustee (filed as Exhibit 4.1 to NCI's Current Report on Form 8-K dated November 20, 2018 and incorporated by reference herein)
4.3	First Supplemental Indenture, dated as of April 12, 2018, by and among Ply Gem Midco, Inc. and Wilmington Trust, National Association, as trustee (filed as Exhibit 4.2 to NCI's Current Report on Form 8-K dated November 20, 2018 and incorporated by reference herein)
4.4	Second Supplemental Indenture, dated as of April 12, 2018, by and among Ply Gem Midco, Inc., the subsidiary guarantors party thereto and Wilmington Trust, National Association, as trustee (filed as Exhibit 4.3 to NCI's Current Report on Form 8-K dated November 20, 2018 and incorporated by reference herein)
4.5	Third Supplemental Indenture, dated as of April 13, 2018, by and among Ply Gem Midco, Inc., the subsidiary guarantors party thereto and Wilmington Trust, National Association, as trustee (filed as Exhibit 4.4 to NCI's Current Report on Form 8-K dated November 20, 2018 and incorporated by reference herein)
4.6	Fourth Supplemental Indenture, dated as of October 15, 2018, by and among Ply Gem Midco, Inc., the subsidiary guarantor party thereto and Wilmington Trust, National Association, as trustee (filed as Exhibit 4.5 to NCI's Current Report on Form 8-K dated November 20, 2018 and incorporated by reference herein)
4.7	Fifth Supplemental Indenture, dated as of November 16, 2018, by and among the Company, the subsidiary guarantors party thereto and Wilmington Trust, National Association, as trustee (filed as Exhibit 4.6 to NCI's Current Report on Form 8-K dated November 20, 2018 and incorporated by reference herein)
4.8	Stockholders Agreement, dated November 16, 2018, by and among NCI Building Systems, Inc., Clayton, Dubilier & Rice Fund VIII, L.P., CD&R Friends & Family Fund VIII, L.P., CD&R Pisces Holdings, L.P., Atrium Intermediate Holdings, LLC, GGC BP Holdings, LLC and AIC Finance Partnership, L.P. (filed as Exhibit 10.1 to NCI's Current Report on Form 8-K dated November 20, 2018 and incorporated by reference herein)
4.9	Registration Rights Agreement, dated November 16, 2018, by and among NCI Building Systems, Inc., Clayton, Dubilier & Rice Fund VIII, L.P., CD&R Friends & Family Fund VIII, L.P., CD&R Pisces Holdings, L.P., Atrium Intermediate Holdings, LLC, GGC BP Holdings, LLC, AIC Finance Partnership, L.P. (filed as Exhibit 10.2 to NCI's Current Report on Form 8-K dated November 20, 2018 and incorporated by reference herein)
†10.1	2003 Long-Term Stock Incentive Plan, as amended and restated October 16, 2012 (filed as Annex A to NCI's Proxy Statement for the Annual Meeting held February 26, 2013 and incorporated by reference herein)

†10.2	NCI Building Systems, Inc. Deferred Compensation Plan (as amended and restated effective December 1, 2009) (filed as Exhibit 4.5 to Form S-8 dated April 23, 2010 and incorporated by reference herein)
†10.3	Form of Indemnification Agreement for Officers and Directors (filed as Exhibit 10.1 to NCI's Current Report on Form 8-K dated October 22, 2008 and incorporated by reference herein)
†10.4	Form of Director Indemnification Agreement (filed as Exhibit 10.7 to NCI's Current Report on Form 8-K dated October 26, 2009 and incorporated by reference herein)
†10.5	Form of 2010 Nonqualified Stock Option Agreement to Top Eight (8) Executive Officers (filed as Exhibit 99.4 to NCI's Current Report on Form 8-K dated March 26, 2012 and incorporated by reference herein)
†10.6	NCI Senior Executive Bonus Plan (filed as Exhibit 10.1 to NCI's Current Report on Form 8-K dated February 26, 2014 and incorporated by reference herein)
†10.7	Employment Agreement, effective September 1, 2015, by and between NCI Building Systems, Inc. and Norman C. Chambers (filed as Exhibit 10.1 to NCI's Quarterly Report on Form 10-Q for the quarter ended August 2, 2015 and incorporated by reference herein)
†10.8	Conditional Offer of Employment, dated as of August 27, 2014, by NCI Group, Inc. to Katy Theroux (filed as Exhibit 10.35 to NCI's Annual Report on Form 10-K for the fiscal ended November 1, 2015 and incorporated by reference herein)
†10.9	Form of Award Agreement for Restricted Stock Units and Performance Share Awards for Senior Executive Officers (December 2015 awards) (filed as Exhibit 10.1 to NCI's Quarterly Report on Form 10-Q for the quarter ended January 31, 2016 and incorporated by reference herein)
†10.10	Form of Award Agreement for Restricted Stock Units and Performance Share Awards for Key Employees (December 2015 awards) (filed as Exhibit 10.2 to NCI's Quarterly Report on Form 10-Q for the quarter ended January 31, 2016 and incorporated by reference herein)
†10.11	Form of Award Agreement for One-Time Grant of Performance Share Units to Donald R. Riley and John L. Kuzdal (December 2015) (filed as Exhibit 10.3 to NCI's Quarterly Report on Form 10-Q for the quarter ended January 31, 2016 and incorporated by reference herein)
†10.12	General Form of Award Agreement for Equity Awards (December 2015) (filed as Exhibit 10.4 to NCI's Quarterly Report on Form 10-Q for the quarter ended January 31, 2016 and incorporated by reference herein)
†10.13	Form of Award Agreement for Director Restricted Stock Units (December 2015) (filed as Exhibit 10.5 to NCI's Quarterly Report on Form 10-Q for the quarter ended January 31, 2016 and incorporated by reference herein)
†10.14	Form of Award Agreement for Director Stock Options (December 2015) (filed as Exhibit 10.6 to NCI's Quarterly Report on Form 10-Q for the quarter ended January 31, 2016 and incorporated by reference herein)
†10.15	NCI Building Systems, Inc. Deferred Compensation Plan (as amended and restated effective January 31, 2016) (filed as Exhibit 10.7 to NCI's Quarterly Report on Form 10-Q for the quarter ended January 31, 2016 and incorporated by reference herein)
†10.16	First Amendment to the NCI Building Systems, Inc. 2003 Long-Term Stock Incentive Plan, as amended and restated October 16, 2012, dated May 31, 2016 (filed as Exhibit 10.1 to NCI's Quarterly Report on Form 10-Q for the quarter ended July 31, 2016 and incorporated by reference herein)
†10.17	Amendment to Employment Agreement by and between NCI Building Systems, Inc. and Norman C. Chambers, dated June 15, 2016 (filed as Exhibit 10.2 to NCI's Quarterly Report on Form 10-Q for the quarter ended July 31, 2016 and incorporated by reference herein)
†10.18	Form of Employment Agreement between NCI Building Systems, Inc. and named executive officers (filed as Exhibit 10.3 to NCI's Quarterly Report on Form 10-Q for the quarter ended July 31, 2016 and incorporated by reference herein)
†10.19	Form of Employment Agreement between NCI Building Systems, Inc. and executive officers (filed as Exhibit 10.4 to NCI's Quarterly Report on Form 10-Q for the quarter ended July 31, 2016 and incorporated by reference herein)
†10.20	Form of Award Agreement for Equity Awards, applicable to Restricted Stock Units, Performance Share Units, Stock Options and Performance Cash and Share Awards (December 2016) (filed as Exhibit 10.1 to NCI's Annual Report on Form 10-K for the fiscal year ended October 30, 2016 and incorporated by reference herein)
†10.21	Amended and Restated Employment Agreement by and between NCI Building Systems, Inc. and Donald R. Riley, dated June 1, 2017 (filed as Exhibit 10.2 to NCI's Quarterly Report on Form 10-Q for the quarter ended July 30, 2017 and incorporated by reference herein)
10.22	Amendment No. 2 to the Credit Agreement, dated as of May 2, 2017, among NCI Building Systems, Inc., 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 (filed as Exhibit 10.1 to NCI's Current Report on Form 8-K dated May 02, 2017 and incorporated by reference herein)

10.23	Amendment No. 1 to the Credit Agreement, dated as of June 24, 2013, among NCI Building Systems, Inc., 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 (filed as Exhibit 10.1 to NCI's Current Report on Form 8-K dated June 24, 2013 and incorporated by reference herein)
10.24	Credit Agreement, dated as of June 22, 2012, among the Company, as Borrower, Credit Suisse AG, Cayman Islands Branch, as Administrative Agent and Collateral Agent, and the lenders party thereto (filed as Exhibit 10.1 to NCI's Current Report on Form 8-K dated June 22, 2012 and incorporated by reference herein)
10.25	Amendment No. 3 to Loan and Security Agreement, dated as of November 7, 2014 (filed as Exhibit 10.2 to NCI's Current Report on Form 8-K dated November 12, 2014 and incorporated by reference herein)
10.26	Amendment No. 2 to Loan and Security Agreement, dated as of May 2, 2012 (filed as Exhibit 10.2 to NCI's Current Report on Form 8-K dated May 2, 2012 and incorporated by reference herein)
10.27	Amendment No. 1 to Loan and Security Agreement, dated December 3, 2010, by and among the Company, as borrower or guarantor, certain domestic subsidiaries of the Company, as borrowers or guarantors, Wells Fargo Capital Finance, LLC, as administrative agent and co-collateral agent (filed as Exhibit 2.1 to NCI's Current Report on Form 8-K dated December 9, 2010 and incorporated by reference herein)
10.28	Loan and Security Agreement, dated as of October 20, 2009, by and among NCI Group, Inc. and Robertson-Ceco II Corporation, as borrowers, the Company and Steelbuilding.Com, Inc., as guarantors, Wells Fargo Foothill, LLC, as administrative and co-collateral agent, Bank of America, N.A. and General Electric Capital Corporation, as co-collateral agents and the lenders and issuing bank party thereto (filed as Exhibit 10.2 to NCI's Current Report on Form 8-K dated October 26, 2009 and incorporated by reference herein)
10.29	Amendment No. 1 to Intercreditor Agreement, dated as of June 22, 2012, among the Company, certain of its subsidiaries, Credit Suisse AG, Cayman Islands Branch, as Term Loan Administrative Agent and Term Loan Agent, Wells Fargo Capital Finance, LLC, as Working Capital Administrative Agent and Working Capital Agent and Credit Suisse AG, Cayman Islands Branch, as Control Agent (filed as Exhibit 10.3 to NCI's Current Report on Form 8-K dated June 22, 2012 and incorporated by reference herein)
10.30	Intercreditor Agreement, dated as of October 20, 2009, by and among the Company, as borrower or guarantor, certain domestic subsidiaries of the Company, as borrowers or guarantors, Wachovia Bank, National Association, as term loan agent and term loan administrative agent, Wells Fargo Foothill, LLC, as working capital agent and working capital administrative agent and Wells Fargo Bank, National Association, as control agent (filed as Exhibit 10.3 to NCI's Current Report on Form 8-K dated October 26, 2009 and incorporated by reference herein)
10.31	Guarantee and Collateral Agreement, dated as of June 22, 2012, made by the Company and certain of its subsidiaries, Credit Suisse AG, Cayman Islands Branch, as Collateral Agent (filed as Exhibit 10.2 to NCI's Current Report on Form 8-K dated June 22, 2012 and incorporated by reference herein)
10.32	Amendment No. 1 to Guaranty Agreement, dated as of June 22, 2012, among Wells Fargo Capital Finance, LLC, formerly known as Wells Fargo Foothill, LLC, in its capacity as administrative agent and co-collateral agent pursuant to the Loan Agreement (as therein defined) acting for and on behalf of the parties thereto as lenders, NCI Group, Inc., Robertson-Ceco II Corporation, the Company and Steelbuilding.com, Inc. (filed as Exhibit 10.4 to NCI's Current Report on Form 8-K dated June 22, 2012 and incorporated by reference herein)
10.33	Guaranty Agreement, dated as of October 20, 2009 by NCI Group, Inc., Robertson-Ceco II Corporation, the Company and Steelbuilding.com, Inc., in favor of Wells Fargo Foothill, LLC as administrative agent and collateral agent (filed as Exhibit 10.5 to NCI's Current Report on Form 8-K dated October 26, 2009 and incorporated by reference herein)
10.34	Pledge and Security Agreement, dated as of October 20, 2009, by and among the Company, NCI Group, Inc. and Robertson-Ceco II Corporation, to and in favor of Wells Fargo Foothill, LLC in its capacity as administrative agent and collateral agent (filed as Exhibit 10.6 to NCI's Current Report on Form 8-K dated October 26, 2009 and incorporated by reference herein)
†10.35	Amended and Restated NCI Building Systems, Inc. 2003 Long-Term Stock Incentive Plan, effective as of January 27, 2018 (filed as Exhibit 10.1 to NCI's Current Report on Form 8-K dated March 02, 2018 and incorporated by reference herein)
10.36	Term Loan Credit Agreement, dated as of February 8, 2018, among the Company, as Borrower, Credit Suisse AG, Cayman Islands Branch, as Administrative Agent and Collateral Agent, and the lenders party thereto (filed as Exhibit 10.1 to NCI's Current Report on Form 8-K dated February 13, 2018 and incorporated by reference herein)
10.37	Term Loan Guarantee and Collateral Agreement, dated as of February 8, 2018, made by the Company and certain of its subsidiaries, in favor of Credit Suisse AG, Cayman Islands Branch, as Collateral Agent (filed as Exhibit 10.2 to NCI's Current Report on Form 8-K dated February 13, 2018 and incorporated by reference herein)

10.38 ABL Credit Agreement, dated as of February 8, 2018, among the Company, as Borrower, Wells Fargo Bank, National Association, as Administrative Agent and Collateral Agent, and the lenders party thereto (filed as Exhibit 10.3 to NCI's Current Report on Form 8-K dated February 13, 2018 and incorporated by reference herein)

10.39 ABL Guarantee and Collateral Agreement, dated as of February 8, 2018, made by the Company and certain of its subsidiaries, in favor of Wells Fargo Bank, National Association, as Collateral Agent (filed as Exhibit 10.4 to NCI's Current Report on Form 8-K dated February 13, 2018 and incorporated by reference herein)

10.40 Intercreditor Agreement, dated as of February 8, 2018, among the Company, certain of its subsidiaries, Credit Suisse AG, Cayman Islands Branch and Wells Fargo Bank, National Association (filed as Exhibit 10.5 to NCI's Current Report on Form 8-K dated February 13, 2018 and incorporated by reference herein)

10.41 Cash Flow Credit Agreement, dated as of April 12, 2018, by and among Ply Gem Midco, Inc., as borrower, the several banks and other financial institutions from time to time party thereto party thereto and JPMorgan Chase Bank, N.A., as administrative agent and collateral agent (filed as Exhibit 10.3 to NCI's Current Report on Form 8-K dated November 20, 2018 and incorporated by reference herein)

10.42 First Amendment to Cash Flow Credit Agreement, dated as of November 14, 2018, by and among Ply Gem Midco, Inc., and JPMorgan Chase Bank, N.A., as administrative agent (filed as Exhibit 10.4 to NCI's Current Report on Form 8-K dated November 20, 2018 and incorporated by reference herein)

10.43 Lender Joinder Agreement, dated as of November 16, 2018, by and among Ply Gem Midco, Inc., the additional commitment lender party thereto and JPMorgan Chase Bank, N.A., as administrative agent (filed as Exhibit 10.5 to NCI's Current Report on Form 8-K dated November 20, 2018 and incorporated by reference herein)

10.44 Cash Flow Guarantee and Collateral Agreement, dated as of April 12, 2018, by and among Ply Gem Midco, Inc., the guarantors from time to time party thereto and JPMorgan Chase Bank, N.A., as collateral agent and administrative agent (filed as Exhibit 10.6 to NCI's Current Report on Form 8-K dated November 20, 2018 and incorporated by reference herein)

10.45 Cash Flow Joinder Agreement, dated as of November 16, 2018, by and among Ply Gem Midco, LLC, the Company, the subsidiary guarantors party thereto and JPMorgan Chase Bank, N.A., as administrative agent and collateral agent (filed as Exhibit 10.7 to NCI's Current Report on Form 8-K dated November 20, 2018 and incorporated by reference herein)

10.46 ABL Credit Agreement, dated as of April 12, 2018, by and among Ply Gem Midco, Inc., as parent borrower, the subsidiary borrowers from time to time party thereto, the several banks and other financial institutions from time to time party thereto party thereto and UBS AG, Stamford Branch, as administrative agent and collateral agent (filed as Exhibit 10.8 to NCI's Current Report on Form 8-K dated November 20, 2018 and incorporated by reference herein)

10.47 Amendment No. 1 to ABL Credit Agreement, dated as of August 7, 2018, by and among Ply Gem Midco, Inc., the subsidiary borrowers party thereto, the lenders and issuing lenders party thereto and UBS AG, Stamford Branch, as administrative agent and collateral agent (filed as Exhibit 10.9 to NCI's Current Report on Form 8-K dated November 20, 2018 and incorporated by reference herein)

10.48 Amendment No. 2 to ABL Credit Agreement, dated as of October 15, 2018, by and among Ply Gem Midco, Inc., the subsidiary borrowers party thereto, the incremental lender party thereto and UBS AG, Stamford Branch, as administrative agent, collateral agent and swingline lender (filed as Exhibit 10.10 to NCI's Current Report on Form 8-K dated November 20, 2018 and incorporated by reference herein)

10.49 Amendment No. 3 to ABL Credit Agreement, dated as of November 14, 2018, by and among Ply Gem Midco, Inc., the subsidiary borrowers party thereto, the lenders and issuing lenders party thereto and UBS AG, Stamford Branch, as administrative agent and collateral agent (filed as Exhibit 10.11 to NCI's Current Report on Form 8-K dated November 20, 2018 and incorporated by reference herein)

10.50 Amendment No. 4 to ABL Credit Agreement, dated as of November 16, 2018, by and among Ply Gem Midco, Inc., the subsidiary borrowers party thereto, the incremental lenders party thereto and UBS AG, Stamford Branch, as administrative agent, collateral agent and swingline lender (filed as Exhibit 10.12 to NCI's Current Report on Form 8-K dated November 20, 2018 and incorporated by reference herein)

10.51 ABL U.S. Guarantee and Collateral Agreement, dated as of April 12, 2018, by and among Ply Gem Midco, Inc., the U.S. subsidiary borrowers from time to time party thereto, the guarantors from time to time party thereto and UBS AG, Stamford Branch, as collateral agent and administrative agent (filed as Exhibit 10.13 to NCI's Current Report on Form 8-K dated November 20, 2018 and incorporated by reference herein)

10.52 ABL Canadian Guarantee and Collateral Agreement, dated as of April 12, 2018, by and among the Canadian borrowers from time to time party thereto, the guarantors from time to time party thereto and UBS AG, Stamford Branch, as collateral agent and administrative agent (filed as Exhibit 10.14 to NCI's Current Report on Form 8-K dated November 20, 2018 and incorporated by reference herein)

10.53 ABL Joinder Agreement, dated as of November 16, 2018, by and among Ply Gem Midco, LLC, the Company, the subsidiary guarantors party thereto and UBS AG, Stamford Branch, as administrative agent and collateral agent (filed as Exhibit 10.15 to NCI's Current Report on Form 8-K dated November 20, 2018 and incorporated by reference herein)

*21.1	List of Subsidiaries
*23.1	Consent of Independent Registered Public Accounting Firm
*24.1	Powers of Attorney
*31.1	Rule 13a-14(a)/15d-14(a) Certifications (Section 302 of the Sarbanes-Oxley Act of 2002)
*31.2	Rule 13a-14(a)/15d-14(a) Certifications (Section 302 of the Sarbanes-Oxley Act of 2002)
**32.1	Certifications pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code (Section 906 of the Sarbanes-Oxley Act of 2002)
**32.2	Certifications pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code (Section 906 of the Sarbanes-Oxley Act of 2002)
**101.INS	XBRL Instance Document
**101.SCH	XBRL Taxonomy Extension Schema Document
**101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
**101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
**101.LAB	XBRL Taxonomy Extension Labels Linkbase Document
**101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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* Filed herewith

** Furnished herewith

† Management contracts or compensatory plans or arrangements

Item 16. *Form 10-K Summary.*

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NCI BUILDING SYSTEMS, INC.

By: /s/ James S. Metcalf

James S. Metcalf, Chairman of the Board and Chief Executive Officer

Date: December 19, 2018

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated per Form 10-K.

Name	Title	Date
/s/ James S. Metcalf **James S. Metcalf**	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)	December 19, 2018
/s/ Shawn K. Poe **Shawn K. Poe**	Chief Financial Officer (Principal Financial Officer)	December 19, 2018
/s/ Brian P. Boyle **Brian P. Boyle**	Chief Accounting Officer and Treasurer (Principal Accounting Officer)	December 19, 2018
* **Kathleen J. Affeldt**	Director	December 19, 2018
* **George L. Ball**	Director	December 19, 2018
* **Gary L. Forbes**	Director	December 19, 2018
* **John J. Holland**	Director	December 19, 2018
* **John Krenicki**	Director	December 19, 2018
* **George Martinez**	Director	December 19, 2018
* **Timothy O'Brien**	Director	December 19, 2018
* **Nathan K. Sleeper**	Director	December 19, 2018
* **Jonathan L. Zrebiec**	Director	December 19, 2018

*By: /s/ James S. Metcalf

James S. Metcalf,
Attorney-in-Fact

FORM **10-K/A**

NCI BUILDING SYSTEMS INC - NCS

Filed: February 25, 2019 (period: October 28, 2018)

Amendment to a previously filed 10-K

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

FORM 10-K/A
(Amendment No. 1)

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Fiscal Year Ended: October 28, 2018

☐ **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	**76-0127701**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

5020 Weston Parkway, Suite 400, Cary, NC 27513
(Address of Principal Executive Offices, Including Zip Code)

(888) 975-9436
(Registrant's Telephone Number, Including Area Code)

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

Common Stock, $0.01 par value	New York Stock Exchange
(Title of each class)	**(Name of each exchange on which registered)**

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 ☐ No ☒

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of 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. ☐

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

Large Accelerated Filer ☒	Accelerated Filer ☐
Non-Accelerated Filer ☐	Smaller Reporting Company ☐

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

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

The aggregate market value of the voting and non-voting common stock held by non-affiliates of the registrant on April 27, 2018 was $750,262,999, 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.

The number of shares of common stock of the registrant outstanding on February 5, 2019 was 125,475,859.

TABLE OF CONTENTS

	Page
EXPLANATORY NOTE	1
PART III	1
Item 10. Directors, Executive Officers and Corporate Governance	1
Item 11. Executive Compensation	14
Item 12. Security Ownership of Certain Beneficial Owners & Management and Related Stockholder Matters	41
Item 13. Certain Relationships and Related Transactions, and Director Independence	46
Item 14. Principal Accounting Fees and Services	49
PART IV	50
Item 15. Exhibits and Financial Statement Schedules	50

EXPLANATORY NOTE

This Amendment No. 1 on Form 10-K/A (the "Amendment") amends the Annual Report on Form 10-K of NCI Building Systems, Inc. (the "Company," "NCI," "our" or "we") for the fiscal year ended October 28, 2018 ("Fiscal 2018") that was originally filed with the Securities and Exchange Commission ("SEC") on December 19, 2018 (the "Original Filing") and is being filed to provide the information required by Items 10, 11, 12, 13, and 14 of Part III of Form 10-K. This information was previously omitted from the Original Filing in reliance on General Instruction G(3) to Form 10-K, which permits the information in the above referenced items to be incorporated in the Form 10-K by reference from our definitive proxy statement if such statement is filed no later than 120 days after our fiscal year end. On November 16, 2018, our board of directors (the "Board" or "Board of Directors") approved and changed the Company's fiscal year from a 52/53 week year with the Company's fiscal year end on the Sunday closest to October 31 to a fiscal year of the 12 month period of January 1 to December 31 of each calendar year, to commence with the year ending December 31, 2019 ("Fiscal 2019"). As a result of this change in fiscal year, on January 28, 2019, the Board approved and changed the date of the Company's annual meeting of shareholders for 2019 (the "Annual Meeting") from the previously announced date of February 28, 2019 to May 23, 2019. Accordingly, we are filing this Amendment to include Part III information in our Form 10-K because a definitive proxy statement containing this information will not be filed by us within 120 days after the end of the fiscal year covered by the Original Filing. The reference on the cover of the Original Filing to the incorporation by reference to portions of our definitive proxy statement into Part III of the Original Filing is hereby deleted.

In accordance with Rule 12b-15 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), Part III, Items 10 through 14 of the Original Filing are hereby amended and restated in their entirety, and Part IV, Item 15 of the Original Filing is hereby amended and restated in its entirety, with the only changes being the addition of Exhibits 10.1, 31.1 and 31.3 filed herewith and related footnotes. This Amendment does not amend or otherwise update any other information in the Original Filing. Accordingly, this Amendment should be read in conjunction with the Original Filing and with our filings with the SEC subsequent to the Original Filing.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Information Regarding Our Directors and Executive Officers

Board of Directors

Our Amended and Restated Certificate of Incorporation (the "Certificate of Incorporation") and Sixth Amended and Restated By-Laws (the "By-Laws"), together with the Stockholders Agreement, dated November 16, 2018 (the "New Stockholders Agreement"), between the Company and each of Clayton, Dubilier & Rice Fund VIII, L.P., a Cayman Islands exempted limited partnership ("CD&R Fund VIII"), CD&R Friends & Family Fund VIII, L.P., a Cayman Islands exempted limited partnership ("CD&R FF Fund VIII" and, together with CD&R Fund VIII, the "CD&R Fund VIII Investors"), CD&R Pisces Holdings, L.P., a Cayman Islands exempted limited partnership ("CD&R Pisces", and together with CD&R Fund VIII Investors, individually, the "CD&R Investors," and collectively, the "CD&R Investor Group"), Atrium Intermediate Holdings, LLC, a Delaware limited liability company ("Atrium"), GGC BP Holdings, LLC, a Delaware limited liability company ("GGC"), and AIC Finance Partnership, L.P., a Cayman Islands exempted limited partnership ("AIC", and together with Atrium and GGC, each individually, a "Golden Gate Investor," and collectively, the "Golden Gate Investor Group," and together with the CD&R Investor Group, the "Investors"), provide that the number of directors on our Board initially following the consummation of the Merger (as defined below) shall be fixed at twelve, and shall be fixed from time to time exclusively pursuant to a resolution adopted by a majority of our Board. The number of members constituting our Board is currently fixed at twelve, including one vacancy as of the date hereof.

In accordance with our Certificate of Incorporation and By-Laws, our Board is divided into three classes, as nearly equal in number as reasonably possible, and members are elected for a term of office expiring at the third succeeding annual stockholders' meeting following their election to office or until a successor is duly elected and qualified. Except as otherwise provided by the New Stockholders Agreement, under our By-Laws, newly created directorships resulting from any increase in the authorized number of directors or any vacancies on our Board resulting from death, resignation, retirement, disqualification, removal from office or other cause shall be filled only by a majority of the votes that can be cast by directors then in office, though less than a quorum, and directors so chosen hold office until the Annual Meeting of stockholders at which the term of office of the class to which the director has been elected expires. The terms of office of each of the Class II directors expire at the Annual Meeting and the terms of office of each of the Class I and Class III directors expire at the Annual Meetings in 2021 and 2020, respectively.

Kathleen J. Affeldt

Ms. Affeldt, age 70, has served as a director since November 2009. Ms. Affeldt serves on the Nominating & Corporate Governance Committee, the Executive Committee, the Affiliate Transactions Committee, and is the Chair of the Compensation Committee of our Board of Directors. Ms. Affeldt retired from Lexmark International, a developer, manufacturer and supplier of printing and imaging solutions for offices and homes, in February 2003, where she had been Vice President of Human Resources since July 1996. She joined Lexmark when it became an independent company in 1991 as the Director of Human Resources. Ms. Affeldt began her career at IBM in 1969, specializing in sales of supply chain systems. She later held a number of human resources management positions. Ms. Affeldt has served as a director of SIRVA, Inc. and as chair of that board's compensation committee. She also served as a director of Sally Beauty Holdings, Inc., and as the chair of that board's compensation committee. She currently serves as a director of BTE Technologies, Inc., and as a director and chair of the compensation committee of HD Supply Holdings, Inc. Ms. Affeldt attended the State University of New York and Hunter College in New York City, majoring in Business Administration.

Director Qualifications: Ms. Affeldt's experience in large, multinational companies in general, as well as in the human resources field in particular, provides our Board of Directors with insight into the attraction, motivation and retention of personnel. Additionally, her service on the boards of other public companies brings to our Board of Directors valuable insight into the strategic, financial and personnel challenges faced by companies similar to NCI.

George L. Ball

Mr. Ball, age 60, has served as a director since February 2014. He serves on the Audit Committee, the Compensation Committee, the Executive Committee, the Affiliate Transactions Committee, and is the Chair of the Routine Transaction Committee of our Board of Directors. Mr. Ball is the Chief Financial Officer of Parsons Corporation, a global engineering and construction services company that was established in 1944. Mr. Ball joined Parsons in 1995 and has held varying positions of increasing responsibility and was promoted to Chief Financial Officer in 2008. Mr. Ball was formerly a senior accountant with Coopers & Lybrand LLP, now known as PricewaterhouseCoopers LLP. Mr. Ball currently serves as a director of Wells Fargo Real Estate Investment Corporation, a publicly traded real estate investment trust, and is a member of its audit committee. Mr. Ball earned his B.S. in Accounting from Drexel University.

Director Qualifications: Mr. Ball's background and experience as an executive in a large, multinational engineering and construction services company provides the Board with perspective on strategic, financial, compensation, management development and sales issues. Mr. Ball's extensive experience and financial and accounting background as a chief financial officer provides the Audit Committee with valuable experience. Mr. Ball's extensive financial experience and knowledge of compensation program design provide the Compensation Committee with valuable experience.

Gary L. Forbes

Mr. Forbes, age 75, has served as a director since December 1991. Mr. Forbes serves on the Executive Committee, Affiliate Transactions Committee, and is the Chair of the Audit Committee of our Board of Directors. In addition, Mr. Forbes is our designated Audit Committee financial expert. Mr. Forbes was a Senior Vice President of Equus Total Return, Inc., an investment company, from November 1991 until his retirement in March 2010. Mr. Forbes was a director of Consolidated Graphics, Inc., a publicly traded commercial printing company, where he served on its audit committee, from 1993 until January 2014. Mr. Forbes previously served on the board of directors of Carriage Services, Inc., a publicly traded funeral services company, from May 2007 to February 2009. Mr. Forbes earned a B.B.A. in Accounting from the University of Texas at Austin and is a certified public accountant.

Director Qualifications: Mr. Forbes' background has provided our Board of Directors with valuable financial and accounting expertise as our financial expert on the Audit Committee of our Board of Directors. Additionally, having served as a member of our Board of Directors since 1991, Mr. Forbes has a deep historical understanding of our business, operations and culture.

John J. Holland

Mr. Holland, age 68, has served as a director since November 2009. He serves on the Audit Committee, the Nominating & Corporate Governance Committee and the Affiliate Transactions Committee of our Board of Directors. Mr. Holland served as the President of the International Copper Association from February 2012 until his retirement in November 2015. The International Copper Association is a marketing association for the copper industry. Mr. Holland has been the President of Greentree Advisors, LLC since October 2004. Mr. Holland was the President, Chief Operating Officer and Chief Financial Officer of MMFX Technologies Corporation, a privately held steel manufacturing firm, from 2008 until 2009. Prior to that, Mr. Holland was the Executive Vice President and Chief Financial Officer of Alternative Energy Sources, Inc., an ethanol producer, from August 2006 until June 2008. Mr. Holland previously was employed by Butler Manufacturing Company, a producer of pre-engineered building systems, supplier of architectural aluminum systems and components and provider of construction and real estate services for the nonresidential construction market, from 1980 until his retirement in 2004. Prior to his retirement from Butler, Mr. Holland served as Chairman of the Board from 2001 to 2004, as Chief Executive Officer from 1999 to 2004 and as President from 1999 to 2001. Mr. Holland currently serves as a director and on the audit committee of Cooper Tire & Rubber Co., and as a director and on the audit and compensation committees of Saia, Inc. (formerly SCS Transportation, Inc.). Mr. Holland holds B.S. and M.B.A. degrees from the University of Kansas and is a certified public accountant.

Director Qualifications: Mr. Holland's extensive career in the metal building industry, including his role as a chief executive officer of a public company, provides the Board with perspective on the particular strategic, manufacturing, sales and marketing, compensation and personnel issues faced by companies in our industry. Further, Mr. Holland's extensive financial and accounting background as a former chief financial officer and a certified public accountant provides the Audit Committee with valuable expertise.

Lawrence J. Kremer

Mr. Kremer, age 77, has served as a director since October 2009. Mr. Kremer serves on the Affiliate Transactions Committee of our Board of Directors. Mr. Kremer retired in 2007 from Emerson Electric Co., having served as Corporate Vice President of Global Materials. Prior to that, Mr. Kremer was employed by Whirlpool Corporation, a worldwide producer of appliances, as Senior Vice President of International Operations and Global Materials. Mr. Kremer currently serves as a director of Fifth Third Bank Southern Region and St. Mary's Hospital System, a Midwest Regional Hospital. Mr. Kremer previously served as Chairman of the Board of Trustees of the University of Evansville. Mr. Kremer holds a B.S. and an M.B.A. from the University of Evansville.

Director Qualifications: Mr. Kremer's leadership roles in global manufacturing bring to our Board of Directors an understanding of the global business environment and valuable insight into the operations of large, complex manufacturing operations.

John Krenicki

Mr. Krenicki, age 56, has served as lead director since November 16, 2018. He serves on the Compensation Committee, as Chair of the Nominating & Corporate Governance Committee and as Chair of the Executive Committee of our Board of Directors. Mr. Krenicki served as Lead Director of Ply Gem Holdings, Inc. from April 16, 2018 until the consummation of the Merger (as defined below). He is currently a Director at Devon Energy Corp. Mr. Krenicki served as Vice Chairman of GE and as President and Chief Executive Officer of GE Energy ("GE") from July 2005 until December 2012. His responsibilities included oversight of GE's oil and gas, power and water and energy management businesses. He also serves as chairman of Brand Industrial Services Inc., Wilsonart International Holdings LLC, and PowerTeam Services. He was a Member of GE's Corporate Executive Council and the GE Capital Board of Directors. He previously served as chairman of ServiceMaster Global Holdings and CHC Group and as a director of Hess Corp. He is a member of the National Petroleum Council. He earned a B.S. degree in Mechanical Engineering from the University of Connecticut. He received an M.S. degree in Management from Purdue University.

Director Qualifications: Mr. Krenicki's leadership roles in diverse manufacturing and services enterprises bring to our Board of Directors an understanding of the global business environment, investment judgment, and valuable insight into the operations of large, complex manufacturing operations.

George Martinez

Mr. Martinez, age 77, has served as a director since March 2003. He serves on the Audit Committee and the Affiliate Transactions Committee of our Board of Directors. Mr. Martinez is the Chairman and Chief Executive Officer of Allegiance Bancshares, Inc., a publicly traded bank holding company (ABTX Nasdaq) which owns Allegiance Bank, a Texas banking association headquartered in Houston, Texas that opened for business in October 2007. He has been active as a bank executive in Houston for over 40 years and is the former Chairman of Sterling Bancshares, Inc., a publicly traded bank holding company (SBIB Nasdaq). Mr. Martinez served as President of Chrysalis Partners, LLC, a performance consulting firm, from 1999 to 2008. He serves his community on the boards of directors of the University of St. Thomas and Collaborative for Children. Mr. Martinez has a B.A. in Business Administration and Economics from Rice University.

Director Qualifications: Mr. Martinez's background and experience in performance consulting and as an executive in the banking industry allow him to provide to the Board valuable financial, accounting and operational expertise. Additionally, having served as a member of our Board of Directors since 2003, Mr. Martinez has a high degree of familiarity with our business, operations and culture.

James S. Metcalf

Mr. Metcalf, age 61, has served as a director since May 2017, as the Chairman of our Board of Directors since January 1, 2018 and as our Chief Executive Officer since November 16, 2018. He serves on the Executive Committee, the Routine Transaction Committee, and the Affiliate Transactions Committee of our Board of Directors. Mr. Metcalf retired in October 2016 as the Chairman, President and Chief Executive Officer of USG Corporation. At the time of his retirement, he had served as Chairman since December 2011 and had served as Chief Executive Officer and President since January 2011. From January 2006 through January 2011, he was President and Chief Operating Officer of USG. Prior to that, Mr. Metcalf held many positions at USG including president, Building Systems; president and chief executive officer, L&W Supply; senior vice president, Sales and Marketing, USG Interiors, Inc.; vice president, National Accounts, United States Gypsum Company; director, Retail Marketing, USG Corporation; director, Retail Sales, USG Interiors, Inc.; and national accounts manager, United States Gypsum Company. Mr. Metcalf is a director of Tenneco Inc. Mr. Metcalf is a policy advisory board member for the Joint Center for Housing Studies at Harvard University. Mr. Metcalf holds a bachelor's degree from The Ohio State University. He also holds a master's degree in business administration from Pepperdine University and Stanford University SEP.

Director Qualifications: Mr. Metcalf's extensive career in a building materials company, including his former role as a chief executive officer and chairman of its board of directors, provides him with the necessary skills to be Chairman of our Board of Directors. As a result of his experience, he has a deep understanding of the industry in which we participate and insight into corporate governance practices, strategy, operations, finance, technology, innovation, and compensation policies and practices generally and, as our Chief Executive Officer for the last two months, our Company in particular.

Timothy O'Brien

Mr. O'Brien, age 55, has served as a director since November 16, 2018. He serves on the Nominating & Corporate Governance Committee of our Board of Directors. Mr. O'Brien has served as the President and Chief Executive Officer of Wilsonart Engineered Surfaces since January 2013. Prior to joining Wilsonart, Tim served as Vice President and General Manager of SABIC Innovative Plastic, responsible for the engineering resins business in the Americas and Europe. SABIC Innovative Plastics, a business unit of Saudi Basic Industries Corporation ("SABIC"), was founded in 2007 with the acquisition of GE Plastics. Prior to SABIC, Tim began his career at General Electric as a Sales Representative for GE Lighting. Throughout his 24-year career at GE, he also held roles of increasing responsibility in Sales, Production Management and General Management, including Vice President of Sales and Distribution Operations for the Asia Pacific, based in Singapore. Mr. O'Brien ultimately served as Senior Vice President for Commercial Finance with GE Capital until 2003, running a global computer leasing business. Mr. O'Brien earned his Bachelor's Degree from Northeastern University in Massachusetts and his MBA from Baldwin Wallace College in Ohio.

Director Qualifications: Mr. O'Brien's leadership roles in global manufacturing bring to our Board of Directors an understanding of the global business environment and valuable insight into the operations of large, complex manufacturing operations.

Nathan K. Sleeper

Mr. Sleeper, age 45, has served as a director since October 2009. Mr. Sleeper serves on the Compensation Committee and the Executive Committee of our Board of Directors. Mr. Sleeper is a partner of Clayton, Dubilier & Rice, LLC ("CD&R, LLC"), the successor to the investment management business of CD&R, Inc., which he joined in 2000. Prior to joining CD&R, Inc., he was employed by Goldman, Sachs & Co. in the Investment Banking Division. He has also been employed by Tiger Management. He currently serves as a director of PowerTeam Services LLC, Wilsonart International Holdings LLC, Brand Energy & Infrastructure Services, Inc., Beacon Roofing Supply, Inc., a public company, SunSource Holdings, Inc., and Core & Main LP. Mr. Sleeper was a director of Atkore International Group, Inc., a public company, HD Supply Holdings, Inc., a public company, Hussmann International, Inc., U.S. Foods, Inc., Hertz Global Holdings, a public company, and CHC Group Ltd. Mr. Sleeper holds a B.A. from Williams College and an M.B.A. from Harvard Business School.

Director Qualifications: Mr. Sleeper's broad experience in the financial and investment communities brings to our Board of Directors important insights into business strategy and areas to improve our financial performance.

Jonathan L. Zrebiec

Mr. Zrebiec, age 39, has served as a director since November 2009. Mr. Zrebiec is a partner of CD&R, LLC, having joined CD&R, Inc. in 2004. He serves on the Routine Transaction Committee of our Board of Directors. Prior to joining CD&R, Inc., he was employed by Goldman, Sachs & Co. in the Investment Banking Division. He currently serves as a director of Atkore International Group, Inc., a public company, Wilsonart International Holdings LLC, Brand Energy & Infrastructure Services, Inc., Core & Main LP and SunSource Holdings, Inc. Mr. Zrebiec was a director of Roofing Supply Group, LLC from May 2012 to September 2015 and was a director of Hussmann International, Inc. from October 2011 to April 2016. Mr. Zrebiec holds a B.S. in Economics from the University of Pennsylvania and holds an M.B.A. from Columbia University.

Director Qualifications: Mr. Zrebiec's experience in the financial and investing community provides our Board with insight into business strategy, improving financial performance and the economic environment in which we operate. Mr. Zrebiec is a CD&R Investor Nominee (as defined in the New Stockholders Agreement).

Executive Officers

Our current executive officers are as follows:

Name	Position
James S. Metcalf	Chairman and Chief Executive Officer
Brian P. Boyle	Senior Vice President, Chief Accounting Officer and Treasurer
John L. Buckley	President, Siding Business Unit - Residential
Todd R. Moore	Executive Vice President, Chief Legal, Risk & Compliance Officer and Corporate Secretary
Shawn K. Poe	Executive Vice President, Chief Financial Officer
Donald R. Riley	Chief Executive Officer, Commercial Business Unit and Head of Supply Chain & Technology
Arthur W. Steinhafel	President, U.S. Windows Business Unit - Residential
Katy K. Theroux	Executive Vice President, Chief Human Resources Officer

Information concerning the business experience of Mr. James S. Metcalf is provided under the section titled “Board of Directors.”

Brian P. Boyle, age 46, has served as Senior Vice President, Chief Accounting Officer and Treasurer since November 16, 2018. Mr. Boyle was Ply Gem Industries, Inc.’s Chief Accounting Officer and Treasurer from 2016 until November 16, 2018. Prior to this role, Mr. Boyle served as Ply Gem’s Corporate Controller from 2008-2016 participating in Ply Gem’s initial public offering process in 2013. Prior to joining Ply Gem, Mr. Boyle was a senior manager in the audit practice with PricewaterhouseCoopers LLP in Raleigh, NC working predominantly with manufacturing clients. Mr. Boyle graduated from the University of North Carolina-Chapel Hill in 1995 with a BSBA and a Master of Accounting.

John L. Buckley, age 54, has served as our President, Siding Business Unit - Residential (formerly known as the Siding Division) since November 16, 2018. Prior to that, Mr. Buckley served as Ply Gem Industries, Inc.’s President of Siding, Fencing and Stone group from 2012 until November 16, 2018. Mr. Buckley joined Ply Gem in 1999, and prior to his appointment as President of the Siding, Fencing and Stone group he had served as Senior Vice President of Sales for Ply Gem’s siding and accessories subsidiaries. Prior to joining Ply Gem, Mr. Buckley worked for CertainTeed from 1991 to 1999, holding a variety of sales management positions. Mr. Buckley currently serves as the Chairman of the VSI Board of Directors and Chairman of the VSI Steering Committee and Primary Marketing Committee. Mr. Buckley received a BA in communications from the University of Michigan in 1986, and a MSA from Madonna University in 1991.

Todd R. Moore, age 59, has served as our Executive Vice President, Chief Legal, Risk & Compliance Officer and Corporate Secretary since May 2017. Mr. Moore served as our Executive Vice President and General Counsel from December 2007 to May 2017, and as our Vice President and General Counsel from March 2003 to December 2007. Mr. Moore has served as a Vice President and General Counsel of all NCI divisions since January 1999 and as our Corporate Secretary since March 2005. Before joining NCI in January 1999, Mr. Moore was a partner in the Trial Section of Gardere Wynne Sewell LLP, a law firm based in Texas. Mr. Moore has a B.A. in Political Science from Southern Methodist University and a J.D. from the University of Tulsa College of Law. He is licensed to practice law in the State of Texas.

Shawn K. Poe, age 56, has served as Executive Vice President, Chief Financial Officer since November 16, 2018. Mr. Poe was Chief Financial Officer and Executive Vice President of Ply Gem Holdings, Inc. from August 2004 until November 16, 2018. He served as Vice President of Finance of Ply Gem Holdings Inc. from March 2000 to August 2004. He served as Corporate Controller and various other accounting positions at Nordyne, Inc., joining in 1990. Mr. Poe graduated from Southeast Missouri State University in 1984 with a BS in Accounting. Mr. Poe graduated from Fontbonne College in 1994 with an MBA.

Donald R. Riley, age 56, has served as our Chief Executive Officer, Commercial Business Unit (formerly known as the NCI Division) and Head of Supply Chain & Technology since November 2018. Mr. Riley served as our Chief Executive Officer from July 2017 to November 2018, as President from January 2016 to November 2018 and as President of our Group Business Segment from December 2014 to January 2016. Mr. Riley has also served on the Board of Directors and on its Executive Committee from July 2017 to November 2018. Before joining NCI, Mr. Riley was employed by Probuild Holdings, LLC, a supplier of building materials to production builders, custom builders, local contractors and project oriented consumers, where he served as Executive Vice President from November 2011 to November 2014. As Executive Vice President, Mr. Riley managed the supply chain, manufacturing, construction services, marketing, pricing, information technology, strategy and business project management office functions. Prior to joining Probuild Holdings, Mr. Riley was employed by Mohawk Industries, Inc., a floor covering company, from September 2004 to November 2011, serving in various capacities such as Chief Information Officer, Senior Vice President Logistics, and Interim Flooring Executive Vice President Customer Experience. At Mohawk Industries, Mr. Riley was responsible for its global information systems, North America logistic functions, and the flooring segment’s customer service function. Mr. Riley has a B.S. in Engineering from the University of Tennessee at Knoxville.

Arthur W. Steinhafel, age 52, has served as President, U.S. Windows Business Unit - Residential (formerly known as the U.S. Windows Division) since November 16, 2018. Prior to that, Mr. Steinhafel served as Ply Gem Industries, Inc.'s President of U.S. Windows and Doors group from 2013 to November 15, 2018. Mr. Steinhafel joined Ply Gem in 2010, and prior to his appointment to President of the Ply Gem's U.S. Window and Door group had served as Senior Vice President of Sales for Ply Gem's U.S. Window and Door group. Prior to joining Ply Gem, Mr. Steinhafel worked for Atrium Windows from 2008 to 2010 as President of the Central Region and for Peachtree Window Companies in various capacities from 1999 to 2007. Mr. Steinhafel received a BS in Industrial Technology from the University of Wisconsin-Stout in 1992.

Katy K. Theroux, age 50, has served as our Executive Vice President, Chief Human Resources Officer since November 2018. Ms. Theroux served as our Executive Vice President, Corporate Marketing and Chief Human Resources Officer from July 2017 to November 2018, and as our Vice President, Chief Human Resources officer from September 2014 to June 2017. Before joining NCI, Ms. Theroux was employed by 1WORLDSYNC, where she served as Chief Marketing and Administrative Officer from 2012 to 2013, and was responsible for the integration of two multinational technology services companies. Prior to joining 1WORLDSYNC, Ms. Theroux served as Senior Vice President, Customer Engagement & Solutions for its parent, GS1 US and 1SYNC from 2007 to 2012, and was responsible for customer support, marketing, human resources and facilities shared services for all operating units. Ms. Theroux also served as its Chief Human Resources Officer from 2006 to 2012. Ms. Theroux served as Chairman of the Board of Peirce College until June 2015. Ms. Theroux has a B.S. from Syracuse University and an M.B.A. from Saint Peter's University.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our directors and officers and persons who beneficially own more than 10% of any of our equity securities to file initial reports of ownership and reports of changes in ownership with the SEC. Our employees prepare these reports for our directors and executive officers who request it on the basis of the information obtained from them and from NCI's records. Our directors and officers are required by the Exchange Act to furnish us with copies of all Section 16(a) forms they file.

To the Company's knowledge, based solely on our review of the copies of the forms received by us with respect to Fiscal 2018, or written representations from the reporting persons, we believe that all Section 16(a) executive officers, directors and greater than 10% beneficial stockholders of NCI complied with applicable Section 16(a) requirements during Fiscal 2018; except that one report, covering one transaction, was filed late by Mr. Metcalf.

Code of Ethics

We have adopted a Code of Business Conduct and Ethics relating to the conduct of our business by our directors, officers and employees, which is posted on our website at *www.ncibuildingsystems.com* under the heading "Investors — Committees & Charters." Any amendments to or waivers from the Code of Business Conduct and Ethics that apply to our executive officers and directors will be posted to our website in the same section as the Code of Business Conduct and Ethics as noted above. However, the information on our website is not incorporated by reference into this Form 10-K.

Board Meetings

Our Board met seven times during the fiscal year ended October 28, 2018. Each of our directors attended 75% or more of the aggregate of the total number of meetings of our Board of Directors held during the period in which he or she was a director and the total number of meetings held by all board committees on which he or she served during the periods that he or she served. It is our policy to schedule a meeting of our Board of Directors on the date of the Annual Meeting, and we encourage all of our directors to attend both meetings. All of our then-current directors attended last year's Annual Meeting.

Our non-management directors meet without the presence of management at regularly scheduled executive sessions. These executive sessions typically occur before or after regularly scheduled meetings of our Board of Directors. The presiding director of these executive sessions is the Chair of the Nominating and Corporate Governance Committee, if such person is an independent director; otherwise, the Chair of the Audit Committee serves as presiding director. For information on how you can communicate with our non-management directors, please see "Communications with Our Board."

Board Committees

Our Board has six standing committees – the Executive Committee, the Audit Committee, the Compensation Committee, the Nominating and Corporate Governance Committee, the Affiliate Transactions Committee and the Routine Transactions Committee. Below is a table disclosing our Board of Directors and committee compositions as of the date of this Amendment.

BOARD AND COMMITTEE APPOINTMENTS

Name	Board	Class	Expiration	Audit	Compensation	Nominating & Corporate Governance	Executive	Affiliate Transactions (b)	Routine Transactions Committee
Kathleen J. Affeldt	Member	III	2020		Chair	Member	Member	Member	
George L. Ball	Member	III	2020	Member	Member		Member	Member	Chair
Gary L. Forbes	Member	II	2019[(a)]	Chair			Member	Member	
John J. Holland	Member	I	2021	Member		Member		Member	
Lawrence J. Kremer	Member	I	2021					Member	
John Krenicki	Member	I	2021		Member	Chair	Chair		
George Martinez	Member	II	2019[(a)]	Member				Member	
James S. Metcalf	Chairman	II	2019[(a)]				Member	Member	Member
Timothy O'Brien	Member	III	2020			Member			
Nathan K. Sleeper	Member	III	2020		Member		Member		
Jonathan L. Zrebiec	Member	II	2019(a)						Member

(a) Messrs. Forbes, Martinez, Metcalf, and Zrebiec are Class II directors. The Class II directors are to be elected at the Annual Meeting for a term expiring at the Annual Meeting to be held in 2022.

(b) No chair exists for the Affiliate Transactions Committee.

Executive Committee

The Executive Committee is generally authorized to act on behalf of our Board between scheduled meetings of our Board of Directors, except as provided by the New Stockholders Agreement and by our By-Laws, to the fullest extent permitted by Delaware corporate law. However, the Executive Committee does not have the authority to approve amendments to our charter or By-Laws or specified extraordinary corporate transactions. The Executive Committee operates under a charter adopted by our Board of Directors, a copy of which is available on our website at www.ncibuildingsystems.com under the heading "Investors — Committees & Charters."

As of the end of Fiscal 2018, the members of the Executive Committee were Mr. James Berges, Mr. Forbes, Mr. Metcalf, Mr. Riley and Mr. Sleeper, with Mr. Berges serving as Chairman. The Executive Committee did not meet during the fiscal year ended October 28, 2018. In connection with their resignation from the Board, Messrs. Berges and Riley resigned from the Executive Committee, effective November 16, 2018. The Board appointed Messrs. Krenicki and O'Brien to the Executive Committee, effective November 16, 2018. As of the date of this Amendment, the members of the Executive Committee were Ms. Affeldt, Mr. Ball, Mr. Forbes, Mr. Krenicki, Mr. Metcalf and Mr. Sleeper, with Mr. Krenicki serving as Chairman.

Audit Committee

The Audit Committee assists our Board in fulfilling its responsibilities relating to our corporate accounting and reporting practices and the quality and integrity of our financial reports. The Audit Committee assists the Board in monitoring the integrity of our financial statements, the independence, qualifications and performance of our independent auditors; the performance of our internal audit function, our compliance with legal and regulatory requirements, and the preparation of our Audit Committee's report included in our proxy statements. In discharging its duties, our Audit Committee has the authority to retain independent legal, accounting and other advisors and has the sole authority to appoint, retain, replace or terminate the independent auditor.

As of the end of Fiscal 2018, the members of the Audit Committee were Mr. Ball, Mr. Forbes, Mr. Holland and Mr. Martinez, with Mr. Forbes serving as Chair. The Audit Committee met six times during the fiscal year ended October 28, 2018.

The Audit Committee is composed solely of directors who are not our officers or employees, have the requisite financial literacy to serve on the Audit Committee, as determined by our Board of Directors, and whom our Board of Directors has determined are "independent" under the listing standards of the NYSE and the rules and regulations of the SEC, including the heightened independence standards for Audit Committee members under Section 303A.06 of the NYSE Listed Company Manual, the Exchange Act, and Rule 10A-3 promulgated thereunder.

Our Board of Directors, after reviewing all of the relevant facts, circumstances and attributes, has determined that Mr. Forbes, the Chair of our Audit Committee, is an "audit committee financial expert" as defined by Item 407(d)(5)(ii) of Regulation S-K.

The Audit Committee operates under a written Audit Committee Charter adopted by our Board of Directors, a copy of which is available on our website at *www.ncibuildingsystems.com* under the heading "Investors — Committees & Charters."

Compensation Committee

The Compensation Committee assists our Board in fulfilling its responsibilities relating to our compensation practices. The Compensation Committee discharges the Board's responsibilities relating to compensation of directors, officers and senior managers, oversees, evaluates, and advises our Board regarding NCI's overall compensation policies and structure, including benefit plans and programs, prepares reports on executive compensation required for inclusion in our proxy statements and discusses these reports with our management. The Compensation Committee is permitted to delegate its authority on all matters for which it is responsible to subcommittees consisting of one or more members. The Compensation Committee met three times during the fiscal year ended October 28, 2018.

As of the end of Fiscal 2018, the members of the Compensation Committee were Ms. Affeldt, Mr. Ball, Mr. Holland, Mr. Martinez, Mr. Metcalf and Mr. Sleeper, with Ms. Affeldt serving as Chairperson. Effective as of November 16, 2018, Messrs. Holland and Martinez resigned from the Compensation Committee. The Board appointed Mr. Krenicki to the Compensation Committee, effective November 16, 2018. As of the date of this Amendment, the members of the Compensation Committee were Ms. Affeldt, Mr. Ball, Mr. Krenicki and Mr. Sleeper, with Ms. Affeldt serving as Chairperson. The Compensation Committee is composed solely of directors who are not our officers or employees.

The Compensation Committee operates under a Compensation Committee Charter adopted by our Board, a copy of which is available on our website at *www.ncibuildingsystems.com* under the heading “Investors — Committees & Charters.”

Nominating & Corporate Governance Committee

The Nominating and Corporate Governance Committee is responsible, subject to and in accordance with the New Stockholders Agreement, for identifying or assisting in the identification of, and recommending qualified candidates to serve on our Board and, subject to and in accordance with the New Stockholders Agreement, recommending to our Board the director nominees to be elected by our stockholders at each annual or special meeting. In addition, the Nominating and Corporate Governance Committee is responsible for developing and advising our Board with respect to guidelines for the governance of NCI, including monitoring compliance with those guidelines, as well as overseeing succession planning and the evaluation and review of the performance of our Board.

As of the end of Fiscal 2018, the members of the Nominating and Corporate Governance Committee were Mr. Berges, Mr. Holland, Mr. Forbes, Mr. Kremer, Mr. Metcalf and Mr. VanArsdale, with Mr. Berges serving as Chairman. In connection with their resignation from the Board, Messrs. Berges and VanArsdale resigned from the Nominating and Corporate Governance Committee, effective November 16, 2018. Messrs. Forbes, Kremer and Metcalf also resigned from the Nominating & Corporate Governance Committee, effective November 16, 2018. The Board appointed Ms. Affeldt, Mr. Krenicki and Mr. O’Brien to the Nominating and Corporate Governance Committee, effective November 16, 2018. As of the date of this Amendment, the members of the Nominating & Corporate Governance Committee were Ms. Affeldt, Mr. Holland, Mr. Krenicki and Mr. O’Brien, with Mr. Krenicki serving as Chairman. The Nominating and Corporate Governance Committee met two times during the fiscal year ended October 28, 2018.

The Nominating and Corporate Governance Committee operates under a Nominating and Corporate Governance Committee Charter adopted by our Board, a copy of which is available on our website at www.ncibuildingsystems.com under the heading “Investors — Committees & Charters.” Our Corporate Governance Guidelines adopted by our Board, a copy of which is available at our website at www.ncibuildingsystems.com under the heading “Investors — Committees & Charters,” include the criteria our Board believes are important in the selection of director nominees.

Pursuant to and in accordance with the New Stockholders Agreement, for so long as the CD&R Investors own at least 7.5% of the outstanding shares of Common Stock, the CD&R Investors are entitled to nominate for election, fill vacancies and appoint replacements for a number of Board members in proportion to the CD&R Investors’ percentage beneficial ownership of outstanding Common Stock, but never to exceed one less than the number of independent, non-CD&R-affiliated directors serving on the Board (the “CD&R Investor Director Number”). At each annual meeting or special meeting of stockholders at which any directors of NCI are to be elected, we will take all corporate and other actions necessary to cause the applicable CD&R Investors’ nominees or designees to be nominated for election to our Board and we will solicit proxies in favor of the election of such nominees or designees to be elected at such meeting.

Further, pursuant to and in accordance with the New Stockholders Agreement, for so long as stockholders unaffiliated with the CD&R Investors own in the aggregate at least 7.5% of the voting power of NCI, our Board at all times must be comprised of (i) the Chief Executive Officer of NCI, (ii) such number of CD&R Investor Directors (as defined in the New Stockholders Agreement), not to exceed the CD&R Investor Director Number, (iii) directors who will not be appointed or designated by the CD&R Investors and will be independent of both the CD&R Investors and NCI (the "Independent Non-CD&R Investor Directors"), and (iv) up to one (1) additional director that is not a CD&R Investor Director or the Chief Executive Officer of NCI (the "Unaffiliated Shareholder Director"), who upon election would not be an Independent Non-CD&R Investor Director, provided that if the election or appointment of such person would have the effect of reducing the CD&R Investor Director Number, no such person shall be nominated or appointed without the approval of the CD&R Investor Directors.

Further, pursuant to the New Stockholders Agreement, for so long as the CD&R Investor Voting Interest (as defined in the New Stockholders Agreement) is at least 20% of the voting power of NCI, the CD&R Investors are entitled to representation proportionate to the CD&R Investor Voting Interest (rounded to the nearest whole number) on all committees of the Board, provided that, notwithstanding the foregoing, the CD&R Investors are entitled to have a minimum of one (1) CD&R Investor Director serving on each committee of the Board, subject to applicable restrictions set forth in the New Stockholders Agreement, applicable law and New York Stock Exchange rules.

Pursuant to the New Stockholders Agreement, the CD&R Directors who are members of the Nominating and Corporate Governance Committee (or, if none serve thereon, the remaining CD&R Directors or, if no CD&R Directors remain in office, the CD&R Investors) have the right to designate the CD&R Investor Director(s) to serve as members of a board committee, and the Unaffiliated Shareholder Directors shall have the right to designate the Unaffiliated Shareholder Director to serve as a member of a committee, in each case in accordance with Section 3.1(e)(i) of the New Stockholders Agreement.

In identifying and evaluating nominees for director other than directors nominated by the CD&R Investors pursuant to the New Stockholders Agreement, the Nominating and Corporate Governance Committee first looks at the overall size and structure of our Board to determine the need to add or remove directors and to determine if there are any specific qualities or skills that would complement the existing strengths of our Board.

The Board codified standards for directors in the Board's Corporate Governance Guidelines and Nominating and Corporate Governance Committee Charter. The Corporate Governance Guidelines provide that our Board of Directors should encompass a diverse range of talent, skill and expertise sufficient to provide sound and prudent guidance with respect to our operations and interests. The Corporate Governance Guidelines also provide that at all times a majority of the Board must be "independent directors" as defined from time to time by the listing requirements of the NYSE and any specific requirements established by the Board. Each director also is expected to:

- exhibit high personal and professional ethics, strength of character, integrity, and values;
- possess commitment and independence of thought and judgment;
- possess education, experience, intelligence, independence, fairness, practical wisdom and vision to exercise sound, mature judgments;
- use his or her skills and experiences to provide independent oversight of our business;
- possess personality, tact, sensitivity, and perspective to participate in deliberations in a constructive and collegial manner;
- be willing to devote sufficient time to carrying out his or her duties and responsibilities effectively;
- devote the time and effort necessary to learn our business; and
- represent the long-term interests of all stockholders.

In addition, our Board has determined that the Board as a whole must have the right diversity, mix of characteristics and skills for the optimal functioning of its oversight of NCI. To that end, our Board places a premium on its members' professional experience in positions such as a senior manager, chief operations officer, chief financial officer, or chief executive officer of a relatively complex organization such as a corporation, university, or foundation. Ultimately, our Board believes it should be comprised of persons with skills in areas that may include some of the following: finance; manufacturing; sales and markets; strategic planning; development of strategies for sustainability; human resources; safety; legal; international business; and information technology. Under our By-Laws, no person may stand for election as a director if, on the date of any annual or special meeting held for the purpose of electing directors, such person shall have surpassed the age of 75; however, those directors who are then serving on the board of directors and have already reached the age of 75 as of November 16, 2017 may stand for election as a director if, on the date of any annual or special meeting held for the purpose of electing directors, such person shall not have surpassed the age of 78.

In addition to the targeted skill areas, the Nominating and Corporate Governance Committee looks for a strong record of achievement in key knowledge areas that it believes are critical for directors to add value to our Board, including:

- Strategy – knowledge of our business model, the formulation of corporate strategies, and knowledge of key competitors and global markets;
- Leadership – skills in coaching senior executives and the ability to assist the CEO in his development;
- Organizational Issues – understanding of strategy implementation, change management processes, group effectiveness, and organizational design;
- Relationships – understanding how to interact with customers, vendors, governments, investors, financial analysts, and communities in which we operate;
- Functional – understanding of financial matters, financial statements and auditing procedures, legal issues, information technology, and marketing; and
- Ethics – the ability to identify and raise key ethical issues concerning our activities and senior management as they affect the business community and society.

As part of its periodic self-assessment process, our Board annually determines the diversity of specific skills and experiences necessary for the optimal functioning of our Board in its oversight of NCI over both the short and long term.

The Corporate Governance Guidelines state our policy regarding the director selection process that requires the Nominating and Corporate Governance Committee to review the skills and characteristics that the Board seeks in its members individually and in relation to the composition of our Board as a whole. As part of this process, the Board will assess the skill areas currently represented on our Board and those skill areas represented by directors expected to retire or leave our Board in the near future against the target skill areas established annually by our Board, as well as recommendations of directors regarding skills that could improve the overall quality and ability of our Board to carry out its function.

The Nominating and Corporate Governance Committee then establishes the specific target skill areas, characteristics or experiences that are to be the focus of a director search, if necessary. Specific qualities or experiences could include matters such as experience in our industry, financial or technological expertise, experience in situations comparable to ours (e.g., growth companies, companies that have grown through acquisitions, or companies that have restructured their organizations successfully), leadership experience and relevant geographical experience. The Board's current composition reflects diversity in skills and experiences.

The Nominating and Corporate Governance Committee uses multiple sources for identifying and evaluating nominees for directors other than directors nominated by the CD&R Investors pursuant to the New Stockholders Agreement, including referrals from our current directors and management, as well as input from third-party executive search firms. The Chairman of the Nominating and Corporate Governance Committee and our Chairman of the Board will then interview qualified candidates. Qualified candidates are then invited to meet the remaining members of the Nominating and Corporate Governance Committee. The remaining directors also have an opportunity to meet and interview qualified candidates. The Nominating and Corporate Governance Committee then determines, based on the background information and the information obtained in the interviews, whether to recommend to the Board that a candidate be nominated to our Board.

The Nominating and Corporate Governance Committee will consider qualified nominees recommended by stockholders. Stockholders may submit recommendations to the Nominating and Corporate Governance Committee in care of our Chairman of the Board and Corporate Secretary at our address set forth on the cover page of this Amendment in the form and timing provided in our By-Laws. Subject to the requirements of the New Stockholders Agreement described above, nominees for director who are recommended by our stockholders will be evaluated in the same manner as any other nominee for director.

Nominations by stockholders for seats on the Board not required to be filled by the CD&R Investors' designees may also be made at an annual meeting of stockholders in the manner provided in our By-Laws. Our By-Laws provide that a stockholder entitled to vote for the election of directors may make nominations of persons for election to our Board at a meeting of stockholders by complying with required notice procedures. To be timely, nominations must be received at our principal executive offices not later than the close of business on the 90th day nor earlier than the close of business on the 120th day prior to the first anniversary of the preceding year's annual meeting. If, however, the date of the annual meeting is more than 30 days before or more than 70 days after such anniversary date, notice by the stockholder must be delivered not earlier than the close of business on the 120th day prior to the annual meeting and not later than the close of business on the later of the 90th day prior to such annual meeting or the 10th day following the day on which the public announcement of the date of such meeting is first made by us.

The notice must specify:

- as to each person the stockholder proposes to nominate for election or re-election as a director:
  - the name, age, business address and residence address of the person;
  - the principal occupation or employment of the person;
  - the class and number of shares of our capital stock that are owned of record or beneficially by the person on the date of the notice; and
  - any other information relating to the person that is required to be disclosed in solicitations for proxies with respect to nominees for election as directors pursuant to Section 14 of the Exchange Act; and
- as to the stockholder giving the notice:
  - the name and record address of the stockholder and any other stockholder known by that stockholder to be supporting the nominee; and
  - the class and number of shares of our capital stock that are owned of record or beneficially by the stockholder making the nomination and by any other supporting stockholders.

We may require that the proposed nominee furnish us with other information as we may reasonably request to assist us in determining the eligibility of the proposed nominee to serve as a director. At any meeting of stockholders, the presiding officer may disregard the purported nomination of any person not made in compliance with these procedures. Please refer to the full text of our advance notice by-law provisions for additional information and requirements. A copy of our By-Laws may be obtained by writing to our Corporate Secretary at the address shown on the cover page of this Amendment.

Affiliate Transactions Committee

The Affiliate Transactions Committee is responsible for reviewing, considering and approving certain transactions between NCI and its controlled affiliates, on the one hand, and the CD&R Investors and their affiliates, on the other hand. This committee is made up of (x) the Unaffiliated Shareholder Directors then in office and (y) one CD&R Investor Independent Director (as defined in the New Stockholders Agreement), if a CD&R Investor Independent Director is then serving on the Board, and otherwise, the Chief Executive Officer of the Company serving as a director on the Board. As of the end of Fiscal 2018, the members of the Affiliate Transactions Committee were Mr. Ball, Mr. Forbes, Mr. Holland and Mr. Martinez. Effective November 16, 2018, the Board appointed Ms. Affeldt, Mr. Metcalf and Mr. Kremer to the Affiliate Transactions Committee. As of the date of this Amendment, the members of the Affiliate Transactions Committee were Ms. Affeldt, Mr. Ball, Mr. Forbes, Mr. Holland, Mr. Kremer, Mr. Martinez and Mr. Metcalf. The Affiliate Transactions Committee has no chair.

The Affiliate Transactions Committee operates under an Affiliate Transactions Committee Charter adopted by our Board of Directors, a copy of which is available on our website at www.ncibuildingsystems.com under the heading "Investors — Committees & Charters."

Routine Transactions Committee

On December 12, 2018, the Board delegated certain responsibilities and duties relating to certain matters of NCI to a Routine Transactions Committee to assist the Board in fulfilling certain of the Board's oversight responsibilities. The Routine Transactions Committee is responsible for reviewing, considering and approving the following proposed transactions: (i) expenditures of capital or other assets outside the ordinary course and not part of the annual capital expenditure plan; (ii) mergers or acquisitions; (iii) non-ordinary course asset divestitures; and (iv) any non-ordinary course joint ventures or similar arrangements with third-parties. The initial members of the Routine Transactions Committee were Mr. Ball, Mr. Metcalf and Mr. Zrebiec, with Mr. Ball serving as Chairperson.

Risk Analysis of Our Compensation Plans

The Compensation Committee has reviewed our compensation policies as generally applicable to our employees and believes that our policies do not encourage excessive and unnecessary risk-taking, and that the level of risk that they do encourage is not reasonably likely to have a material adverse effect on NCI.

Item 11. Executive Compensation

Compensation Discussion and Analysis

Introduction

This Compensation Discussion & Analysis ("CD&A") provides information regarding NCI's compensation programs for our former Chief Executive Officer ("CEO"), our former interim Chief Financial Officer ("CFO"), our former CFO, and our three other most highly compensated executive officers for Fiscal 2018 and also describes certain compensation actions taken following Fiscal 2018. (Throughout the CD&A we occasionally refer to other fiscal years of NCI in the same manner.) The CD&A is also intended to place in perspective the information for Fiscal 2018 contained in the executive compensation tables that follow this discussion.

The CD&A does not include information regarding compensation programs for NCI's current CEO, James S. Metcalf, or our current CFO, Shawn K. Poe, both of whom were appointed after the end of Fiscal 2018 in connection with the closing of the Merger (as defined below). For a discussion of the compensation arrangements with Mr. Metcalf and Mr. Poe, please refer to the sections entitled "Appointment of James S. Metcalf as Chairman and Chief Executive of the Company" and "Appointment of Shawn K. Poe as Chief Financial Officer of the Company" in Item 5.02. Departure of Directors and Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers" of our Current Report on Form 8-K filed on November 20, 2018.

Throughout this discussion, the following individuals are referred to collectively as the "Named Executive Officers" or "NEOs" and are included in the Summary Compensation Table that follows this discussion:

- Donald R. Riley, former President and Chief Executive Officer, and current Chief Executive Officer, Commercial Business Unit and Head of Supply Chain & Technology;
- Mark E. Johnson, former Executive Vice President, Chief Financial Officer and Treasurer;
- Bradley S. Little, former interim Chief Financial Officer and Treasurer, and current Senior Vice President, Finance, Commercial Business Unit;

- John L. Kuzdal, President of Group Manufacturing Segment;
- Todd R. Moore, Executive Vice President, Chief Legal, Risk & Compliance Officer and Corporate Secretary;
- Katy K. Theroux, Executive Vice President, Chief Human Resources Officer; and
- Norman C. Chambers, former Executive Chairman.

Summary of Compensation Matters for Fiscal 2018

Our financial and operational performance during Fiscal 2018 achieved many of the Company's goals important to realizing the firm's longer-term targets. On July 17, 2018, the Company entered into an Agreement and Plan of Merger (the "Merger Agreement") with Ply Gem Parent, LLC, a Delaware limited liability company ("Ply Gem"), and for certain limited purposes set forth in the Merger Agreement, CD&R, LLC. At a Special Meeting held on November 15, 2018 (the "Special Shareholder Meeting"), our shareholders approved (i) the Merger Agreement, pursuant to which, at the closing of the merger, Ply Gem was merged with and into the Company, with the Company continuing its existence as a corporation organized under the laws of the State of Delaware (the "Merger") and (ii) the issuance in the Merger of 58,709,067 shares of NCI common stock, par value $0.01 per share (the "NCI Common Stock") in the aggregate, on a pro rata basis, to the holders of all of the equity interests in Ply Gem (the "Stock Issuance"). Our shareholders also approved the three additional proposals described in the Company's proxy statement relating to the Special Shareholder Meeting.

The Merger was consummated on November 16, 2018 pursuant to the Merger Agreement.

During Fiscal 2018:

- Revenues increased by 13% to $2.00 billion, up from $1.77 billion in Fiscal 2017;
- Gross profit was $462.7 million, compared to $416.1 million in Fiscal 2017;
- Net income increased to $63.1 million, up from $54.7 million in Fiscal 2017;
- Adjusted EBITDA was $201.6 million, up 20.4% from Fiscal 2017's $167.5 million; and
- Net income per diluted share of Common Stock increased to $0.94, up from $0.77 per diluted share of Common Stock in Fiscal 2017. Adjusted net income per diluted share of Common Stock was $1.45 in Fiscal 2018, up from $0.80 in Fiscal 2017.

For an understanding of how these measures relate to generally accepted accounting principles, please refer to the section entitled "Non-GAAP Measures" in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" of the Original Filing.

During Fiscal 2018, we continued our compensation policies developed in prior years and only took a limited number of significant actions, as described in greater detail below:

- As part of the Company's long-standing succession plan, on December 31, 2017, Mr. Chambers resigned as the Company's Executive Chairman. Effective as of January 1, 2018, Mr. Metcalf was appointed as Chairman.
- On April 4, 2018, Mr. Johnson announced that he would resign as the Company's CFO and Treasurer, effective June 29, 2018. Also effective as of June 29, 2018, Mr. Little was appointed by the Board as the Company's interim CFO and Treasurer. In connection with his appointment, Mr. Little received an increase in incremental compensation. See "Executive Compensation—Summary Compensation Table."

Shortly after the end of Fiscal 2018 and in connection with the completion of the Merger, we took several significant actions, as are also described in greater detail below:

- In November 2018, the Company granted equity awards to certain key employees considered critical to the success of the combined company, including our NEOs, which consisted of options, restricted stock units and performance share units. See "Executive Compensation"—Narrative to the Summary Compensation Table and Grants of Plan-Based Awards Table—Fiscal 2018 and Fiscal 2019 Long-Term Incentive Awards."

- Also in November 2018, the Company appointed Mr. Metcalf as its Chairman and Chief Executive Officer. For a discussion of the compensation arrangements with Mr. Metcalf, please refer to the section entitled “Appointment of James S. Metcalf as Chairman and Chief Executive of the Company” in “Item 5.02. Departure of Directors and Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers” of our Current Report on Form 8-K filed on November 20, 2018.

At our most recent shareholder advisory vote on executive compensation at our 2017 Annual Meeting, more than 98% of the votes cast on the advisory “say-on-pay” resolution were voted in favor of the compensation philosophy, policies and procedures and the compensation of the NEOs as disclosed in our 2017 proxy statement. The Compensation Committee viewed the result of this advisory vote as strongly supportive of our pay-for-performance philosophy. The Compensation Committee took these views into account when considering our annual and long-term incentives described above. Our Compensation Committee continually evaluates NCI’s compensation practices so as to best align the interests of our senior executives and our stockholders and will continue to do so such that they remain aligned with our compensation objectives. Our Board, Compensation Committee and management team all value the opinions of our stockholders and are committed to considering their opinions in making these important decisions. In light of these results, for Fiscal 2018, the Compensation Committee did not make any significant changes to our executive compensation programs from Fiscal 2017, and only made such changes to the long-term incentive compensation program following the end of Fiscal 2018 that were necessary to align the goals of the Company’s management team and provide a unified incentive structure following the Merger. See “Compensation Discussion & Analysis — Long-Term Incentive Compensation.”

Compensation Philosophy and Objectives of NCI’s Compensation Program

Our executive compensation philosophy remains that executive pay should be linked to the performance of NCI and the individual executives. Our Compensation Committee has established the following objectives for our executive compensation programs:

- attract, retain and motivate exceptional executives;
- reward performance measured against established goals;
- provide incentives for future performance; and
- align executives’ long-term interests with the interests of our stockholders.

In order to reach these goals, we have designed our compensation programs to reward excellent short-term performance and to encourage executives’ commitment to NCI’s long-term, strategic business goals. Long-term incentives balance the emphasis on long-term versus short-term business objectives and reinforce that one should not be achieved at the expense of the other. We believe that long-term incentive compensation helps to further NCI’s compensation objectives, including the retention of high-performing, experienced executives whose interests are strongly aligned with the interests of stockholders. Further, a multi-year vesting period for grants of restricted stock or restricted stock units, stock options and performance share units helps to ensure that the value received by executives depends on the strong performance of NCI over time. We balance short- and long-term compensation through salary and performance bonuses, and the grant of restricted stock or restricted stock units, stock options, and performance share units, respectively. Our goal is to increase the proportion of long-term compensation as an executive’s responsibility within our company increases.

NCI has a clawback policy (“Clawback Policy”) designed to better align our compensation practices with our stockholders’ interests by providing a mechanism to recover incentive compensation that is based on inaccurate financial information. Our Clawback Policy, which covers all current and former executive officers (including the NEOs), allows for recovery of cash, equity or other incentive compensation in the event NCI is required to prepare a material financial restatement due to noncompliance with any financial reporting requirement under the U.S. securities laws, where the noncompliance is the result of misconduct. The Clawback Policy applies to all incentive compensation that is earned or vested after the date the policy was adopted (regardless of when granted) and which is determined in whole or in part based on application of performance measures. Upon a determination that the Clawback Policy will be applied, the Board may recover up to the excess of the amount of the compensation actually received by a covered officer over the amount that would have been received if the restatement had not occurred, for the three completed fiscal years preceding the fiscal year in which the Board determines the restatement is necessary. The Board, with input from the Compensation Committee and the Audit Committee, has sole discretion to determine whether and how to apply the Clawback Policy. In determining whether to recover compensation, the Board may take into account any and all factors that it determines to be appropriate and relevant under the circumstances, including the likelihood and costs of recovery, compliance with applicable law, the ability of the executive officer to repay such amount, the tax consequences of the original payment and/or the recoupment to the executive officer (including whether recoupment shall be on a pre-tax or post-tax basis), and any other potentially adverse consequences for the Company or the executive officer arising from seeking enforcement of the policy.

We also have an "anti-hedging" policy, which prohibits our executive officers and non-employee directors from engaging in transactions designed to hedge the economic risks associated with ownership of Company securities, and from pledging Company securities as collateral for loans. For purposes of this policy, securities held by CD&R, LLC and its affiliated investment funds are not considered to be owned or held by a non-employee director who is affiliated with CD&R, LLC.

Determination and Administration of Compensation Programs and Amounts

Decisions regarding executive compensation are based primarily on the assessment by the Compensation Committee of each Named Executive Officer's leadership and operational performance and potential to enhance long-term value to NCI's stockholders. In Fiscal 2014, Fiscal 2015, and Fiscal 2017, a compensation consultant, Frederic W. Cook & Co. ("FW Cook"), has been retained to assist the Compensation Committee in its comprehensive review of NCI's executive compensation program. In Fiscal 2018, FW Cook continued to advise the Compensation Committee regarding compensation packages for new hires and promotions and other governance related matters, as well as our director compensation arrangements (see "Executive Compensation — Compensation of Directors"). The Compensation Committee also relies on its judgment, prior experience, and the judgment of our CEO about each individual Named Executive Officer in determining the amount and combination of compensation elements and whether each payment or award appropriately encourages and rewards performance. Key factors considered by the Compensation Committee in this regard include:

- actual performance compared to the financial, operational and strategic goals established for NCI and the Named Executive Officer's reporting unit at the beginning of the year;
- the nature, scope and level of the Named Executive Officer's responsibilities;
- individual contribution to NCI's financial results, particularly with respect to key measures such as cash flow, revenue, earnings and return on assets ("ROA");
- effectiveness in leading our initiatives to enhance quality and value provided to customers; and
- individual contribution to a culture of honesty, integrity and compliance with our Code of Business Conduct and Ethics and applicable laws.

The Compensation Committee also considered each Named Executive Officer's current salary and prior-year bonus, if any, the appropriate balance between incentives for long-term and short-term performance, and internal "pay equity" – in other words, the relative differences in compensation among the executive officers.

Role of Management and Independent Advisors

The Compensation Committee meets regularly in separate executive sessions without management personnel present and also requests periodically that our officers or employees attend meetings. During Fiscal 2018, Mr. Riley and other senior executives attended certain Compensation Committee meetings at the committee's request to advise the committee regarding our performance and to recommend proposed modifications to our compensation and benefits. Our management, under the leadership of our CEO, plays an important role in establishing and maintaining our Named Executive Officer compensation programs. Management's role includes recommending plans and programs to the Compensation Committee, implementing the Compensation Committee's decisions regarding the plans and programs and assisting and administering plans in support of the Compensation Committee. The Compensation Committee also relied to a certain extent on Mr. Riley's evaluations of other Named Executive Officers whose day-to-day performance was not as visible to the committee as it was to Mr. Riley.

The Compensation Committee's charter provides that it may retain advisors, including compensation consultants, in its sole discretion. In engaging FW Cook, the Compensation Committee determined that FW Cook did not have any economic interest or other relationship that would create a conflict with its services to the Compensation Committee.

In assessing compensation elements and making compensation decisions for our executive officers, our Compensation Committee considers the executive compensation practices of a peer group of companies of similar size to the Company in related industries. The following peer group was used in making compensation decisions for our NEOs in Fiscal 2018:

Advanced Drainage Systems, Inc.	Griffon Corporation	Schnitzer Steel Industries, Inc.
Apogee Enterprises, Inc.	Interface, Inc.	Universal Forest Products, Inc.
Armstrong World Industries, Inc.	Masonite International Corporation	U.S. Concrete, Inc.
Atkore International Group Inc.	Nortek, Inc.	USG Corporation
Beacon Roofing Supply, Inc.	Ply Gem Holdings, Inc.	Valmont Industries, Inc.
Gibraltar Industries, Inc.	Quanex Building Products Corporation	Worthington Industries, Inc.

Based on (1) FW Cook's Fiscal 2018 report, (2) discussions with and recommendations by Mr. Riley in Fiscal 2018 and (3) our pay-for-performance policies, the Compensation Committee determined to continue the long-term incentive program for Fiscal 2018 in substantially the same form as Fiscal 2017. As a result, in December 2017, we granted restricted stock units and performance share units to our NEOs (see "Compensation Discussion & Analysis — Long-Term Incentive Compensation — Long-Term Incentive Awards Granted in Fiscal 2018 to NEOs"). For Fiscal 2019, and in part due to the Merger and related integration activities, the Compensation Committee determined to make certain changes to the long-term incentive program shortly following Fiscal 2018 in order to align the goals of the Company's management team and provide a unified incentive structure, including changes to the types of awards granted, timing of awards and to the vesting criteria and schedules of such awards (see "Compensation Discussion & Analysis — Long-Term Incentive Compensation — Long-Term Incentive Awards Granted in Fiscal 2019 to NEOs – Founders Awards").

Also in connection with the Merger, in November 2018 and with the assistance of FW Cook, our Compensation Committee substantially updated the compensation peer group to reflect changes to the Company's size, projected revenue and scope of business resulting from the Merger. The following peer group, which includes three companies that were in the Fiscal 2018 peer group, will be used in making compensation decisions for our NEOs in Fiscal 2019:

A. O. Smith Corporation	HD Supply Holdings, Inc.	Universal Forest Products, Inc.
Beacon Roofing Supply, Inc.	JELD-WEN Holding, Inc.	Valmont Industries, Inc.
BMC Stock Holdings, Inc.	Lennox International, Inc.	Vulcan Materials Company
Builders FirstSource, Inc.	Masco Corporation	WESCO International, Inc.
EMCOR Group, Inc.	Martin Marietta Materials, Inc.	
Fortune Brands Home & Security, Inc.	Owens Corning	

Elements of Executive Compensation

The principal elements of compensation provided to our Named Executive Officers consist of a base salary supplemented with the opportunity to earn a bonus under NCI's annual cash bonus program (the "Bonus Program") and long-term incentive compensation in the form of restricted stock units and performance share units under the NCI Building Systems, Inc. 2003 Long-Term Stock Incentive Plan (As Amended and Restated effective January 27, 2018) (the "Incentive Plan"). In the past, NCI has granted certain NEOs stock options and restricted stock, but had ceased the practice since the last grant of stock options in Fiscal 2012 and the last grant of restricted stock in Fiscal 2015. In connection with the Merger, in November 2018 the Company granted long-term incentive awards that consisted of options, restricted stock units and performance share units. See "Executive Compensation — Narrative to the Summary Compensation Table and Grants of Plan-Based Awards Table — Fiscal 2018 and Fiscal 2019 Long-Term Incentive Awards."

We also maintain retirement plans for certain of our employees, including a deferred compensation plan (a "Deferred Compensation Plan" or "DCP") under which our Named Executive Officers can elect to defer a portion of their base salary and bonus. In addition, we provide limited perquisites that enhance our ability to be competitive in attracting and retaining talented executive officers and allow executive officers more time to focus on business objectives.

Base Salary

The Compensation Committee annually reviews base salaries and makes adjustments in light of competitive data regarding compensation from other companies as well as a Named Executive Officer's responsibilities, experience and performance levels relative to other executives and the potential for making significant contributions in the future, to ensure that salary levels remain appropriate and competitive. Because the rate of any increase in base salary levels helps to provide incentives for continuous improvement in individual performance, we view individual factors as more significant than overall company performance in a particular year when determining base salary levels. Base salary also provides the foundation for calculating other benefits such as annual cash bonus and discretionary and restoration matching under the Deferred Compensation Plan and 401(k) plan so the executive's individual performance has a significant impact on both salary and the benefits derived from salary. During Fiscal 2018, Mr. Kuzdal's salary was increased in the ordinary course from $400,000 to $416,000. As part of Mr. Little's acceptance of the interim CFO and Treasurer roles, he received an incremental increase in compensation in the amount of $15,000 per month from the date of his acceptance through the Closing Date (as defined below) when he stepped down from the position. Following the end of Fiscal 2018, based on FW Cook's recommendations and in light of increased responsibilities resulting from the Merger, Mr. Riley's base salary was increased from $750,000 to $900,000, Mr. Moore's base salary was increased from $377,000 to $430,000 and Ms. Theroux's base salary was increased from $400,000 to $450,000. In addition, in connection with the Merger, Mr. Little received a one-time cash retention bonus of $222,500, of which $74,167 was paid on the Closing Date, and the remainder of which will become payable in May 2019 subject to Mr. Little's continued employment through such date.

Effective upon the closing date of the Merger (the "Closing Date"), the Company appointed Mr. Metcalf as its Chairman and Chief Executive Officer. For a discussion of the compensation arrangements with Mr. Metcalf, including base salary and annual bonus entitlement, please refer to the section entitled "Appointment of James S. Metcalf as Chairman and Chief Executive of the Company" in Item 5.02. Departure of Directors of Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers" of our Current Report on Form 8-K filed on November 20, 2018.

Annual Bonus

Short-term annual cash incentive compensation is provided through our Bonus Program, under which annual cash bonuses may be paid to executives to reward their contributions to our business during the year. In Fiscal 2014, our stockholders approved our Senior Executive Bonus Plan, which continues to remain in effect. The Senior Executive Bonus Plan provides that the maximum aggregate bonus payable to any NEO cannot exceed 3% of the Company's Adjusted EBITDA for the applicable performance period.

As in Fiscal 2017, Adjusted EBITDA was the sole performance criteria on which annual bonuses were based for Fiscal 2018. Our Compensation Committee believes that Adjusted EBITDA is the most important driver of value and that having solely an Adjusted EBITDA performance criterion creates a strong link between individual contribution and Company performance.

In Fiscal 2018, each NEO was assigned a target annual bonus equal to a percentage of his or her base salary, as set forth in the table below. As under the prior Bonus Program, Mr. Riley's target annual bonus was equal to 100% of his base salary, and, for the other Named Executive Officers, the target annual bonus is equal to 75% of base salary. See "Executive Compensation — Narrative to the Summary Compensation Table and Grants of Plan-Based Awards Table — Employment Agreements."

Named Executive Officer		Fiscal 2018 Base Salary	Target Fiscal 2018 Bonus
Donald R. Riley[(2)]	$	750,000	750,000
Mark E. Johnson[(1)]	$	458,000	343,500
Bradley S. Little	$	265,000	198,750
John L. Kuzdal	$	416,000	312,000
Todd R. Moore[(2)]	$	377,000	282,750
Katy K. Theroux[(2)]	$	400,000	300,000
Norman C. Chambers[(1)]	$	825,000	551,000

(1) Base salaries for Mr. Johnson and Mr. Chambers reflect annualized rates of pay. Mr. Johnson resigned from the Company on June 29, 2018. Mr. Chambers resigned from the Company on December 31, 2017.

(2) The amounts reported in the “Fiscal 2018 Base Salary” for Mr. Riley, Mr. Moore and Ms. Theroux do not take into account increases in base salary in Fiscal 2019 in connection with the Merger ($150,000 for Mr. Riley, $53,000 for Mr. Moore and $50,000 for Ms. Theroux).

Under the Fiscal 2018 Bonus Program, in order for any bonuses to be paid, Adjusted EBITDA must equal or exceed 75% of the performance goal set by our Compensation Committee. For performance above this 75% threshold, payments under the Bonus Program are made as follows:

- If Adjusted EBITDA equals 75% of the performance goal, 35% of the target annual bonus will be paid to each NEO.
- If Adjusted EBITDA equals 100% of the performance goal, 100% of the target annual bonus will be paid to each NEO.
- If Adjusted EBITDA equals 125% of the performance goal, 200% of the target annual bonus will be paid to each NEO (which 200% amount is also the maximum bonus level that may be paid under the Bonus Program).

Adjusted EBITDA performance between these three levels is determined by linear interpolation. Total annual bonuses may not exceed the maximum amounts payable under the Senior Executive Bonus Plan.

For Fiscal 2018, NCI achieved Adjusted EBITDA of $202 million against target Adjusted EBITDA of $199 million. This achievement level corresponded to a bonus payout at 105.2% of target bonus levels. The Compensation Committee did not exercise any discretion to increase or decrease these payout levels, resulting in the bonuses shown in the following table:

Named Executive Officer		Fiscal 2018 Bonus Earned	Total Bonus as a Percentage of Salary Base
Donald R. Riley	$	789,000	105%
Mark E. Johnson	$	0	0%
Bradley S. Little	$	268,260	101%
John L. Kuzdal	$	328,224	79%
Todd R. Moore	$	297,453	79%
Katy K. Theroux	$	315,600	79%
Norman C. Chambers	$	144,650	18%

We expect the Fiscal 2019 Bonus Program for NEOs to be substantially similar to the Fiscal 2018 Bonus Program, including being based solely on Adjusted EBITDA.

Long-Term Incentive Compensation

Generally

Our long-term incentive compensation is provided under the Incentive Plan, a stockholder-approved equity-based compensation plan that allows NCI to grant a variety of awards, including stock options, restricted stock, restricted stock units, stock appreciation rights, performance share awards, phantom stock awards and performance-based and other cash awards. Long-term incentive grants have typically been made in December of each year. In connection with the Merger, however, long-term incentive grants to our Named Executive Officers were made in November 2018 (see “Long-Term Incentive Compensation — Long-Term Incentive Awards Granted in Fiscal 2019 to NEOs – Founders Awards”).

We believe that equity awards to our Named Executive Officers must be sufficient in size to provide a strong, long-term performance and retention incentive for executives and to increase their vested interest in NCI. The value of the equity awards granted to Named Executive Officers is based on individual performance assessments of each of the Named Executive Officers as well as other members of executive management.

Long-Term Incentive Awards Granted to NEOs in 2018 – Treatment of Fiscal 2018 Awards in Connection with the Merger

In December 2017, our Compensation Committee made its annual grant of long-term incentives to our NEOs, referred to below as the "FY 2018 Awards." Of the total value granted to an NEO, 40% of the value of the award consisted of restricted stock units and 60% of the value of the award consisted of performance share units. The performance share units were scheduled to vest in part based on satisfaction of performance goals measured over a period of two consecutive fiscal years ending with the 2019 fiscal year, and in part based on the achievement of performance goals measured over a period of three consecutive fiscal years, ending with the 2020 fiscal year, in each case subject to continued employment.

The Merger was a "change in control" under the Incentive Plan. Accordingly, consistent with the terms of the Incentive Plan, in connection with the Merger:

- the performance share units ("PSUs") were converted to restricted stock units at target level that vest on the first December 15th (or the first business day thereafter) following the end of the Company's 2019 fiscal year (see "Compensation Discussion & Analysis — Other Compensation — Termination and Change in Control Agreements); and
- the time-vesting restricted stock units ("RSUs") will become vested if, during the two years following the Merger, the NEO's employment is terminated by NCI without cause or the NEO resigns with good reason.

Upon any future change in control, awards that remain outstanding will be assumed or replaced by economically equivalent alternative awards of the successor to NCI in the change in control, or will fully vest only to the extent that they are not assumed or replaced with alternative awards (see "Executive Compensation — Potential Payments upon Termination or Change in Control — FY 2017 Awards and FY 2018 Awards").

The number of FY 2018 Awards granted to each NEO and the number of each NEO's PSUs converted to RSUs is set forth in the following table:

Named Executive Officer	Number of Time-Vesting RSUs Granted in FY 2018	Number of PSUs Granted in FY 2018	Number of FY 2018 PSUs Converted to RSUs
Donald R. Riley	49,593	74,389	74,389
Mark E. Johnson	21,077	31,616	31,616
Bradley S. Little	4,960	7,439	7,439
John L. Kuzdal	11,159	16,738	16,738
Todd R. Moore	11,159	16,738	16,738
Katy K. Theroux	11,159	16,738	16,738
Norman C. Chambers	19,837	—	—

Long-Term Incentive Awards Granted in Fiscal 2019 to NEOs – Founders Awards

On November 16, 2018, in connection with the closing of the Merger, the Company granted equity awards (the "Founders Awards") to certain key employees considered critical to the success of the combined company, including certain of our NEOs. The Founders Awards consist of (i) options to purchase shares of the Company's common stock with a per share exercise price of $12.16 and having a 10-year term (the "Founders Options"), (ii) restricted stock units (the "Founders RSUs"), each representing the right to acquire on vesting one share of the Company's common stock, and (iii) except for Mr. Kuzdal, performance share units (the "Founders PSUs"), each representing the right to acquire a number of shares of the Company's common stock to be determined based upon the achievement of performance metrics as measured during the three years following the grant date, subject to the grantee's continued employment with the Company. We believe that the combination of Founders Options, Founders RSUs and Founders PSUs and their accompanying vesting schedules will align the interests of our NEOs and shareholders, reward our NEOs for delivering the intended benefits of the Merger, and help us retain executives who are critical to the successful execution of our business strategy. The Founders Awards are "employment inducement awards" as described in the employment inducement exemption to New York Stock Exchange Rule 303A.08. The Founders Awards, although not granted pursuant to the Incentive Plan, are subject to the same terms and provisions as awards of the same type granted under the Incentive Plan unless otherwise expressly set forth in each Award (see the Company's Registration Statement on Form S-8 filed on November 19, 2018).

In order to better align the goals of the Company's management team and provide a unified incentive structure, the Company, in consultation with FW Cook, determined that our annual grant of long-term incentives to our key executive officers should be combined with the Founders Awards granted to these individuals. As a result, the Founders Awards granted to Messrs. Riley, Kuzdal and Moore and Ms. Theroux also include the officer's annual grant of long-term incentive awards for Fiscal 2019.

The aforementioned NEOs received the following Founders Awards on November 16, 2018:

Named Executive Officer	Number of Founders Options Granted	Number of Founders RSUs Granted	Number of Founders PSUs Granted
Donald R. Riley	204,988	102,493	51,246
John L. Kuzdal	96,539	66,611	0
Todd R. Moore	100,210	50,104	25,052
Katy K. Theroux	122,393	61,196	30,598

Retirement Benefits

Our executive officers, including our NEOs, are eligible to participate in our tax-qualified 401(k) plan. In addition, we believe that benefit programs that address the unique circumstances of executives in light of limitations imposed on benefits payable from qualified welfare, profit-sharing and retirement plans are critical in attracting and retaining quality executives. Therefore, we have adopted a Deferred Compensation Plan that allows key employees to defer a portion of their annual salary and annual cash bonus, and allows our non-employee directors to defer a portion of their annual and meeting attendance fees, subject to certain specified maximum deferral amounts. The DCP also provides discretionary matching contributions in certain circumstances. For Fiscal 2018, we determined to make discretionary matching contributions only if the Company achieved ROA of 15%. If the target ROA was achieved, we would match the amount of an executive officer's salary and bonus that he or she has voluntarily deferred under the DCP, up to a maximum of 15% of his or her salary and bonus. Because our ROA exceeded 15%, this discretionary matching contribution was made for Fiscal 2018. For Fiscal 2019, discretionary matching contributions will be made only if the Company achieves ROA of 15%. Amounts deferred under the DCP are deemed invested in one or more phantom investment funds and additional amounts are credited to participants' accounts based on the hypothetical earnings of such investments. Common Stock is also an investment option for certain of our executive officers. Amounts deferred into the Common Stock fund remain invested in the Common Stock fund until distribution. See "Executive Compensation — Nonqualified Deferred Compensation" for additional details regarding the terms of the DCP.

Other Compensation

Termination and Change in Control Agreements

Certain compensation arrangements of NCI include provisions providing special payments or benefits upon specified termination events or upon the occurrence of a change in control of NCI. However, these arrangements do not include "gross-ups" for golden parachute excise taxes or other taxes. We believe that these termination and change in control benefits provide our Named Executive Officers an incentive to act in the stockholders' best interests during a takeover despite the risk of losing their jobs or a significant change in the nature of their benefits and responsibilities. We also believe that, in some cases, our termination and change in control benefits are necessary to attract and retain certain executives. For a description of the terms of the employment agreements, consulting agreement and equity awards, see "Executive Compensation — Potential Payments upon Termination or Change in Control."

The Company has entered into employment agreements with each of its NEOs. Except for the agreements with Mr. Riley, the term of the employment agreements for each NEO who has an employment agreement runs for a period of two years, subject to automatic one-year extensions thereafter, unless either party gives notice of non-renewal. The initial term of Mr. Riley's agreement will expire on June 30, 2020, subject to one-year extensions thereafter, unless either party gives a one year notice of non-renewal. The term of the agreements with Mr. Johnson and Mr. Chambers expired in connection with their respective resignations from the Company on June 29, 2018 and December 31, 2017, see "Summary of Compensation Matters for Fiscal 2018."

The employment agreements provide for severance payments and termination benefits upon a future termination of an NEO's employment in a qualifying termination (i.e. upon termination by the Company without "cause" or by the employee with "good reason"), both prior to and following a change in control of the Company. Where a qualifying termination occurs other than during a potential change in control period or following a change in control of the Company, each employment agreement (except for the agreement with Mr. Little) provides for (1) payment of one times (two times, in the case of Mr. Riley) the executive's then-current base salary, payable in equal installments on regular payroll dates over the course of the one year period immediately following the date of termination, (2) a pro-rated annual bonus based on actual performance in the year of termination and (3) twelve months of continued COBRA coverage (in the case of Mr. Riley, a lump sum cash payment equal to eighteen months of the premium cost of family medical coverage at the active-employee rate).

In the case of Mr. Riley, where a qualifying termination occurs during a potential change in control period or two years following a change in control of the Company, the employment agreement provides for a payment equal to the sum of two times his base salary plus three times his target annual bonus. For Mr. Moore and Ms. Theroux, where a qualifying termination occurs during a potential change in control period or two years following a change in control of the Company, each employment agreement provides for (1) the same cash severance payment as is payable upon a qualifying termination prior to a change in control (except that, to the maximum extent practicable, such payment is to be made in a lump sum), (2) an additional lump-sum cash severance payment in an amount equal to the sum of (x) one times the executive's then-current base salary and (y) two times the executive's target annual bonus for the fiscal year in which the termination occurs, (3) a pro-rated annual bonus payment based on actual performance in the year of termination and (4) an additional six months of continued COBRA coverage. For Mr. Little, where a qualifying termination occurs during a potential change in control period or two years following a change in control of the Company, his employment agreement provides for (1) a lump-sum cash payment equal to two times Mr. Little's annual base salary at the highest annualized rate in effect during the one-year period immediately preceding the date of termination, (2) a pro-rated annual bonus based on actual performance in the year of termination and (3) eighteen months of continued COBRA coverage.

For purposes of the employment agreements, "change in control" means (A) any person who becomes the beneficial owner of 25% or more of the combined voting power of NCI, (B) as a result of, or in connection with, a tender or exchange offer, merger or other business combination, persons who were directors immediately before the transaction cease to constitute the majority of NCI's Board of Directors, (C) NCI is merged or consolidated with another company or transfers substantially all of its assets to another company and, as a result, either (i) less than 50% of the outstanding voting securities of the resulting company are owned in the aggregate by former NCI stockholders or (ii) 50% or more of the outstanding voting securities of the resulting company continue to be owned in the aggregate by former NCI stockholders but other than in substantially the same relative proportions as immediately prior to the transaction, or (D) a tender or exchange offer is made for 25% or more of the combined voting power of NCI. To the extent payments under the employment agreements to our Named Executive Officer constitute "parachute payments" within the meaning of Section 280G of the Internal Revenue Code, the payments to be received by the officer may be reduced to the extent a reduction in the payment amount would put the officer in a better after-tax position than he or she would be in if the excise tax under Section 4999 were imposed on such payments.

The Merger was a change in control for purposes of the employment agreements. Therefore, if an NEO with an employment agreement experiences a qualifying termination prior to November 16, 2020, then he or she will be entitled to enhanced change in control severance as described above.

The Merger was also a change in control for purposes of outstanding equity awards under the Incentive Plan. Therefore, in connection with the Merger, RSUs and PSUs held by officers (including our NEOs) that were granted prior to May 31, 2016 and certain restricted stock awards held by Mr. Riley and Ms. Theroux vested in full, with all applicable performance metrics deemed satisfied at maximum, as described in the Company's Proxy Statement related to the Special Shareholder Meeting filed October 17, 2018.

PSUs held by officers that were granted on or following May 31, 2016 were converted into service-vesting RSUs upon the effective time of the Merger, and will continue to vest based on continued service through the end of the applicable performance period or upon an earlier qualifying termination. The number of shares of Common Stock subject to the service-vesting RSUs following this conversion was determined based on a formula described in the Company's Proxy Statement related to the Special Shareholder Meeting filed October 17, 2018.

The table below sets forth, for each NEO, the number of awards that vested or converted in connection with the Merger:

Named Executive Officer	Restricted Stock Vested in the Merger	RSUs Vested in the Merger	RSUs That Did Not Become Vested in the Merger	Unvested PSUs Converted in the Merger to Service-Vesting RSUs	PSUs Vested in the Merger
Donald R. Riley	5,513	8,489	55,687	84,529	53,246
Mark E. Johnson	—	—	—	—	—
Bradley S. Little	—	7,491	5,673	14,239	19,016
John L. Kuzdal	—	6,670	12,351	30,590	41,835
Todd R. Moore	—	5,761	11,686	28,245	36,131
Katy K. Theroux	1,900	4,851	15,015	25,899	30,426
Norman C. Chambers	—	—	—	—	385,610

In addition to the change in control arrangements described above, outstanding shares of restricted stock, RSUs, options and PSUs granted to the Named Executive Officers, including RSUs and PSUs held by our NEOs that did not vest in connection with the Merger, may vest in connection with certain termination events during the two years following the effective time of the Merger or in connection with a subsequent change in control of the Company (see "Executive Compensation — Potential Payments upon Termination or Change in Control — Equity Incentive Awards").

Perquisites and Personal Benefits

We offer only de minimis perquisites or personal benefits.

Gross-Ups

With the exception of limited, one-time tax indemnification in connection with the incurrence of relocation expenses under our relocation policy, NCI does not provide for any tax assistance or "gross-ups" for any of its executives.

CEO Compensation

The Compensation Committee is directly responsible for determining the salary level of the CEO and all awards and grants to the CEO under the Bonus Program, Incentive Plan and the DCP. In Fiscal 2018, 77% of the compensation of our CEO in Fiscal 2018, Mr. Riley, was "at-risk," meaning it was comprised of long- and short-term incentive equity awards and our Bonus Program, none of which are guaranteed to be paid. The CEO's overall compensation package has also been set at a level that we believe provides appropriate differentiation between CEO compensation and the compensation of other executive officers hired from time to time. Information on Fiscal 2018 compensation for Mr. Riley is set forth in the compensation tables following this CD&A.

On November 16, 2018, on the Closing Date, the Company appointed Mr. Metcalf as its Chairman and Chief Executive Officer. For a discussion of the compensation arrangements with Mr. Metcalf, please refer to the section entitled "Appointment of James S. Metcalf as Chairman and Chief Executive of the Company" in "Item 5.02. Departure of Directors of Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers" of our Current Report on Form 8-K filed on November 20, 2018.

Deductibility of Compensation

Section 162(m) of the Internal Revenue Code ("Section 162(m)") imposes a $1 million limit on the amount that a public company may deduct each year for compensation paid to certain executive officers. As in effect during Fiscal 2018, deduction limitations applied to the Company's chief executive officer and three other most highly compensated executive officers (other than the chief financial officer) employed as of the end of the year. During the Company's Fiscal 2018, this limitation did not apply to compensation paid by the Company contingent upon the executive's performance meeting pre-established objective goals based on performance criteria approved by our stockholders. Where possible and considered appropriate, we took action during Fiscal 2018 to preserve the deductibility of compensation paid to our CEO and our three other highest paid executives (other than the CFO).

However, these deductions will no longer be available to the Company beginning in Fiscal 2019 as a result of the 2017 Tax Cuts and Jobs Act, which eliminated the "performance based compensation" exception to the Section 162(m) deduction limitations, beginning with the next tax year that commences after December 31, 2017 (which, in NCI's case, begins with Fiscal 2019). Accordingly, we may choose to award compensation that might not be fully tax deductible if we determine that such compensation is nonetheless in the best interests of NCI and its stockholders. While NCI seeks to take advantage of favorable tax treatment for executive compensation where appropriate, we believe that the primary drivers for determining the amount and form of executive compensation must be the retention and motivation of superior executive talent.

We will continue to review NCI's executive compensation practices and will seek to preserve tax deductions for executive compensation to the extent consistent with our objective of providing compensation arrangements necessary and appropriate to foster achievement of NCI's business goals.

Stock Ownership Guidelines

In November 2016, our Board approved the NCI Building Systems, Inc. Executive Stock Ownership Guidelines, which were further amended in August 2017. Pursuant to the stock ownership guidelines, certain of our executives, including our NEOs, and non-employee directors are required to acquire and hold a certain level of our common stock based on a multiple of salary or cash retainer, as applicable. The stock ownership guidelines were developed with the assistance of FW Cook and were adopted to further align the interests of our senior management team with those of our stockholders.

Under the stock ownership guidelines, each of our NEOs is required to acquire and hold a number of shares of our common stock having a value equal to a multiple of his or her annual salary as set forth in the table below. The number of shares required to be held by each NEO will be calculated based on his or her annual salary as of the Annual Meeting of the Stockholders, which in 2019 will be May 23, 2019, and the average of our month-end closing stock prices throughout the previous fiscal year.

Covered Person	Multiple of Salary
Chief Executive Officer	5x
President	2x
Chief Financial Officer	2x
Other Executive Vice Presidents and Vice Presidents	1x

Non-employee directors are required to acquire and hold a number of shares of our common stock having a value equal to five times (5x) their annual retainer fee, as set forth in the table found in the "Executive Compensation — Compensation of Directors" section below.

Under the stock ownership guidelines, the required holdings do not have to be met within a specified period of time. However, until the required number of shares is attained, upon (i) the exercise of stock options, (ii) the settlement of performance shares and (iii) the vesting of restricted shares, our NEOs must retain the number of shares received upon the occurrence of these events having a value equal to 50% of the after-tax profit realized upon the occurrence of these events. Once the required number of shares is attained, compensation increases and changes in stock price will no longer have an effect on holding requirements and retention guidelines. As long as the executive continues to hold the required number of shares, he or she will be in compliance with the stock ownership guidelines. Finally, under the stock ownership guidelines, any sale of shares by covered executives and directors, including our NEOs, must be reviewed by our legal department to ensure continued compliance with the guidelines.

Impact of Fiscal Year Change on Executive Compensation

We do not anticipate any significant changes to our compensation programs as a result of the Company's change in fiscal year. It will, however, affect the timing of our equity award grants. We have historically granted equity awards in December of each year, following the end of our fiscal year end at the end of October. Beginning in Fiscal 2019 and continuing in subsequent years, we anticipate that we will grant equity awards in February, following our new fiscal year end at the end of December.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

During Fiscal 2018, no member of the Compensation Committee served as an executive officer of the Company, and, except as described in "Transactions with Related Persons" below, no such person had any relationship with the Company requiring disclosure herein. During Fiscal 2018, there were no Compensation Committee interlocks with other companies.

COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed and discussed the above CD&A with management and, based on such review and discussions, the Compensation Committee recommended to the Board of Directors that the CD&A be included in this Amendment.

KATHLEEN J. AFFELDT (Chair)
GEORGE L. BALL
NATHAN K. SLEEPER
JOHN KRENICKI

EXECUTIVE COMPENSATION

Fiscal Year 2018 Summary Compensation Table

The following table shows information regarding the total compensation paid to the Named Executive Officers for each of our last three completed fiscal years. The compensation reflected for each individual was for their services provided in all capacities to us.

Name & Principal Position	Year	Salary ($)(a)	Bonus ($)(b)	Stock Awards ($)(c)	Option Awards ($)(d)	Non-Equity Incentive Plan Compensation ($)(e)	All Other Compensation ($)(f)	Total ($)
Donald R. Riley	2018	750,000	—	2,436,246	—	789,000	43,620	4,018,866
Former President and Chief	2017	594,231	250,000	1,203,286	—	434,044	30,253	2,511,814
Executive Officer	2016	517,385	—	1,151,553	—	550,534	79,804	2,299,276
Mark E. Johnson	2018	381,639	—	1,035,417	—	—	19,319	1,436,375
Former Executive Vice	2017	436,000	—	1,022,855	—	218,358	40,191	1,717,404
President, Chief Financial Officer	2016	434,139	—	1,099,578	—	439,419	21,593	1,994,729
Bradley S. Little Former Interim Chief Financial Officer and Treasurer(g)(h)	2018	338,442	—	243,640	—	268,260	8,974	859,316
John L. Kuzdal	2018	413,231	—	548,176	—	328,224	20,350	1,309,981
President of Group Manufacturing Segment	2017	400,000	—	562,578	—	200,328	18,231	1,181,137
	2016	393,231	—	892,608	—	403,137	20,946	1,709,922
Todd R. Moore	2018	373,885	—	548,176	—	297,453	8,360	1,227,874
Executive Vice President,	2017	359,000	—	485,868	—	179,794	12,137	1,036,799
Chief Legal, Risk & Compliance Officer and Corporate Secretary	2016	357,477	—	549,803	—	361,815	3,158	1,272,253
Katy K. Theroux	2018	400,000	—	548,176	—	315,600	9,251	1,273,027
Executive Vice President,	2017	372,404	—	509,158	—	186,639	8,108	1,076,309
Corporate Marketing and Chief Human Resources Officer	2016	357,477	—	494,487	—	361,815	3,158	1,216,937
Norman C. Chambers	2018	345,865	—	389,797	—	144,650	859,109	1,739,421
Former Executive	2017	825,000	—	2,557,122	—	550,902	63,747	3,996,771
Chairman(g)	2016	825,000	—	2,893,601	—	1,108,626	41,798	4,869,025

(a) The amounts reported in the "Salary" column are calculated by taking into account the NEOs' increases in base salary in Fiscal 2018, Fiscal 2017, and Fiscal 2016, but do not take into account any increases following Fiscal 2018 in connection with the Merger. See "Compensation Discussion & Analysis — Base Salary" above.

(b) The amount reported in the "Bonus" column for Mr. Riley reflects a one-time $250,000 cash promotion bonus for Fiscal 2017 in connection with his appointment as CEO.

(c) The amounts reported in the "Stock Awards" column reflects the aggregate grant date fair value of the awards granted under our Incentive Plan in the relevant fiscal years and as Founders Awards in November 2018 in connection with the Merger, computed in accordance with FASB ASC Topic 718. See Note 7 of the consolidated financial statements in NCI's Annual Report on Form 10-K for the fiscal year ended October 28, 2018 for additional detail regarding assumptions underlying the valuation of equity awards of RSUs and PSUs. See "Compensation Discussion & Analysis — Long-Term Incentive Compensation."

(d) The amounts reported in the “Option Awards” column reflect the aggregate grant date fair value of the option awards, computed in accordance with FASB ASC Topic 718. See Note 7 of the consolidated financial statements in NCI’s Annual Report on Form 10-K for the fiscal year ended October 28, 2018 for additional detail regarding assumptions underlying the valuation of equity awards of options. See “Compensation Discussion & Analysis — Long-Term Incentive Compensation.”

(e) The amounts in this column reflect the amounts earned for the relevant fiscal years under the Company’s Bonus Program. See “Compensation Discussion & Analysis — Annual Bonus.”

(f) The “All Other Compensation” column includes NCI 401(k) matching contributions and DCP contributions with respect to the named executive officers described below, the taxable value of a life insurance benefit, a transportation allowance for Messrs. Johnson, Kuzdal, Moore and Chambers and, with respect to Mr. Chambers, a one-time $825,000 severance payment (equal to one year of his then-current base salary) pursuant to the terms of his employment agreement with the Company entered into on September 1, 2015.
In Fiscal 2018, NCI 401(k) matching contributions were made with respect to each of our Named Executive Officers, and DCP matching contributions were made with respect to Messrs. Riley, Johnson and Chambers.
The DCP matching contribution made in Fiscal 2018 of $31,449, $11,523 and $33,158 were paid with respect to Messrs. Riley, Johnson and Chambers.

(g) Mr. Johnson served as the Company’s CFO and Treasurer until his resignation, effective June 29, 2018. From June 29, 2018 to November 16, 2018, Mr. Little served as the Company’s interim CFO and Treasurer. As described in the Current Report on Form 8-K filed on November 20, 2018, in connection with the Merger, Shawn K. Poe succeeded Mr. Little as CFO of the Company and Brian P. Boyle succeeded Mr. Little as Treasurer of the Company on November 16, 2018. Mr. Chambers served as Executive Chairman of the Board until his resignation, effective December 31, 2017.

(h) Mr. Little was not a Named Executive Officer in Fiscal 2017 or Fiscal 2016.

Fiscal Year 2018 Grants of Plan-Based Awards Table

The following table sets forth information concerning grants of plan-based awards to each of the Named Executive Officers under the Bonus Program and the Incentive Plan during Fiscal 2018.

			Estimated Future Payouts Under Non-Equity Incentive Plan Awards(a)			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards; Number of Shares of Stock or Units (#)	Grant Date Fair Value of Stock and Option Awards ($)(c)
Name	**Grant Date**	**Award Type**	**Threshold ($)(b)**	**Target ($)**	**Maximum ($)**	**Threshold (#)**	**Target (#)**	**Maximum (#)**		
Mr. Riley	12/15/2017	Bonus Program	262,500	750,000	1,500,000	–	–	–	–	–
	12/15/2017	RSA and PSU	–	–	–	–	74,389	148,778	49,593	2,436,246
Mr. Johnson	12/15/2017	Bonus Program	120,225	343,500	687,000	–	–	–	–	–
	12/15/2017	RSA and PSU	–	–	–	–	31,616	63,232	21,077	1,035,417
Mr. Little	12/15/2017	RSA and PSU	69,563	198,750	397,500	–	7,439	14,878	4,960	243,640
Mr. Kuzdal	12/15/2017	Bonus Program	109,200	312,000	624,000	–	–	–	–	–
	12/15/2017	RSA and PSU	–	–	–	–	16,738	33,476	11,159	548,176
Mr. Moore	12/15/2017	Bonus Program	98,963	282,750	565,500	–	–	–	–	–
	12/15/2017	RSA and PSU	–	–	–	–	16,738	33,476	11,159	548,176
Ms. Theroux	12/15/2017	Bonus Program	105,000	300,000	600,000	–	–	–	–	–
	12/15/2017	RSA and PSU	–	–	–	–	16,738	33,476	11,159	548,176
Mr. Chambers	12/15/2017	Bonus Program	192,850	551,000	1,102,000	–	–	–	–	–
	12/15/2017	RSA and PSU	–	–	–	–	–	–	19,837	389,797

(a) Represents target and maximum amounts potentially payable under NCI’s Bonus Program for Fiscal 2018. See “Compensation Discussion & Analysis — Annual Bonus — Fiscal 2018.”

(b) Payouts under the Fiscal 2018 Bonus Program were determined based on Adjusted EBITDA, and no payment would have been made if Adjusted EBITDA did not exceed $149,000,000 in Fiscal 2018. See “Compensation Discussion & Analysis — Annual Bonus.” Actual payments made under the Fiscal 2018 Bonus Program are reported in the Summary Compensation Table.

(c) Except for Fiscal 2018 Awards based on total shareholder return that have a fair value of $24.59 per share, the grant date fair value of plan-based awards granted to each of our NEOs is based on a price per share of $19.65, which was our closing stock price on December 15, 2017, and the assumption that the FY 2018 Awards vested at target levels.

Narrative to the Summary Compensation Table and Grants of Plan-Based Awards Table

Employment Agreements

The Company has entered into employment agreements with each of its NEOs. Mr. Johnson and Mr. Chambers each had an employment agreement while employed by the Company. Mr. Johnson's employment terminated in connection with his resignation from the Company on June 29, 2018. Mr. Chambers's employment terminated in connection with his resignation from the Company on December 31, 2017. For a description of the material terms of the current employment agreements and for a discussion of enhanced severance benefits upon certain terminations in connection with a change in control of the Company, see "Compensation Discussion & Analysis — Other Compensation — Termination and Change in Control Agreements."

On the Closing Date, the Company appointed Mr. Metcalf as its Chairman and Chief Executive Officer, and entered into an employment agreement with him. For a discussion of the terms of Mr. Metcalf's employment agreement, please refer to the section entitled "Appointment of James S. Metcalf as Chairman and Chief Executive of the Company" in Item 5.02. Departure of Directors of Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers" of our Current Report on Form 8-K filed on November 20, 2018.

Fiscal 2018 Bonus Program

Our short-term incentive compensation program for our Named Executive Officers for Fiscal 2018 was dependent upon our attainment of a specified level of Adjusted EBITDA. The amount payable to a recipient of a Fiscal 2018 award under the Bonus Program is determined based on the Adjusted EBITDA level actually attained by us for Fiscal 2018 and is equal to a specified percentage of the recipient's base salary. For Fiscal 2018, our Compensation Committee did not exercise any discretion to increase or reduce bonuses otherwise payable by reason of the applicable performance criteria. See "Compensation Discussion & Analysis — Annual Bonus" for additional information.

Fiscal 2018 and Fiscal 2019 Long-Term Incentive Awards

In December 2017, our Compensation Committee granted RSUs and PSUs to our NEOs. In November 2018, our Compensation Committee granted options, RSUs and PSUs to our NEOs. See "Compensation Discussion & Analysis — Long-Term Incentive Compensation — Long-Term Incentive Awards Granted in Fiscal 2018 to NEOs" and "Compensation Discussion & Analysis — Long-Term Incentive Compensation — Long-Term Incentive Awards Granted in Fiscal 2019 to NEOs – Founders Awards." Mr. Johnson forfeited his equity incentive plan awards upon his termination of employment with the Company.

Outstanding Equity Awards at Fiscal Year-End

The following table sets forth information concerning unexercised stock options and unvested restricted stock, RSUs and PSUs held by each of our Named Executive Officers as of October 28, 2018.

	Option Awards				Stock Awards				
Name	Number of Securities Underlying Unexercised Options Exercisable (#)[a]	Number of Securities Underlying Unexercised Options Unexercisable (#)	Option Exercise Price ($)	Option Expiration Date	Grant Award Date	Number of Shares or Units of Stock That Have Not Vested (#)[b]	Market Value of Shares or Units of Stock That Have Not Vested ($)[c]	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)[d]	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)[e]
Mr. Riley	—	—	—	—	12/08/14	5,513	68,637	—	—
	—	—	—	—	12/15/15	8,489	105,688	37,450	466,253
	—	—	—	—	12/15/16	13,969	173,914	31,272	389,336
	—	—	—	—	07/01/17	15,370	191,357	—	—
	—	—	—	—	12/15/17	49,593	617,433	74,389	926,143
Mr. Johnson	—	—	—	—	12/15/15	—	—	—	—
	—	—	—	—	12/15/16	—	—	—	—
	—	—	—	—	12/15/17	—	—	—	—
Mr. Little	—	—	—	—	12/15/15	7,491	93,263	13,375	166,519
	—	—	—	—	12/15/16	4,628	57,619	10,359	128,970
	—	—	—	—	12/15/17	4,960	61,752	7,439	92,616
Mr. Kuzdal	86,599	—	8.85	12/09/19	12/15/15	6,670	83,042	29,425	366,341
	29,167	—	12.00	12/12/20	12/15/16	9,604	119,570	21,500	267,675
	34,382	—	10.18	12/21/21	12/15/17	11,159	138,930	16,738	208,388
Mr. Moore	—	—	—	—	12/15/15	5,761	71,724	25,413	316,392
	—	—	—	—	12/15/16	8,294	103,260	18,568	231,172
	—	—	—	—	12/15/17	11,159	138,930	16,738	208,388
Ms. Theroux	—	—	—	—	09/02/14	1,900	23,655	—	—
	—	—	—	—	12/15/15	4,851	60,395	21,400	266,430
	—	—	—	—	12/15/16	6,985	86,963	15,636	194,668
	—	—	—	—	07/01/17	3,993	49,713	—	—
	—	—	—	—	12/15/17	11,159	138,930	16,738	208,388
Mr. Chambers	—	—	—	—	02/24/15	—	—	—	—
	—	—	—	—	12/15/15	—	—	133,748	1,665,163
	—	—	—	—	12/15/16	—	—	97,724	1,216,664

(a) All exercisable stock options previously granted (i) have an exercise price not less than the closing price of NCI's Common Stock on the day before the grant date, (ii) became exercisable with respect to 25% of the total option shares each year, starting on the first anniversary of the grant date, and (iii) were granted for a term of 10 years. Additional terms governing the stock option awards are described in the narrative above entitled "Executive Compensation — Narrative to the Summary Compensation Table and Grants of Plan-Based Awards Table — Restricted Stock and Restricted Stock Unit Awards and Stock Options."

(b) Reflects (1) the restricted stock portion of the FY 2018, FY 2017 Awards and FY 2016 Awards granted to the Named Executive Officers on December 15, 2017, December 15, 2016 and December 15, 2015, respectively, and (2) the one-time awards of restricted stock granted in July 2017 to Mr. Riley and Ms. Theroux. For a description of the vesting of these awards, see "Compensation Discussion & Analysis — Long-Term Incentive Compensation" in our Fiscal 2016 proxy and "Executive Compensation — Narrative to the Summary Compensation Table and Grants of Plan-Based Awards Table — Restricted Stock and Restricted Stock Unit Awards and Stock Options."

(c) This column represents the closing price of our Common Stock on October 26, 2018, the last business day of Fiscal 2018, which is $12.45, multiplied by the number of shares of restricted stock.

(d) This column represents the performance share unit awards granted to the Named Executive Officers on December 15, 2017, determined assuming the target level of performance is achieved.

(e) This column represents the closing price of our Common Stock on October 26, 2018, the last business day of Fiscal 2018, which is $12.45, multiplied by the number of shares underlying the performance share units, determined assuming the target level of performance is achieved.

Option Exercises and Stock Vested

The following table sets forth information concerning the exercise of options and vesting of restricted stock, RSUs, and PSUs of each of our Named Executive Officers during Fiscal 2018:

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)(a)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)(b)
Mr. Riley	—	—	38,496	756,036
Mr. Johnson	—	—	33,093	638,695
Mr. Little	—	—	10,583	204,252
Mr. Kuzdal	20,000	207,766	18,252	352,264
Mr. Moore	—	—	15,550	300,115
Ms. Theroux	—	—	16,742	326,514
Mr. Chambers	33,334	243,338	410,783	7,912,929

(a) The value realized on exercise represents the difference between the market value of our common stock at the time the applicable option was exercised and the exercise price of the option.

(b) This column represents the closing price of our common stock on December 14, 2017 (which is the day before the vesting date of the applicable restricted stock) multiplied by the number of shares of restricted stock held by each NEO, except with respect to 294,997 shares held by Mr. Chambers that vested on December 29, 2017 in connection with is retirement, 5,954 held by Mr. Chambers that vested on February 3, 2018, 7,684 shares held by Mr. Riley that vested on July 1, 2018 and 1,996 shares held by Ms. Theroux that vested on July 1, 2018 per the terms of their respective awards.

Pension Benefits

We do not sponsor or maintain any plans that provide for specified retirement payments or benefits, such as tax-qualified defined benefit plans or supplemental executive retirement plans, for our Named Executive Officers.

Nonqualified Deferred Compensation

The following table sets forth information concerning nonqualified deferred compensation benefits of each of our Named Executive Officers under the DCP for Fiscal 2018:

Name	Executive Contributions in Last FY ($)(a)	Registrant Contributions in Last FY ($)	Aggregate Earnings in Last FY ($)	Aggregate Withdrawals/ Distributions ($)	Aggregate Balance at Last FYE ($)(b)
Mr. Riley	31,846	31,449	-422	—	128,275
Mr. Johnson	27,177	11,523	23,220	46,591	308,968
Mr. Little	—	—	529	—	40,841
Mr. Kuzdal	—	—	-2,452	—	93,082
Mr. Moore	—	—	—	—	—
Ms. Theroux	—	—	—	—	—
Mr. Chambers	67,720	33,158	46,525	1,646,980	694,861

(a) Contributions made by the Named Executive Officers during Fiscal 2018 are included in each such executive's salary and bonus amounts, as applicable, as reported in the "Summary Compensation Table."

(b) Of the totals in the "Aggregate Balance at Last FYE" column, the following amounts were reported as compensation in the "Summary Compensation Table" of our proxy statements in Fiscal 2018 and previous years pursuant to the SEC's current disclosure rules: Mr. Riley, $62,558; Mr. Johnson, $287,639; Mr. Little, $40,312; Mr. Kuzdal $95,264; and Mr. Chambers, $2,194,438. Mr. Moore and Ms. Theroux do not participate in the DCP. Mr. Little was not a Named Executive Officer prior to Fiscal 2018.

Eligible participants in the DCP include certain employees and non-employee directors of NCI who are selected by the Compensation Committee to participate. The DCP is a nonqualified retirement plan created to provide specified benefits to our highly compensated employees and directors. The DCP allows employees, including the Named Executive Officers, to defer up to 80% of their annual salaries and up to 90% of their annual cash bonuses, and allows NCI's non-employee directors to defer up to 100% of their annual fees and meeting attendance fees, until a specified date in the future, including at or after retirement. Elections to defer under the DCP must be made prior to the end of the year preceding the year the compensation will be earned. Elections to defer incentive payments based on services to be performed over at least a twelve-month period must be made no later than six months prior to the end of the designated performance period. Mr. Moore chose not to participate in the DCP in Fiscal 2016.

The DCP also allows discretionary matching contributions to provide a supplemental retirement benefit to executives. For Fiscal 2018, we determined to make discretionary matching contributions provided that NCI achieved ROA for Fiscal 2018 of 15%. If target ROA was achieved, we would match the percentage of an executive officer's salary and bonus that he has voluntarily deferred under the DCP, up to a maximum of 15%. Because our ROA exceeded 15%, this discretionary contribution was made for Fiscal 2018. In addition, NCI made discretionary matching contributions to make up for certain limits applicable to the 401(k) Plan (the "Restoration Match"). Executives generally become vested in the Restoration Match in a manner consistent with NCI's match in the NCI 401(k) plan, which generally vests ratably over a six-year period. Discretionary matching contributions vest ratably over a three-year period. However, effective upon the consummation of the Equity Investment on October 20, 2009, all matching contributions then allocated to a participant's account under the DCP became 100% vested. Matching contributions allocated to a participant's account following October 20, 2009, will also become fully vested upon any subsequent change in control or upon the participant's retirement, death or disability.

Amounts deferred are deemed invested in one or more phantom investment funds and additional amounts are credited to participants' accounts based on the hypothetical earnings of such investments. No above-market or preferential earnings are paid under the DCP and, therefore, none of the aggregate earnings reported in the table above are included in the Summary Compensation Table. With the exception of amounts deferred into Common Stock, participants may change their investment options at any time, subject to the administrative procedures adopted by the plan administrator. The table below shows the funds available in the DCP and the annual return of each for Fiscal 2018:

Investment Funds	Rate of Return
Wells Fargo Government Money Market Fund	1.5%
American Funds EuroPacific Growth Fund	-10.6%
American Beacon Stephens Small Cap Growth Fund	18.6%
Fidelity® 500 Index Fund	7.3%
Baird Aggregate Bond Fund	-2.2%
NCI Stock Fund	-23.2%

Withdrawal elections under the DCP will be made in conjunction with the deferral election, and the scheduled distribution date elected will be the first day of a plan year at least three years after the end of the plan year to which the amounts subject to the election relate. A participant may elect to receive a scheduled in-service distribution in a lump sum or in installments. Changes to withdrawal elections must be made at least 12 months prior to the initial elected payment date and must defer the new initial payment date at least five years. In-service withdrawals are permitted to satisfy an unforeseeable emergency plus the amounts anticipated to pay taxes on the withdrawal amount. If a participant withdraws amounts from the DCP upon an unforeseeable emergency, the participant's participation in the DCP may be suspended. Upon a change in control or the participant's death, disability or other termination (other than due to retirement), a participant will receive his vested plan account in a lump sum. Upon a change in control, a participant's deferral elections immediately terminate with respect to any prospective compensation payable following the change in control.

NEOs may defer receipt of the shares of Common Stock that they earn with respect to the FY 2018 Awards and the FY 2019 Awards. If a deferral election is made, these deferrals will be credited as phantom shares of Common Stock. These deferrals must remain in the form of phantom shares during the entire deferral period and may not be exchanged into any of the other investment options under the DCP. The phantom shares will be settled in actual shares of Common Stock on settlement dates elected by the participant at the time of deferral.

We have established a rabbi trust to provide for NCI's obligations under the DCP and have formed an administrative committee to manage the DCP and its assets. Pursuant to the investment agreement, effective on October 20, 2009 (the "Investment Agreement"), the DCP was amended to eliminate the right to appoint a third-party administrator of the DCP after October 20, 2009. Similarly, the rabbi trust that is the source of funding for obligations under the DCP was amended so that certain administrative protections that would have gone into effect following a change in control did not apply as a result of the Equity Investment. In addition, as a result of the amendment, the requirement to fully fund the rabbi trust upon a change in control did not apply as a result of the Equity Investment. Prior to the Merger, the rabbi trust was amended on November 12, 2018 to provide that neither the Merger nor any transaction contemplated thereunder constituted a change in control for purposes of the DCP.

Potential Payments upon Termination or Change in Control

We describe below certain payments and benefits that would be received by our Named Executive Officers upon specified terminations of their employment, and up on a change in control of us, under the employment agreements to which we and our Named Executive Officers are parties, as well as under our Incentive Plan and the outstanding equity awards as of the end FY 2018. It should be highlighted that, notwithstanding that an actual change in control of us occurred on November 16, 2018, the following information relates to our fiscal year ended October 28, 2018. Thus, the information that follows does not take into account (1) the changes to outstanding equity awards that occurred at the closing of the Merger (described above in the section entitled "Compensation Discussion & Analysis — Other Compensation — Termination and Change in Control Agreements." or (2) the grant of the Founders Awards at the closing of the Merger.

Employment Agreements

Each Named Executive Officer has an employment agreement with the Company that provides for severance payments and termination benefits upon a termination of a Named Executive Officer's employment by the Company without "cause" or by the Named Executive Officer for "good reason," both prior to and following a change in control of the Company. For a description of the severance benefits to which Named Executive Officers are entitled under the employment agreements, see "Compensation Discussion & Analysis — Other Compensation — Termination and Change in Control Agreements."

Equity Incentive Awards

FY 2016 Awards

The unvested RSUs granted to the Named Executive Officers as part of the FY 2016 Awards, FY 2017 Awards and FY 2018 Awards become fully vested prior to the completion of the stated vesting period (1) upon the Named Executive Officer's death or disability, or (2) upon the occurrence of a change in control.

The unvested performance share units granted to the Named Executive Officers as part of the FY 2016 Awards become vested prior to the completion of the performance period as follows: (1) on a pro rata basis (a) in the event the Named Executive Officer's employment is terminated by NCI without cause, (b) in the event the Named Executive Officer terminates his or her employment for good reason or (c) upon the Named Executive Officer's death or disability, such pro rata vesting to be determined based on the elapsed portion of the performance period (except that, if the performance period is less than one-half completed, the performance share units will be forfeited upon any such termination other than for death or disability) and measured against the actual satisfaction of the performance criteria; and (2) as to the maximum number of performance share units under the award upon a change in control.

For a discussion of the actual treatment of these awards in the Merger, see "Compensation Discussion & Analysis — Other Compensation — Termination and Change in Control Agreements."

FY 2017 Awards and FY 2018 Awards

Upon a change in control (as defined above), the FY 2017 Awards and FY 2018 Awards provide that they will be assumed or replaced by economically equivalent alternative awards, and, further, that these awards are intended to fully vest only to the extent that they are not assumed or replaced with alternative awards. The terms of any alternative award must be at least as favorable as the terms of the award being replaced (including an equal or better vesting schedule and, in the case of stock options, an identical or better method of exercise) and must provide for full acceleration in the event that the grantee is terminated by the successor without cause or by the award holder with good reason within two years following the change in control with respect to which the alternative award was granted.

For a discussion of the actual treatment of these awards in the Merger, see “Compensation Discussion & Analysis — Other Compensation — Termination and Change in Control Agreements.”

Quantification of Payments

Termination Payments (unrelated to a Change in Control)

The following table estimates the value of the payments and benefits that each of our Named Executive Officers would receive if his or her employment terminated on October 26, 2018 (the last business day of Fiscal 2018) under the circumstances shown and making the following assumptions, except for Mr. Johnson and Mr. Chambers, each of whom departed during FY 2018, and for whom the table instead reflects the actual payments and benefits received in connection with their departure. The table excludes (i) amounts accrued through Fiscal 2018 year-end that would be paid in the normal course of continued employment, such as accrued but unpaid salary, (ii) benefits generally available to all of our salaried employees, and (iii) stock options with a strike price below the closing stock price on October 26, 2018. The amounts reflected for the acceleration of the FY 2016 Awards, FY 2017 Awards and FY 2018 Awards assume that these awards would be settled at target levels. The amounts disclosed assume that the price of our Common Stock was $12.45, which was the closing price of our stock on October 26, 2018. Therefore, such amounts and disclosures should be considered “forward looking statements.”

Name	Benefit	Termination for Cause ($)	Termination Without Cause or by Executive for Good Reason ($)	Termination by Executive Without Good Reason ($)	Disability ($)	Retirement ($)	Death ($)
Mr. Riley	Non-CIC Severance	—	2,103,570	—	—	—	—
	Bonus FY 2018	—	789,000	—	—	—	—
	Accelerated RSU Vesting	—	—	—	1,088,391	—	1,088,391
	Accelerated Restricted Stock Vesting	—	—	—	68,637	—	68,637
	Accelerated FY 2016 Awards Vesting (PSU)	—	466,253	—	466,253	—	466,253
	Accelerated FY 2017 Awards Vesting (PSU)	—	—	—	389,336	—	389,336
	Accelerated FY 2018 Awards Vesting (PSU)	—	—	—	926,143	—	926,143
	Life Insurance	—	—	—	—	—	100,000
Mr. Johnson	Non-CIC Severance	—	—	—	—	—	—
	Bonus FY 2018	—	—	—	—	—	—
	Accelerated RSU Vesting	—	—	—	—	—	—
	Accelerated Restricted Stock Vesting	—	—	—	—	—	—
	Accelerated FY 2016 Awards Vesting (PSU)	—	—	—	—	—	—
	Accelerated FY 2017 Awards Vesting (PSU)	—	—	—	—	—	—
	Accelerated FY 2018 Awards Vesting (PSU)	—	—	—	—	—	—
	Life Insurance	—	—	—	—	—	—

Name	Benefit	Termination for Cause ($)	Termination Without Cause or by Executive for Good Reason ($)	Termination by Executive Without Good Reason ($)	Disability ($)	Retirement ($)	Death ($)
Mr. Little	Non-CIC Severance	—	277,378	—	—	—	—
	Bonus FY 2018	—	268,260	—	—	—	—
	Accelerated RSU Vesting	—	—	—	212,634	—	212,634
	Accelerated Restricted Stock Vesting	—	—	—	—	—	—
	Accelerated FY 2016 Awards Vesting (PSU)	—	166,519	—	166,519	—	166,519
	Accelerated FY 2017 Awards Vesting (PSU)	—	—	—	128,970	—	128,970
	Accelerated FY 2018 Awards Vesting (PSU)	—	—	—	92,616	—	92,616
	Life Insurance	—	—	—	—	—	50,000
Mr. Kuzdal	Non-CIC Severance	—	428,378	—	—		—
	Bonus FY 2018	—	328,224	—	—	—	—
	Accelerated RSU Vesting	—	—	—	341,541	—	341,541
	Accelerated Restricted Stock Vesting	—	—	—	—	—	—
	Accelerated FY 2016 Awards Vesting (PSU)	—	366,341	—	366,341	—	366,341
	Accelerated FY 2017 Awards Vesting (PSU)	—	—	—	267,675	—	267,675
	Accelerated FY 2018 Awards Vesting (PSU)	—	—	—	208,388	—	208,388
	Life Insurance	—	—	—	—	—	100,000
Mr. Moore	Non-CIC Severance	—	389,378	—	—	—	—
	Bonus FY 2018	—	297,453	—	—	—	—
	Accelerated RSU Vesting	—	—	—	313,914	—	313,914
	Accelerated Restricted Stock Vesting	—	—	—	—	—	—
	Accelerated FY 2016 Awards Vesting (PSU)	—	316,392	—	316,392	—	316,392
	Accelerated FY 2017 Awards Vesting (PSU)	—	—	—	231,172	—	231,172
	Accelerated FY 2018 Awards Vesting (PSU)	—	—	—	208,388	—	208,388
	Life Insurance	—	—	—	—	—	100,000
Ms. Theroux	Non-CIC Severance	—	408,572	—	—	—	—
	Bonus FY 2018	—	315,600	—	—	—	—
	Accelerated RSU Vesting	—	—	—	336,001	—	336,001
	Accelerated Restricted Stock Vesting	—	—	—	23,655	—	23,655
	Accelerated FY 2016 Awards Vesting (PSU)	—	266,430	—	266,430	—	266,430
	Accelerated FY 2017 Awards Vesting (PSU)	—	—	—	194,668	—	194,668
	Accelerated FY 2018 Awards Vesting (PSU)	—	—	—	208,388	—	208,388
	Life Insurance	—	—	—	—	—	100,000

Name	Benefit	Termination for Cause ($)	Termination Without Cause or by Executive for Good Reason ($)	Termination by Executive Without Good Reason ($)	Disability ($)	Retirement ($)	Death ($)
Mr. Chambers	Non-CIC Severance	—	825,000	—	—	—	—
	Bonus FY 2018	—	144,650	—	—	—	—
	Accelerated RSU Vesting	—	—	—	—	—	—
	Accelerated Restricted Stock Vesting	—	—	—	—	—	—
	Accelerated FY 2016 Awards Vesting (PSU)	—	1,665,163	—	1,665,163	—	1,665,163
	Accelerated FY 2017 Awards Vesting (PSU)	—	1,216,664	—	1,216,664	—	1,216,664
	Accelerated FY 2018 Awards Vesting (PSU)	—	—	—	—	—	—
	Life Insurance	—	—	—	—	—	—

Change-in-Control Payments

The following table estimates the value of the payments and benefits that each of our Named Executive Officers would receive if a change in control occurred on October 26, 2018 (the last business day of Fiscal 2018), other than Mr. Johnson and Mr. Chambers, each of whom departed during FY 2018. The table is intended to provide additional information about the effects of a change in control on the compensation of the Named Executive Officers, and should not be understood to supplement or replace the information provided in the table above, which represents payments to the Named Executive Officers upon a termination unrelated to a change in control. Column (A) represents the value of the payments to which each Named Executive Officer would be entitled upon the occurrence of the change in control, without regard to whether the Named Executive Officer continued to be employed by the Company following a change in control. Column (B) represents the value of the payments to which each Named Executive Officer would be entitled if the Named Executive Officer's employment was terminated in connection with the change in control either by the Company without cause or by the Named Executive Officer for good reason. The payments shown in Column B include the payments in Column A (i.e., the payments in Column (B) are the sum of the "single-trigger" payments shown in Column (A), plus any additional termination benefits to which the Named Executive Officer would be entitled if he or she were terminated following a change in control). The same exclusions and assumptions applicable to the table in "Narrative to the Summary Compensation Table and Grants of Plan-Based Awards Table — Quantification of Payments — Termination Payments" were applied to the following table. Accordingly, such amounts and disclosures should be considered "forward looking statements."

Name	Benefit	(A) Change in Control ($)	(B) Change in Control Followed by a Termination Without Cause or by Executive for Good Reason ($)
Mr. Riley	CIC Severance	—	4,551,378
	Accelerated RSU Vesting	106,537	799,840
	Accelerated Restricted Stock Vesting	69,188	69,188
	Accelerated FY 2016 Awards Vesting (PSU)	668,237	668,237
	Accelerated FY 2017 Awards Vesting (PSU)	—	311,474
	Accelerated FY 2018 Awards Vesting (PSU)	—	740,912

Name	Benefit	(A) Change in Control ($)	(B) Change in Control Followed by a Termination Without Cause or by Executive for Good Reason ($)
Mr. Little	CIC Severance	—	800,638
	Accelerated RSU Vesting	94,012	164,641
	Accelerated Restricted Stock Vesting	—	—
	Accelerated FY 2016 Awards Vesting (PSU)	238,651	238,651
	Accelerated FY 2017 Awards Vesting (PSU)	—	103,173
	Accelerated FY 2018 Awards Vesting (PSU)	—	74,102
Mr. Kuzdal	CIC Severance	—	1,068,602
	Accelerated RSU Vesting	83,709	237,479
	Accelerated Restricted Stock Vesting	—	—
	Accelerated FY 2016 Awards Vesting (PSU)	525,029	525,029
	Accelerated FY 2017 Awards Vesting (PSU)	—	214,140
	Accelerated FY 2018 Awards Vesting (PSU)	—	166,705
Mr. Moore	CIC Severance	—	969,581
	Accelerated RSU Vesting	72,301	212,792
	Accelerated Restricted Stock Vesting	—	—
	Accelerated FY 2016 Awards Vesting (PSU)	453,444	453,444
	Accelerated FY 2017 Awards Vesting (PSU)	—	184,945
	Accelerated FY 2018 Awards Vesting (PSU)	—	166,706
Ms. Theroux	CIC Severance	—	1,024,172
	Accelerated RSU Vesting	60,880	247,817
	Accelerated Restricted Stock Vesting	23,845	23,845
	Accelerated FY 2016 Awards Vesting (PSU)	381,846	381,846
	Accelerated FY 2017 Awards Vesting (PSU)	—	155,737
	Accelerated FY 2018 Awards Vesting (PSU)	—	166,706

OTHER COMPENSATION INFORMATION

Pay Ratio Disclosure

Pursuant to Item 402(u) of Regulation S-K and Section 953(b) of the Dodd-Frank Act, presented below is the ratio of the annual total compensation of our CEO in Fiscal 2018, Mr. Riley, to the annual total compensation of our median employee (excluding Mr. Riley).

The ratio presented below is a reasonable estimate calculated in a manner consistent with Item 402(u). The SEC's rules for identifying the median employee and calculating the pay ratio based on that employee's annual total compensation allow companies to adopt a variety of methodologies, to apply certain exclusions, and to make reasonable estimates and assumptions that reflect their employee populations and compensation practices. As a result, the pay ratio reported by other companies may not be comparable to the pay ratio reported below, as other companies have different employee populations and compensation practices and may utilize different methodologies, exclusions, estimates, and assumptions in calculating their own pay ratios.

We identified our median employee from all full-time and part-time workers who were included as employees on our payroll records as of a determination date of August 1, 2018. The median was identified using base pay, overtime, and bonuses paid over the twelve-month period preceding the determination date. International employees' pay was converted to US dollar equivalents using exchange rates as of the determination date and pay was annualized for any employees hired during the period.

The 2018 annual total compensation as determined under Item 402 of Regulation S-K for Mr. Riley was $4,018,866, as reported in the Summary Compensation Table of this Form 10-K. The 2018 annual total compensation as determined under Item 402 of Regulation S-K for our median employee was $56,317. The ratio of Mr. Riley's annual total compensation to our median employee's annual total compensation for fiscal year 2018 is 71 to 1.

DIRECTOR COMPENSATION

Directors of NCI who are also employees of NCI do not receive compensation for their service as directors. For Fiscal 2018, in addition to reimbursing our non-employee directors for the expenses incurred to attend and/or participate in meetings, we paid non-employee directors the following amounts:

Annual Retainer Fee	$	65,000
Audit Committee Chair Annual Retainer Fee	$	18,500
Compensation Committee Chair Annual Retainer Fee	$	13,500
Audit Committee Member Annual Retainer Fee	$	10,000
Compensation Committee Member Annual Retainer Fee	$	7,500
Nominating and Corporate Governance Committee Member Annual Retainer Fee	$	5,000
Chair of Nominating and Corporate Governance Committee	$	10,000
Affiliated Transactions Committee Member Annual Retainer Fee	$	3,000
Executive Committee Member Annual Retainer Fee	$	3,000

In addition, in Fiscal 2018, Mr. Metcalf received a cash retainer of $135,000 for his service as Chair of the Board. As disclosed in our 2017 proxy statement, as of Fiscal 2018, we no longer pay our non-employee directors a fee for their attendance at meetings (except for payments of $750 per meeting to those non-employee directors who participate in meetings of ad hoc committees). Our non-employee directors instead receive annual retainer fees in the amounts disclosed above.

In addition, through Fiscal 2018, each non-employee director received a grant of RSUs and/or stock options under the Incentive Plan having an aggregate fair market value of $90,000 on December 15 of each year. These RSUs generally vest over a one-year period of service, subject to the same acceleration provisions as applied to the restricted stock units granted to our NEOs (see "Executive Compensation — Potential Payments upon Termination or Change in Control — Equity Incentive Awards").

Messrs. Berges, Sleeper, and Zrebiec have assigned all of the compensation each would receive for his services as a director, including any shares of RSUs, to CD&R, LLC. In the same manner as our other directors, Mr. Berges received reimbursement for travel and other out-of-pocket expenses incurred in connection with his functions and duties as a director, except that Mr. Berges was also entitled to reimbursement of up to $150,000 in the aggregate per calendar year for actual air travel expenses for NCI-related purposes on our corporate aircraft in lieu of reimbursement based on the cost of commercial air travel.

In Fiscal 2019, the Compensation Committee, with assistance from FW Cook, undertook a review of its compensation policy for non-employee directors. Our non-employee directors will instead receive annual retainer fees in the following amounts:

Annual Retainer Fee	$	75,000
Audit Committee Chair Annual Retainer Fee	$	22,500
Compensation Committee Chair Annual Retainer Fee	$	15,500
Audit Committee Member Annual Retainer Fee	$	10,000
Compensation Committee Member Annual Retainer Fee	$	7,500
Nominating and Corporate Governance Committee Member Annual Retainer Fee	$	6,500
Chair of Nominating and Corporate Governance Committee	$	13,500
Affiliated Transactions Committee Member Annual Retainer Fee	$	3,000
Executive Committee Member Annual Retainer Fee	$	3,000

In addition, beginning in Fiscal 2019 each non-employee director will receive a grant of RSUs under the Incentive Plan having an aggregate fair market value of $110,000 on December 15 of each year.

Fiscal Year 2018 Director Compensation Table

The following table provides information concerning the compensation of our non-employee directors for Fiscal 2018.

Name	Fees Earned or Paid in Cash ($)(a)(b)	Stock Awards ($)(c)	Option Awards ($)(c)	All Other Compensation ($)	Total ($)
Kathleen J. Affeldt	78,500	109,647	—	—	188,147
George L. Ball	104,000	109,647	—	—	213,647
James G. Berges[(d)]	78,000	109,634	—	—	187,634
Gary L. Forbes	104,500	109,647	—	—	214,147
John J. Holland	99,375	109,647	—	—	209,022
Lawrence J. Kremer	70,000	109,647	—	—	179,647
George Martinez	95,500	109,647	—	—	205,147
James S. Metcalf	215,500	219,274	—	—	434,774
Nathan K. Sleeper	75,500	109,634	—	—	185,134
William R. VanArsdale[(d)]	80,000	109,647	—	—	189,647
Jonathan L. Zrebiec	65,750	109,634	—	—	175,384

(a) Includes annual retainer fees, supplemental retainer fees for Committee Chairmen, Board meeting fees and Committee meeting fees for each non-employee director as more fully explained in the preceding paragraphs.

(b) The amounts reported in the “Fees Earned or Paid in Cash” column for each of Messrs. Berges, Sleeper, and Zrebiec represents amounts paid to CD&R, LLC, as assignee of compensation payable to those directors, each of whom is an employee or partner of CD&R, LLC.

(c) The amounts reported in the “Stock Awards” and “Option Awards” columns reflect the aggregate grant date fair value of the awards granted under our Incentive Plan in Fiscal 2018, computed in accordance with FASB ASC Topic 718. See Note 7 of the consolidated financial statements in NCI’s Annual Report on Form 10-K for the fiscal year ended October 28, 2018 for additional detail regarding assumptions underlying the valuation of equity awards. As of October 28, 2018, the non-employee directors held the following outstanding restricted stock awards and stock options: (i) Ms. Affeldt (6,459 restricted shares), (ii) Mr. Forbes (5,580 restricted shares and 7,029 stock options), (iii) Mr. Holland (9,534 restricted shares and 3,514 stock options), (iv) Mr. Kremer (6,459 restricted shares), (v) Mr. Martinez (6,459 restricted shares), (vi) Mr. Ball (6,459 restricted shares), and Mr. Metcalf (11,159 restricted shares). Amounts reported for each of Messrs. Berges, Sleeper, and Zrebiec represent grants of restricted Common Stock issued to CD&R, LLC, as assignee of compensation payable to those directors, each of whom is an employee or partner of CD&R, LLC. These figures do not include RSUs or options granted to the non-employee directors on December 15, 2018. Stock options figures include total exercisable and non-exercisable options.

(d) Messrs. Berges and VanArsdale resigned from the Board effective November 16, 2018.

Item 12. Security Ownership of Certain Beneficial Owners & Management and Related Stockholder Matters

Equity Compensation Plan Information

The following table summarizes our equity plan information as of October 28, 2018.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	1,696,641[1]	10.94[2]	—
Equity compensation plans not approved by security holders[3]	N/A	N/A	N/A
Total	**460,566**	**10.94**	—

(1) Includes 214,971 shares subject to outstanding stock options, 460,566 shares subject to outstanding RSUs and 1,021,104 shares subject to outstanding PSUs based on assumed target performance, unless performance is otherwise know.
(2) The weighted average remaining contractual life of outstanding options is 2.9 years.
(3) All shares of Common Stock underlying outstanding awards and remaining available for issuance as of October 28, 2018 were under the Incentive Plan.

Security Ownership of Certain Beneficial Owners and Management

Unless otherwise noted, the following tables set forth, as of February 5, 2019 (the "Ownership Date"), the number of shares of our equity securities beneficially owned by (1) each person or group known by us to own beneficially more than 5% of the outstanding shares of any class of our equity securities, (2) each director and nominee for director, (3) each of our executive officers identified under the caption "Executive Compensation," and (4) all current directors and executive officers as a group. Except as otherwise indicated, each of the persons or groups named below has sole voting power and investment power with respect to the Common Stock. Unless otherwise noted, the mailing address of each person or entity named below is 5020 Weston Parkway, Suite 400, Cary, North Carolina 27513.

Name of Beneficial Owner or Group	Beneficial Ownership[1] Number of Shares of Common Stock	Percent
CD&R Pisces Holdings, L.P. [2]	39,128,929	31.18
Clayton Dubilier & Rice Fund VIII, L.P.[3]	22,744,823	18.13
CD&R Friends & Family Fund VIII, L.P.[3]	56,940	*
GG Shareholders[4]	16,739,403	13.34
Kathleen J. Affeldt[5]	39,195	*
George Ball	151,670	*
Norman C. Chambers[5]	329,584	*
Gary L. Forbes[5]	87,266	*
John J. Holland[5]	66,779	*

Name of Beneficial Owner or Group	Beneficial Ownership[1] Number of Shares of Common Stock	Percent
Mark E. Johnson[5]	90,858	*
Lawrence J. Kremer[5]	45,707	*
John Krenicki [2][3][6]	—	*
John L. Kuzdal[5]	242,137	*
Bradley S. Little[5]	11,584	*
George Martinez[5]	57,804	*
James Metcalf[5]	137,772	*
Todd R. Moore[5][6]	70,515	*
Timothy O'Brien[5]	—	*
Donald R. Riley[5]	128,904	*
Nathan K. Sleeper[2][3][7]	—	*
Katy K. Theroux[5]	48,146	*
Jonathan L. Zrebiec[2][3][7]	—	*
All directors and executive officers as a group (21 persons)[7][8]	1,507,921	1.20

* Less than 1%.

(1) Includes shares beneficially owned by the listed persons, including unvested restricted stock granted in December 2018 and prior years, shares owned under our 401(k) Profit Sharing Plan and phantom units owned under our Deferred Compensation Plan, but does not include any of the restricted stock units or the performance share units granted to the listed persons in December 2015, December 2016, December 2017 or November 2018 (see "Compensation Discussion & Analysis — Long-Term Incentive Compensation"). If a person has the right to acquire beneficial ownership of any shares by exercise of options or by reason of the vesting of restricted stock units previously granted within 60 days after the Ownership Date, those shares are deemed beneficially owned by that person as of the Ownership Date and are deemed to be outstanding solely for the purpose of determining the percentage of the Common Stock that he or she owns. Those shares are not included in the computations for any other person. Please see the tables accompanying footnotes 5 and 7 below for additional information regarding equity compensation awards held by the listed persons.

(2) CD&R Investment Associates X, Ltd. ("CD&R Pisces GP") is the general partner of CD&R Pisces.

CD&R Pisces GP, as the general partner of CD&R Pisces, may be deemed to beneficially own the shares of Common Stock shown as beneficially owned by CD&R Pisces. CD&R Pisces GP expressly disclaims beneficial ownership of the Common Stock of which CD&R Pisces has beneficial ownership.

Investment and voting decisions with respect to the shares of Common Stock held by CD&R Pisces or CD&R Pisces GP are made by an investment committee comprised of more than ten individuals (the "CD&R Pisces Investment Committee"). All members of the CD&R Pisces Investment Committee disclaim beneficial ownership of the shares of Common Stock shown as beneficially owned by CD&R Pisces.

CD&R Pisces GP expressly disclaims beneficial ownership of the shares held by CD&R Pisces and the restricted shares held by CD&R, LLC as assignees of director compensation payable to Messrs. Krenicki, Sleeper and Zrebiec. Each of CD&R Pisces and CD&R Pisces GP expressly disclaim beneficial ownership of the restricted shares held by CD&R, LLC as assignees of director compensation payable to Messrs. Krenicki, Sleeper and Zrebiec. CD&R, LLC expressly disclaims beneficial ownership of the shares held by CD&R Pisces.

The address for CD&R Pisces and CD&R Pisces GP is c/o Maples Corporate Services Limited, P.O. Box 309, Ugland House, South Church Street, George Town, Grand Cayman, KY1-1104, Cayman Islands. The address for CD&R, LLC is 375 Park Avenue, 18th Floor, New York, NY 10152.

(3) Does not include 120,626 restricted shares of Common Stock and 20,424 restricted stock units issued to CD&R, LLC, as assignee of director compensation payable to Messrs. James G. Berges, John Krenicki, Nathan K. Sleeper and Jonathan L. Zrebiec.

The general partner of each of the CD&R Fund VIII Investors is CD&R Associates VIII, Ltd., whose sole stockholder is CD&R Associates VIII, L.P. The general partner of CD&R Associates VIII, L.P. is CD&R Investment Associates VIII, Ltd.

CD&R Investment Associates VIII, Ltd. is managed by a two-person board of directors. Donald J. Gogel and Kevin J. Conway, as the directors of CD&R Investment Associates VIII, Ltd., may be deemed to share beneficial ownership of the shares of Common Stock shown as beneficially owned by the CD&R Fund VIII Investors. Such persons expressly disclaim such beneficial ownership.

Investment and voting decisions with respect to the shares of the Company's Common Stock held by each of the CD&R Fund VIII Investors are made by an investment committee of limited partners of CD&R Associates VIII, L.P., currently consisting of more than ten individuals (the "CD&R Fund VIII Investment Committee"). All members of the CD&R Fund VIII Investment Committee disclaim beneficial ownership of the shares of Common Stock shown as beneficially owned by the CD&R Fund VIII Investors.

Each of CD&R Associates VIII, L.P., CD&R Associates VIII, Ltd. and CD&R Investment Associates VIII, Ltd. expressly disclaims beneficial ownership of the shares held by the CD&R Fund VIII Investors and the restricted shares held by CD&R, LLC as assignees of director compensation payable to Messrs. Berges, Krenicki, Sleeper and Zrebiec. The CD&R Fund VIII Investors expressly disclaim beneficial ownership of the restricted shares held by CD&R, LLC as assignees of director compensation payable to Messrs. Berges, Krenicki, Sleeper and Zrebiec. CD&R, LLC expressly disclaims beneficial ownership of the shares held by the CD&R Fund VIII Investors.

The address for the CD&R Fund VIII Investors, CD&R Associates VIII, L.P., CD&R Associates VIII, Ltd. and CD&R Investment Associates VIII, Ltd. is c/o Maples Corporate Services Limited, P.O. Box 309, Ugland House, South Church Street, George Town, Grand Cayman, KY1-1104, Cayman Islands. The address for CD&R, LLC is 375 Park Avenue, 18th Floor, New York, NY 10152.

(4) Unless otherwise indicated, Atrium Intermediate Holdings, LLC ("Atrium Intermediate") and GGC BP Holdings, LLC ("GGC BP") are referred to collectively as the "GG Shareholders"

Golden Gate Capital Opportunity Fund, L.P. ("GGCOF"), Golden Gate Capital Opportunity Fund-A, L.P. ("GGCOF-A"), GGCOF Co-Invest, L.P. ("GGCOF Co-Invest"), GGCOF Executive Co-Invest, L.P. ("Executive Co-Invest") and GGCOF IRA Co-Invest, L.P. ("IRA Co-Invest", together with GGCOF, GGCOF-A, GGCOF Co-Invest and Executive Co-Invest, the "Funds") hold all of the equity interests in GGC BP.

Atrium Window Holdings, LLC ("Atrium Holdings") and Atrium Window Parent, LLC ("Atrium Parent") are the members of Atrium Intermediate. Atrium Parent is the controlling unitholder of Atrium Holdings. GGC Atrium Window Holdings, LLC ("GGC Atrium") is the controlling unitholder of Atrium Parent. GGC BP is the controlling unitholder of GGC Atrium.

GGC Opportunity Fund Management, L.P. ("Fund GP") is the general partner of each of GGCOF and GGCOF-A. GGC Opportunity Fund Management GP, Ltd. ("Ultimate GP") is the general partner of Fund GP. GGCOF Co-Invest Management, L.P. ("Co-Invest GP") is the general partner of GGCOF Co-Invest, IRA Co-Invest and Executive Co-Invest. Fund GP is the general partner of Co-Invest GP.

Ultimate GP is governed by its board of directors and has ultimate voting and dispositive authority over the ownership interests of the following entities in the Company: GGC BP, Atrium Holdings, Atrium Intermediate, Atrium Parent and GGC Atrium (collectively, the "Atrium Entities"). Each of the Atrium Entities, the Funds, Fund GP and Co-Invest GP has shared dispositive power with each other with respect to the Common Stock.

The address for the GG Shareholders, Atrium Holdings, Atrium Parent, GGC Atrium, the Funds, Fund GP, Ultimate GP and Co-Invest GP is c/o Golden Gate Private Equity, Inc., One Embarcadero Center, 39th Floor, San Francisco, California 94111.

All information set forth in this footnote (4) was derived from a general statement of acquisition of beneficial ownership on Schedule 13D filed on November 23, 2018 with respect to the Golden Gate Investors, Atrium Holdings, Atrium Parent, GGC Atrium, the Funds, Fund GP, Ultimate GP and Co-Invest GP.

(5) The number of shares of Common Stock beneficially owned by each person reflected in the table above includes options exercisable on the Ownership Date or that would become exercisable within 60 days after the Ownership Date, but excludes (i) options not exercisable within 60 days after the Ownership Date and (ii) unvested restricted stock units and performance share units. The number of options, unvested shares of restricted stock units, and unvested performance shares units beneficially owned by each person shown in the table above is shown in the table below. For more information about outstanding options, restricted stock units, and performance share units, see "Compensation Discussion & Analysis — Long-Term Incentive Compensation."

(6) 50,095 shares of Common Stock are pledged by Mr. Moore to secure a line of credit as to which he has sole voting and investment power.

	Options			
	Exercisable Within 60 Days (included in the table above)	Not Exercisable Within 60 Days (not included in the table above)	Unvested Restricted Stock Units (not included in the table above)	Unvested Performance Share Units (not included in the table above)
Kathleen J. Affeldt	—	—	6,808	—
George Ball	—	—	6,808	—
Norman C. Chambers	—	—	—	—
Gary L. Forbes	14,163	—	6,808	—
John J. Holland	37,259	—	6,808	—
Mark E. Johnson	—	—	—	—
Lawrence J. Kremer	9,234	—	6,808	—
John Krenicki(7)	—	—	—	—
John L. Kuzdal	150,148	96,539	78,962	30,590
Bradley S. Little	—	28,604	25,409	14,239
George Martinez	—	—	6,808	—
James Metcalf	—	307,481	153,470	76,870
Todd R. Moore	—	100,210	61,790	53,297
Timothy O'Brien	—	—	6,808	—
Shawn K. Poe	—	156,049	78,024	39,012
Donald R. Riley	—	204,988	158,180	135,775
Nathan K. Sleeper(7)	—	—	—	—
Katy K. Theroux	—	122,393	76,211	56,497
Jonathan L. Zrebiec(7)	—	—	—	—

(7) Does not include 61,930,692 shares of Common Stock held by investment funds associated with or designated by CD&R, LLC, 120,626 restricted shares of Common Stock issued to CD&R, LLC, or 20,424 restricted stock units issued to CD&R, LLC, as assignee of compensation payable to Messrs. Krenicki, Sleeper and Zrebiec. Messrs. Krenicki, Sleeper and Zrebiec are members of our Board and executives of CD&R, LLC. Messrs. Krenicki, Sleeper and Zrebiec disclaim beneficial ownership of the shares held by CD&R, LLC and by investment funds associated with or designated by CD&R, LLC.

(8) The number of shares of Common Stock beneficially owned by the directors and executive officers as a group reflected in the table above includes beneficial ownership of the additional officers listed in the table below. As with the officers and directors listed individually in Note 5, the number of shares of Common Stock beneficially owned by the directors and executive officers as a group and reflected in the table above includes options exercisable on the Ownership Date or that would become exercisable within 60 days after the Ownership Date, but excludes (i) options not exercisable within 60 days after the Ownership Date and (ii) unvested restricted stock units and performance share units. The number of options, unvested shares of restricted stock units, and unvested performance shares units beneficially owned by these additional officers is shown in the table below. For more information about outstanding options, restricted stock units and performance share units, see "Compensation Discussion & Analysis — Long-Term Incentive Compensation."

	Options			
	Exercisable Within 60 Days (included in the table above)	**Not Exercisable Within 60 Days (not included in the table above)**	**Unvested Restricted Stock Units (not included in the table above)**	**Unvested Performance Share Units (not included in the table above)**
Brian P. Boyle	—	60,817	30,408	15,204
John L. Buckley	—	190,099	95,049	47,524
Arthur W. Steinhafel	—	190,099	95,049	47,524

Item 13. Certain Relationships and Related Transactions, and Director Independence

Director Independence

On July 25, 2016, the CD&R Fund VIII Investors decreased their beneficial ownership in the Company from approximately 58.6% to 42.0%. As a result, the Company ceased being deemed a "controlled company," within the meaning in the NYSE Listed Company Manual. Following a one year phase-in, both the Nominating & Corporate Governance Committee and the Compensation Committee are now entirely comprised of independent directors. As of the date of this Amendment, the Company's board is comprised of a majority of independent directors, as required by the NYSE. For a description of the transaction resulting in our no longer being deemed a controlled company, please see "Transactions with Related Persons — CD&R Transactions."

Our Board determined, after considering all of the relevant facts and circumstances, that Ms. Affeldt, Mr. Ball, Mr. Forbes, Mr. Holland, Mr. Kremer, Mr. Krenicki, Mr. Martinez, Mr. O'Brien and Mr. Sleeper are independent from our management, as "independence" is defined by the listing standards of the NYSE. For a description of transactions between us and certain members of our Board, please see "Transactions with Related Persons — CD&R Transactions."

Transactions With Related Persons

Policies and Procedures

The Nominating and Corporate Governance Committee has approved and adopted a written statement of policy and procedures with respect to related party transactions. This policy covers the review, approval or ratification of transactions between us and "related parties" (generally, directors, executive officers and employees required to file reports under Section 16 of the Exchange Act and their immediate family members, beneficial owners of 5% or more of any class of our securities, and any entity in which any such persons are employed, are principals, partners or hold a similar position or in which they have a beneficial interest of 5% or more). The policy covers transactions in which NCI and any related party are participants in which a related party has a material interest, other than (1) transactions between us and affiliates of CD&R, LLC, which are evaluated by the Affiliate Transactions Committee pursuant to the guidelines in the New Stockholders Agreement, (2) transactions involving less than $25,000 when aggregated with all similar transactions, and (3) certain exceptions for the employment of executive officers, director compensation, employees of the related party and transactions in which all stockholders receive proportional benefits. The policy generally requires that any related party transaction be approved by the Nominating and Corporate Governance Committee or its Chairman in advance of the consummation or material amendment of the transaction. Under the policy, prior to entering into a related party transaction, a related party must make full written disclosure of all of the facts and circumstances relating to the transaction to our Chief Financial Officer or General Counsel, who must assess this information and decide whether it is a related party transaction. If either of the Chief Financial Officer or General Counsel makes this determination, they must submit the transaction to the Nominating and Corporate Governance Committee or to its Chairman. The Nominating and Corporate Governance Committee or its Chairman will approve such transaction only if, in its good faith determination, it is in, or is not inconsistent with, the best interests of NCI and its stockholders. In the event a transaction is not identified as a related party transaction in advance, it will be submitted promptly to the Nominating and Corporate Governance Committee or the Chairman thereof, and such committee or Chair, as the case may be will evaluate the transaction and evaluate all options, including but not limited to ratification, amendment or termination of the transaction. In addition, certain transactions with related stockholders may be subject to the provisions of Section 203 of the Delaware General Corporation Law (the "DGCL"). Section 203 of the DGCL prohibits certain publicly held Delaware corporations from engaging in a business combination with an interested stockholder for a period of three years following the time such person became an interested stockholder unless the business combination is approved in a specified manner. Generally, an interested stockholder is a person who, together with its affiliates and associates, owns 15% or more of the corporation's voting stock, or is affiliated with the corporation and owns or owned 15% of the corporation's voting stock within three years before the business combination.

The Affiliate Transactions Committee, which is further described in "Board of Directors — Board Committees — Affiliate Transactions Committee," is responsible for reviewing, considering and approving certain transactions between NCI and its controlled affiliates, on the one hand, and the CD&R Investors and their affiliates, on the other hand. This committee is made up of (x) the Unaffiliated Shareholder Directors then in office and (y) one CD&R Investor Independent Director, if a CD&R Investor Independent Director is then serving on the Board, and otherwise, the Chief Executive Officer of the Company serving as a director on the Board.

CD&R Transactions

On October 20, 2009, we completed a financial restructuring that resulted in a change in control of NCI. Pursuant to an investment agreement (as amended, the "Investment Agreement"), we issued and sold to the CD&R Fund VIII Investors, for an aggregate purchase price of $250 million, an aggregate of 250,000 shares of Series B Cumulative Convertible Participating Preferred Stock, or "Preferred Stock," convertible into 39,221,839 shares of Common Stock (adjusted to reflect the 1:5 reverse stock split that occurred on March 5, 2010) based on the initial conversion price (or approximately 68.4% of our then voting power) (such purchase and sale, the "Equity Investment").

In connection with the Equity Investment, NCI and the CD&R Fund VIII Investors entered into a stockholders agreement, dated October 20, 2009 (the "Old Stockholders Agreement"). Among other provisions, the Old Stockholders Agreement entitled the CD&R Fund VIII Investors to certain nomination or designation rights with respect to our Board; subscription rights with respect to future issuances of common stock by us; corporate governance rights; and consent rights with respect to certain types of transactions we may enter into in the future. In connection with the Equity Investment, we made a determination that the acquisition of our equity interests by the CD&R Fund VIII Investors would not be subject to the provisions of Section 203 of the DGCL. At the time of the Equity Investment, we also entered into a registration rights agreement (the "Old Registration Rights Agreement") with the CD&R Fund VIII Investors, which provided for customary demand and piggyback registration rights with respect to the shares of our common stock held by the CD&R Fund VIII Investors. The Old Registration Rights Agreement also provided that we would indemnify the CD&R Fund VIII Investors and their affiliates in connection with the registration of our securities thereunder.

On May 8, 2012, we entered into an Amendment Agreement with the CD&R Fund VIII Investors (the "Amendment Agreement") to terminate our dividend obligation on the Preferred Stock, which accrued at an annual rate of 12% unless paid in cash at 8% (the "Dividend Knock-out"). As consideration for the Dividend Knock-out, the CD&R Fund VIII Investors received a total of 37,834 additional shares of Preferred Stock.

On May 14, 2013, the CD&R Fund VIII Investors delivered a formal notice requesting the conversion of all of their Preferred Stock into shares of our Common Stock (the "Conversion"). In connection with the Conversion request, we issued to the CD&R Fund VIII Investors 54,136,817 shares of our Common Stock (representing the shares of Common Stock issuable in connection with the conversion of (1) the shares of Preferred Stock purchased by the CD&R Fund VIII Investors pursuant to the Investment Agreement, (2) the shares of Preferred Stock issued in satisfaction of our dividend obligations prior to the Dividend Knock-out and (3) the additional shares of Preferred Stock issued in consideration for the Dividend Knock-out). The Conversion eliminated all the outstanding Preferred Stock.

On January 15, 2014, the CD&R Fund VIII Investors completed a registered underwritten offering of 9,775,000 shares of our Common Stock pursuant to our shelf registration statement previously filed and declared effective by the SEC on March 27, 2013 (the "2014 Secondary Offering"). The CD&R Fund VIII Investors received all proceeds from the 2014 Secondary Offering, which was effected pursuant to the Old Registration Rights Agreement. In addition, on January 6, 2014, we entered into a separate agreement with the CD&R Fund VIII Investors to repurchase 1,150,000 shares of our Common Stock, contingent on the closing of the 2014 Secondary Offering and subject to other conditions, at a price per share equal to the price per share to be paid by the underwriters to the CD&R Fund VIII Investors in the 2014 Secondary Offering (the "2014 Stock Repurchase"). The 2014 Stock Repurchase was a private, non-underwritten transaction that was approved and recommended by the Affiliate Transactions Committee of our Board, and closed simultaneously with the 2014 Secondary Offering. We have cancelled all shares repurchased in the 2014 Stock Repurchase.

On July 25, 2016, the CD&R Fund VIII Investors completed a registered underwritten offering, in which the CD&R Fund VIII Investors offered 9 million shares of our Common Stock at a price to the public of $16.15 per share (the "2016 Secondary Offering"), pursuant to our shelf registration statement previously filed and declared effective by the SEC on April 8, 2016. The underwriters also exercised their option to purchase 1.35 million additional shares of our Common Stock from the CD&R Fund VIII Investors. The aggregate offering price for the 10.35 million shares sold in the 2016 Secondary Offering was approximately $160.1 million, net of underwriting discounts and commissions. The CD&R Fund VIII Investors received all of the proceeds from the 2016 Secondary Offering and no shares in the 2016 Secondary Offering were sold by the Company or any of its officers or directors (although certain of our directors are affiliated with the CD&R Fund VIII Investors). In addition, concurrent with the 2016 Secondary Offering, the Company repurchased approximately 2.9 million shares from the CD&R Fund VIII Investors, at a price per share equal to the price per share to be paid by the underwriters to the CD&R Fund VIII Investors in the 2016 Secondary Offering (the "2016 Stock Repurchase"). The 2016 Stock Repurchase was a private, non-underwritten transaction that was approved and recommended by our Affiliate Transactions Committee of our Board, and closed simultaneously with the 2016 Secondary Offering. We have cancelled all shares repurchased in the 2016 Stock Repurchase.

Upon closing of the 2016 Secondary Offering and 2016 Stock Repurchase, the CD&R Fund VIII Investors' beneficial ownership in the Company decreased from approximately 58.6% to 42.0%. As a result, the CD&R Fund VIII Investors no longer controlled a majority of the voting power of the Company's common stock resulting in the Company no longer being deemed a "controlled company" within the meaning of the corporate governance rules of the NYSE.

Pursuant to an Underwriting Agreement, dated December 11, 2017 (the "Underwriting Agreement"), among the Company, the CD&R Fund VIII Investors, and Goldman Sachs & Co. LLC ("Goldman") and RBC Capital Markets, LLC ("RBC" and, together with Goldman, the "Underwriters"), on December 13, 2017 CD&R Fund VIII sold 7,132,145 and F&F Fund VIII sold 17,855 shares of Common Stock, in each case, to the Underwriters at a price of $19.36 per share, in a registered offering (the "2017 Secondary Offering"). Pursuant to the Underwriting Agreement, at the CD&R Fund VIII Investors' request, the Company purchased 1,150,000 shares of the Common Stock from the Underwriters in the 2017 Secondary Offering at a price per share equal to the price at which the Underwriters purchased the shares from the CD&R Fund VIII Investors. Upon closing of the 2017 Secondary Offering, the CD&R Fund VIII Investors' beneficial ownership in the Company decreased from approximately 44.8% to 34.7%.

On July 17, 2018, the Company entered into the Merger Agreement and at the Special Shareholder Meeting on November 15, 2018, NCI's shareholders approved, among other matters, the Merger Agreement and the Stock Issuance. The Company consummated the Stock Issuance on November 16, 2018, pursuant to which CD&R Pisces and the GG Shareholders each received 39,128,929 and 16,739,403 shares of Common Stock, respectively.

Pursuant to the terms of the Merger Agreement, on November 16, 2018, the Company entered into the New Stockholders Agreement with each of the CD&R Investors and the Golden Gate Investors.

Pursuant to the New Stockholders Agreement, among other matters, the CD&R Investors are entitled to nominate for election, fill vacancies and appoint five out of twelve initial members of NCI's board of directors (the "Board") and, thereafter, so long as the CD&R Investors beneficially owns at least 7.5% of the outstanding shares of Common Stock, to nominate for election, fill vacancies and appoint replacements for a number of Board members in proportion to the CD&R Investors' percentage beneficial ownership of outstanding Common Stock, but never to exceed one less than the number of independent, non-CD&R-affiliated directors serving on the Board. The New Stockholders Agreement contains voting agreements between the Company and each of the Investors, including the requirement that each Investor shall vote all of the shares of Common Stock that it beneficially owns (a) in favor of all director nominees, other than CD&R Investor Nominees or director nominees proposed by a Golden Gate Investor, nominated by the Board for election by the stockholders of the Company in accordance with the terms of the New Stockholders Agreement and the By-Laws, (b) as recommended by the Board, on any and all (i) proposals relating to or concerning compensation or equity incentives for directors, officers or employees of the Company adopted in the ordinary course of business consistent with past practice, (ii) proposals by stockholders of the Company, other than a proposal by a CD&R Investor or a Golden Gate Investor, and (iii) proposals the subject matter of which is a CD&R Investor Consent Action (as defined in the New Stockholders Agreement), provided that, in respect of clauses (i) and (iii) only, that the Board's recommendation is consistent with the CD&R Investors' exercise of their consent rights provided in the New Stockholders Agreement, and (c) not in favor of any transaction constituting, or that would result in, a Change of Control (as defined in the New Stockholders Agreement) that has not been approved by a majority of the Independent Non-CD&R Investor Directors, if the per share consideration to be received by any CD&R Investor or Golden Gate Investor in connection with such transaction is not equal to, and in the same form as, the per-share consideration to be received by the shareholders not affiliated with the Investors.

Each CD&R Investor and Golden Gate Investor will also have preemptive rights to subscribe for any equity securities the Company proposes to issue in accordance with each Investor's percentage beneficial ownership of Common Stock, subject to customary exceptions. The CD&R Investors and the Golden Gate Investor Group have each agreed, among other things, that until such time that its percentage beneficial ownership of the outstanding Common Stock falls below 10% and stays below such threshold for a period of six months, to be subject to standstill, voting and transfer restrictions and limitations, including a prohibition on transferring Common Stock to any third party or group that beneficially owns, or would, after giving effect to such transfer, beneficially own 10% or more of Common Stock outstanding. The Company and the CD&R Fund VIII Investors terminated the Old Stockholders Agreement pursuant to the terms of the New Stockholders Agreement.

Pursuant to the terms of the Merger Agreement, the Company entered into a registration rights agreement (the "New Registration Rights Agreement"), dated November 16, 2018, with the CD&R Investors and the Golden Gate Investors, pursuant to which the Company granted the CD&R Investors and the Golden Gate Investors customary demand and piggyback registration rights, including rights to demand registrations and underwritten shelf registration statement offerings with respect to the shares of Common Stock that are held by the CD&R Investors and the Golden Gate Investors following the consummation of the Merger. The Company and the CD&R Fund VIII Investors terminated the Old Registration Rights Agreement pursuant to the terms of the New Registration Rights Agreement.

As holders of approximately 49.4 % of our outstanding Common Stock as of the Ownership Date, the CD&R Investors will be able to significantly influence matters submitted to stockholders for vote.

As a result of their respective positions with CD&R, LLC and its affiliates, Mr. Krenicki, Mr. Sleeper and Mr. Zrebiec may be deemed to have an indirect material interest in certain agreements executed in connection with the Equity Investment and the Merger, including:

- an Indemnification Agreement indemnifying CD&R and its affiliates against certain liabilities arising out of the transactions with CD&R and certain other liabilities and claims;
- the Merger Agreement;
- the New Stockholders Agreement; and
- the New Registration Rights Agreement.

For additional information regarding the transactions with CD&R, LLC and the CD&R Investors' relationship with CD&R, LLC and the above referenced agreements, see "Item 1. Business" and "Item 1A. Risk Factors" of the Original Filing, as well as Notes 12, 13 and 23 to our audited financial statements included in the Original Filing.

Item 14. Principal Accounting Fees and Services

Our Independent Auditors and Fees

Grant Thornton LLP has served as our principal independent registered public accounting firm since October 29, 2018, and Ernst & Young LLP served as our principal independent registered public accounting firm until October 28, 2018.

Audit Fees. We incurred fees of $2,289,285 during Fiscal 2018 and $2,473,345 during Fiscal 2017 for Ernst & Young LLP's independent audit of our annual financial statements, review of the financial statements contained in our quarterly reports on Form 10-Q and assistance regarding other SEC filings. All of the audit services provided to us by Ernst & Young LLP during Fiscal 2018 and Fiscal 2017 were pre-approved by the Audit Committee.

Audit-Related Fees. We did not incur any audit-related fees during Fiscal 2018 or 2017.

Tax Fees. We did not incur any tax fees during Fiscal 2018 or 2017.

All Other Fees. We incurred fees of $2,160 during Fiscal 2018 and $2,143 during Fiscal 2017 for research tool subscriptions rendered by Ernst & Young LLP. All of the research tool subscriptions provided to us by Ernst & Young LLP during Fiscal 2018 and Fiscal 2017 were pre-approved by the Audit Committee.

Pre-Approval Policies and Procedures for Audit and Non-Audit Services

The Audit Committee has developed policies and procedures concerning its pre-approval of the performance of audit and non-audit services for us by Grant Thornton LLP. These policies and procedures provide that the Audit Committee must pre-approve all audit and permitted non-audit services (including the fees and terms thereof) to be performed for us by Grant Thornton LLP, subject to the de minimis exception for non-audit services described in Section 10A(i)(1)(B) of the Exchange Act that are approved by the Audit Committee before the completion of the audit. In pre-approving all audit services and permitted non-audit services, the Audit Committee or a delegated member must consider whether the provision of the permitted non-audit services is compatible with maintaining the independence of Grant Thornton LLP and its status as our independent auditors.

The Audit Committee has delegated to its members the authority to consider and approve management proposals for the engagement of Grant Thornton LLP to perform certain permitted non-audit services for fees of up to an aggregate of $25,000 between quarterly meetings of the Audit Committee; provided that those pre-approvals are presented to the entire Audit Committee at its next regularly scheduled meeting. Management proposals arising between quarterly Audit Committee meetings are presented for pre-approval to the Chair of the Audit Committee, Mr. Forbes, and in the event of his unavailability, to another member of the Audit Committee.

All of the services performed by Ernst & Young LLP in Fiscal 2018 were approved in advance by the Audit Committee pursuant to the foregoing pre-approval policy and procedures. Additionally, during Fiscal 2018, Ernst & Young LLP did not provide any services prohibited by the Sarbanes-Oxley Act of 2002.

PART IV

Item 15. Exhibits and Financial Statement Schedules

The following documents are filed as a part of this Amendment to our Annual Report on Form 10-K:

(a) Financial Statements: Previously included in the Original Filing.

(b) Financial Statement Schedules: The schedules are either not applicable or the required information is presented in the consolidated financial statements or notes thereto included in the Original Filing.

(c) Exhibits: See the Exhibit Index immediately following the signatures to this report.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: February 25, 2019

NCI BUILDING SYSTEMS, INC.

By: /s/ James S. Metcalf
James S. Metcalf
Chairman of the Board and Chief Executive Officer

Index to Exhibits

2.1	Agreement and Plan of Merger, dated July 17, 2018, by and among Ply Gem Parent, LLC, NCI Building Systems, Inc. and solely for the purposes of Section 6.1(e), 6.5(a)(i), 6.5(a)(ii), 6.5(a)(iv), 6.5(b) and 6.5(c), Clayton, Dubilier and Rice, LLC. (filed as Exhibit 2.1 to NCI's Current Report on Form 8-K dated July 19, 2018 and incorporated by reference herein)
2.2	Indemnification Agreement, dated as of October 20, 2009, by and between the Company, NCI Group, Inc., Robertson-Ceco II Corporation, Clayton, Dubilier & Rice Fund VIII, L.P., CD&R Friends & Family Fund VIII, L.P. and Clayton, Dubilier & Rice, Inc. (filed as Exhibit 2.3 to NCI's Current Report on Form 8-K dated October 26, 2009 and incorporated by reference herein)
3.1	Amended and Restated Certificate of Incorporation of NCI Building Systems, Inc. (filed as Exhibit 3.2 to NCI's Current Report on Form 8-K dated November 20, 2018 and incorporated by reference herein)
3.2	Sixth Amended and Restated By-laws of NCI Building Systems, Inc., effective as of November 16, 2018 (filed as Exhibit 3.1 to NCI's Current Report on Form 8-K dated November 20, 2018 and incorporated by reference herein)
4.1	Form of certificate representing shares of NCI's common stock (filed as Exhibit 4.1 to Amendment No. 1 to NCI's registration statement on Form S-3 filed with the SEC on September 2, 1998 and incorporated by reference herein).
4.2	Indenture, dated as of April 12, 2018, by and among Ply Gem Midco, Inc., as issuer, the subsidiary guarantors from time to time party thereto and Wilmington Trust, National Association, as trustee (filed as Exhibit 4.1 to NCI's Current Report on Form 8-K dated November 20, 2018 and incorporated by reference herein)
4.3	First Supplemental Indenture, dated as of April 12, 2018, by and among Ply Gem Midco, Inc. and Wilmington Trust, National Association, as trustee (filed as Exhibit 4.2 to NCI's Current Report on Form 8-K dated November 20, 2018 and incorporated by reference herein)
4.4	Second Supplemental Indenture, dated as of April 12, 2018, by and among Ply Gem Midco, Inc., the subsidiary guarantors party thereto and Wilmington Trust, National Association, as trustee (filed as Exhibit 4.3 to NCI's Current Report on Form 8-K dated November 20, 2018 and incorporated by reference herein)
4.5	Third Supplemental Indenture, dated as of April 13, 2018, by and among Ply Gem Midco, Inc., the subsidiary guarantors party thereto and Wilmington Trust, National Association, as trustee (filed as Exhibit 4.4 to NCI's Current Report on Form 8-K dated November 20, 2018 and incorporated by reference herein)
4.6	Fourth Supplemental Indenture, dated as of October 15, 2018, by and among Ply Gem Midco, Inc., the subsidiary guarantor party thereto and Wilmington Trust, National Association, as trustee (filed as Exhibit 4.5 to NCI's Current Report on Form 8-K dated November 20, 2018 and incorporated by reference herein)
4.7	Fifth Supplemental Indenture, dated as of November 16, 2018, by and among the Company, the subsidiary guarantors party thereto and Wilmington Trust, National Association, as trustee (filed as Exhibit 4.6 to NCI's Current Report on Form 8-K dated November 20, 2018 and incorporated by reference herein)
4.8	Stockholders Agreement, dated November 16, 2018, by and among NCI Building Systems, Inc., Clayton, Dubilier & Rice Fund VIII, L.P., CD&R Friends & Family Fund VIII, L.P., CD&R Pisces Holdings, L.P., Atrium Intermediate Holdings, LLC, GGC BP Holdings, LLC and AIC Finance Partnership, L.P. (filed as Exhibit 10.1 to NCI's Current Report on Form 8-K dated November 20, 2018 and incorporated by reference herein)

4.9	Registration Rights Agreement, dated November 16, 2018, by and among NCI Building Systems, Inc., Clayton, Dubilier & Rice Fund VIII, L.P., CD&R Friends & Family Fund VIII, L.P., CD&R Pisces Holdings, L.P., Atrium Intermediate Holdings, LLC, GGC BP Holdings, LLC, AIC Finance Partnership, L.P. (filed as Exhibit 10.2 to NCI's Current Report on Form 8-K dated November 20, 2018 and incorporated by reference herein)
†10.1*	Form of Award Agreement for Equity Awards, applicable to Restricted Stock Units, Performance Share Units and Stock Options (November 2018)
†10.2	2003 Long-Term Stock Incentive Plan, as amended and restated October 16, 2012 (filed as Annex A to NCI's Proxy Statement for the Annual Meeting held February 26, 2013 and incorporated by reference herein)
†10.3	NCI Building Systems, Inc. Deferred Compensation Plan (as amended and restated effective December 1, 2009) (filed as Exhibit 4.5 to Form S-8 dated April 23, 2010 and incorporated by reference herein)
†10.4	Form of Indemnification Agreement for Officers and Directors (filed as Exhibit 10.1 to NCI's Current Report on Form 8-K dated October 22, 2008 and incorporated by reference herein)
†10.5	Form of Director Indemnification Agreement (filed as Exhibit 10.7 to NCI's Current Report on Form 8-K dated October 26, 2009 and incorporated by reference herein)
†10.6	Form of 2010 Nonqualified Stock Option Agreement to Top Eight (8) Executive Officers (filed as Exhibit 99.4 to NCI's Current Report on Form 8-K dated March 26, 2012 and incorporated by reference herein)
†10.7	NCI Senior Executive Bonus Plan (filed as Exhibit 10.1 to NCI's Current Report on Form 8-K dated February 26, 2014 and incorporated by reference herein)
†10.8	Employment Agreement, effective September 1, 2015, by and between NCI Building Systems, Inc. and Norman C. Chambers (filed as Exhibit 10.1 to NCI's Quarterly Report on Form 10-Q for the quarter ended August 2, 2015 and incorporated by reference herein)
†10.9	Conditional Offer of Employment, dated as of August 27, 2014, by NCI Group, Inc. to Katy Theroux (filed as Exhibit 10.35 to NCI's Annual Report on Form 10-K for the fiscal ended November 1, 2015 and incorporated by reference herein)
†10.10	NCI Building Systems, Inc. Deferred Compensation Plan (as amended and restated effective January 31, 2016) (filed as Exhibit 10.7 to NCI's Quarterly Report on Form 10-Q for the quarter ended January 31, 2016 and incorporated by reference herein)
†10.11	First Amendment to the NCI Building Systems, Inc. 2003 Long-Term Stock Incentive Plan, as amended and restated October 16, 2012, dated May 31, 2016 (filed as Exhibit 10.1 to NCI's Quarterly Report on Form 10-Q for the quarter ended July 31, 2016 and incorporated by reference herein)
†10.12	Amendment to Employment Agreement by and between NCI Building Systems, Inc. and Norman C. Chambers, dated June 15, 2016 (filed as Exhibit 10.2 to NCI's Quarterly Report on Form 10-Q for the quarter ended July 31, 2016 and incorporated by reference herein)
†10.13	Form of Employment Agreement between NCI Building Systems, Inc. and named executive officers (filed as Exhibit 10.3 to NCI's Quarterly Report on Form 10-Q for the quarter ended July 31, 2016 and incorporated by reference herein)
†10.14	Form of Employment Agreement between NCI Building Systems, Inc. and executive officers (filed as Exhibit 10.4 to NCI's Quarterly Report on Form 10-Q for the quarter ended July 31, 2016 and incorporated by reference herein)
†10.15	Form of Award Agreement for Equity Awards, applicable to Restricted Stock Units, Performance Share Units, Stock Options and Performance Cash and Share Awards (December 2016) (filed as Exhibit 10.1 to NCI's Annual Report on Form 10-K for the fiscal year ended October 30, 2016 and incorporated by reference herein)

†10.16	Amended and Restated Employment Agreement by and between NCI Building Systems, Inc. and Donald R. Riley, dated June 1, 2017 (filed as Exhibit 10.2 to NCI's Quarterly Report on Form 10-Q for the quarter ended July 30, 2017 and incorporated by reference herein)
10.17	Amendment No. 2 to the Credit Agreement, dated as of May 2, 2017, among NCI Building Systems, Inc., 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 (filed as Exhibit 10.1 to NCI's Current Report on Form 8-K dated May 02, 2017 and incorporated by reference herein)
10.18	Amendment No. 1 to the Credit Agreement, dated as of June 24, 2013, among NCI Building Systems, Inc., 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 (filed as Exhibit 10.1 to NCI's Current Report on Form 8-K dated June 24, 2013 and incorporated by reference herein)
10.19	Credit Agreement, dated as of June 22, 2012, among the Company, as Borrower, Credit Suisse AG, Cayman Islands Branch, as Administrative Agent and Collateral Agent, and the lenders party thereto (filed as Exhibit 10.1 to NCI's Current Report on Form 8-K dated June 22, 2012 and incorporated by reference herein)
10.20	Amendment No. 3 to Loan and Security Agreement, dated as of November 7, 2014 (filed as Exhibit 10.2 to NCI's Current Report on Form 8-K dated November 12, 2014 and incorporated by reference herein)
10.21	Amendment No. 2 to Loan and Security Agreement, dated as of May 2, 2012 (filed as Exhibit 10.2 to NCI's Current Report on Form 8-K dated May 2, 2012 and incorporated by reference herein)
10.22	Amendment No. 1 to Loan and Security Agreement, dated December 3, 2010, by and among the Company, as borrower or guarantor, certain domestic subsidiaries of the Company, as borrowers or guarantors, Wells Fargo Capital Finance, LLC, as administrative agent and co-collateral agent (filed as Exhibit 2.1 to NCI's Current Report on Form 8-K dated December 9, 2010 and incorporated by reference herein)
10.23	Amendment No. 1 to Intercreditor Agreement, dated as of June 22, 2012, among the Company, certain of its subsidiaries, Credit Suisse AG, Cayman Islands Branch, as Term Loan Administrative Agent and Term Loan Agent, Wells Fargo Capital Finance, LLC, as Working Capital Administrative Agent and Working Capital Agent and Credit Suisse AG, Cayman Islands Branch, as Control Agent (filed as Exhibit 10.3 to NCI's Current Report on Form 8-K dated June 22, 2012 and incorporated by reference herein)
10.24	Intercreditor Agreement, dated as of October 20, 2009, by and among the Company, as borrower or guarantor, certain domestic subsidiaries of the Company, as borrowers or guarantors, Wachovia Bank, National Association, as term loan agent and term loan administrative agent, Wells Fargo Foothill, LLC, as working capital agent and working capital administrative agent and Wells Fargo Bank, National Association, as control agent (filed as Exhibit 10.3 to NCI's Current Report on Form 8-K dated October 26, 2009 and incorporated by reference herein)
10.25	Guarantee and Collateral Agreement, dated as of June 22, 2012, made by the Company and certain of its subsidiaries, Credit Suisse AG, Cayman Islands Branch, as Collateral Agent (filed as Exhibit 10.2 to NCI's Current Report on Form 8-K dated June 22, 2012 and incorporated by reference herein)
10.26	Amendment No. 1 to Guaranty Agreement, dated as of June 22, 2012, among Wells Fargo Capital Finance, LLC, formerly known as Wells Fargo Foothill, LLC, in its capacity as administrative agent and co-collateral agent pursuant to the Loan Agreement (as therein defined) acting for and on behalf of the parties thereto as lenders, NCI Group, Inc., Robertson-Ceco II Corporation, the Company and Steelbuilding.com, Inc. (filed as Exhibit 10.4 to NCI's Current Report on Form 8-K dated June 22, 2012 and incorporated by reference herein)

10.27	Guaranty Agreement, dated as of October 20, 2009 by NCI Group, Inc., Robertson-Ceco II Corporation, the Company and Steelbuilding.com, Inc., in favor of Wells Fargo Foothill, LLC as administrative agent and collateral agent (filed as Exhibit 10.5 to NCI's Current Report on Form 8-K dated October 26, 2009 and incorporated by reference herein)
10.28	Loan and Security Agreement, dated as of October 20, 2009, by and among NCI Group, Inc. and Robertson-Ceco II Corporation, as borrowers, the Company and Steelbuilding.Com, Inc., as guarantors, Wells Fargo Foothill, LLC, as administrative and co-collateral agent, Bank of America, N.A. and General Electric Capital Corporation, as co-collateral agents and the lenders and issuing bank party thereto (filed as Exhibit 10.2 to NCI's Current Report on Form 8-K dated October 26, 2009 and incorporated by reference herein)
10.29	Pledge and Security Agreement, dated as of October 20, 2009, by and among the Company, NCI Group, Inc. and Robertson-Ceco II Corporation, to and in favor of Wells Fargo Foothill, LLC in its capacity as administrative agent and collateral agent (filed as Exhibit 10.6 to NCI's Current Report on Form 8-K dated October 26, 2009 and incorporated by reference herein)
†10.30	Amended and Restated NCI Building Systems, Inc. 2003 Long-Term Stock Incentive Plan, effective as of January 27, 2018 (filed as Exhibit 10.1 to NCI's Current Report on Form 8-K dated March 02, 2018 and incorporated by reference herein)
10.31	Term Loan Credit Agreement, dated as of February 8, 2018, among the Company, as Borrower, Credit Suisse AG, Cayman Islands Branch, as Administrative Agent and Collateral Agent, and the lenders party thereto (filed as Exhibit 10.1 to NCI's Current Report on Form 8-K dated February 13, 2018 and incorporated by reference herein)
10.32	Term Loan Guarantee and Collateral Agreement, dated as of February 8, 2018, made by the Company and certain of its subsidiaries, in favor of Credit Suisse AG, Cayman Islands Branch, as Collateral Agent (filed as Exhibit 10.2 to NCI's Current Report on Form 8-K dated February 13, 2018 and incorporated by reference herein)
10.33	ABL Credit Agreement, dated as of February 8, 2018, among the Company, as Borrower, Wells Fargo Bank, National Association, as Administrative Agent and Collateral Agent, and the lenders party thereto (filed as Exhibit 10.3 to NCI's Current Report on Form 8-K dated February 13, 2018 and incorporated by reference herein)
10.34	ABL Guarantee and Collateral Agreement, dated as of February 8, 2018, made by the Company and certain of its subsidiaries, in favor of Wells Fargo Bank, National Association, as Collateral Agent (filed as Exhibit 10.4 to NCI's Current Report on Form 8-K dated February 13, 2018 and incorporated by reference herein)
10.35	Intercreditor Agreement, dated as of February 8, 2018, among the Company, certain of its subsidiaries, Credit Suisse AG, Cayman Islands Branch and Wells Fargo Bank, National Association (filed as Exhibit 10.5 to NCI's Current Report on Form 8-K dated February 13, 2018 and incorporated by reference herein)
10.36	Cash Flow Credit Agreement, dated as of April 12, 2018, by and among Ply Gem Midco, Inc., as borrower, the several banks and other financial institutions from time to time party thereto party thereto and JPMorgan Chase Bank, N.A., as administrative agent and collateral agent (filed as Exhibit 10.3 to NCI's Current Report on Form 8-K dated November 20, 2018 and incorporated by reference herein)
10.37	First Amendment to Cash Flow Credit Agreement, dated as of November 14, 2018, by and among Ply Gem Midco, Inc., and JPMorgan Chase Bank, N.A., as administrative agent (filed as Exhibit 10.4 to NCI's Current Report on Form 8-K dated November 20, 2018 and incorporated by reference herein)

10.38	Lender Joinder Agreement, dated as of November 16, 2018, by and among Ply Gem Midco, Inc., the additional commitment lender party thereto and JPMorgan Chase Bank, N.A., as administrative agent (filed as Exhibit 10.5 to NCI's Current Report on Form 8-K dated November 20, 2018 and incorporated by reference herein)
10.39	Cash Flow Joinder Agreement, dated as of November 16, 2018, by and among Ply Gem Midco, LLC, the Company, the subsidiary guarantors party thereto and JPMorgan Chase Bank, N.A., as administrative agent and collateral agent (filed as Exhibit 10.7 to NCI's Current Report on Form 8-K dated November 20, 2018 and incorporated by reference herein)
10.40	ABL Credit Agreement, dated as of April 12, 2018, by and among Ply Gem Midco, Inc., as parent borrower, the subsidiary borrowers from time to time party thereto, the several banks and other financial institutions from time to time party thereto party thereto and UBS AG, Stamford Branch, as administrative agent and collateral agent (filed as Exhibit 10.8 to NCI's Current Report on Form 8-K dated November 20, 2018 and incorporated by reference herein)
10.41	Amendment No. 1 to ABL Credit Agreement, dated as of August 7, 2018, by and among Ply Gem Midco, Inc., the subsidiary borrowers party thereto, the lenders and issuing lenders party thereto and UBS AG, Stamford Branch, as administrative agent and collateral agent (filed as Exhibit 10.9 to NCI's Current Report on Form 8-K dated November 20, 2018 and incorporated by reference herein)
10.42	Amendment No. 2 to ABL Credit Agreement, dated as of October 15, 2018, by and among Ply Gem Midco, Inc., the subsidiary borrowers party thereto, the incremental lender party thereto and UBS AG, Stamford Branch, as administrative agent, collateral agent and swingline lender (filed as Exhibit 10.10 to NCI's Current Report on Form 8-K dated November 20, 2018 and incorporated by reference herein)
10.43	Amendment No. 3 to ABL Credit Agreement, dated as of November 14, 2018, by and among Ply Gem Midco, Inc., the subsidiary borrowers party thereto, the lenders and issuing lenders party thereto and UBS AG, Stamford Branch, as administrative agent and collateral agent (filed as Exhibit 10.11 to NCI's Current Report on Form 8-K dated November 20, 2018 and incorporated by reference herein)
10.44	Amendment No. 4 to ABL Credit Agreement, dated as of November 16, 2018, by and among Ply Gem Midco, Inc., the subsidiary borrowers party thereto, the incremental lenders party thereto and UBS AG, Stamford Branch, as administrative agent, collateral agent and swingline lender (filed as Exhibit 10.12 to NCI's Current Report on Form 8-K dated November 20, 2018 and incorporated by reference herein)
10.45	Cash Flow Guarantee and Collateral Agreement, dated as of April 12, 2018, by and among Ply Gem Midco, Inc., the guarantors from time to time party thereto and JPMorgan Chase Bank, N.A., as collateral agent and administrative agent (filed as Exhibit 10.6 to NCI's Current Report on Form 8-K dated November 20, 2018 and incorporated by reference herein)
10.46	ABL U.S. Guarantee and Collateral Agreement, dated as of April 12, 2018, by and among Ply Gem Midco, Inc., the U.S. subsidiary borrowers from time to time party thereto, the guarantors from time to time party thereto and UBS AG, Stamford Branch, as collateral agent and administrative agent (filed as Exhibit 10.13 to NCI's Current Report on Form 8-K dated November 20, 2018 and incorporated by reference herein)
10.47	ABL Canadian Guarantee and Collateral Agreement, dated as of April 12, 2018, by and among the Canadian borrowers from time to time party thereto, the guarantors from time to time party thereto and UBS AG, Stamford Branch, as collateral agent and administrative agent (filed as Exhibit 10.14 to NCI's Current Report on Form 8-K dated November 20, 2018 and incorporated by reference herein)
10.48	ABL Joinder Agreement, dated as of November 16, 2018, by and among Ply Gem Midco, LLC, the Company, the subsidiary guarantors party thereto and UBS AG, Stamford Branch, as administrative agent and collateral agent (filed as Exhibit 10.15 to NCI's Current Report on Form 8-K dated November 20, 2018 and incorporated by reference herein)

**21.1	List of Subsidiaries
**23.1	Consent of Independent Registered Public Accounting Firm
**24.1	Powers of Attorney
**31.1	Rule 13a-14(a)/15d-14(a) Certifications (Section 302 of the Sarbanes-Oxley Act of 2002)
**31.2	Rule 13a-14(a)/15d-14(a) Certifications (Section 302 of the Sarbanes-Oxley Act of 2002)
*31.3	Rule 13a-14(a)/15d-14(a) Certifications (Section 302 of the Sarbanes-Oxley Act of 2002)
*31.4	Rule 13a-14(a)/15d-14(a) Certifications (Section 302 of the Sarbanes-Oxley Act of 2002)
**101.INS	XBRL Instance Document
**101.SCH	XBRL Taxonomy Extension Schema Document
**101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
**101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
**101.LAB	XBRL Taxonomy Extension Labels Linkbase Document
**101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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* Filed herewith

** Incorporated by reference to this Form 10-K/A as filed with the Original Filing

† Management contracts or compensatory plans or arrangements

FORM **8-K**

NCI BUILDING SYSTEMS INC - NCS

Filed: February 19, 2019

Report of unscheduled material events or corporate changes.

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

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): February 19, 2019

NCI BUILDING SYSTEMS, INC.
(Exact name of registrant as specified in its charter)

Delaware	1-14315	76-0127701
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification Number)

5020 Weston Parkway, Suite 400, Cary, NC	27513
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: **(888) 975-9436**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the Registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

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

Item 8.01 Other Events

NCI Building Systems, Inc. ("NCI" or the "Company") is filing this Current Report on Form 8-K to update the presentation of certain financial information and related disclosures contained in its Annual Report on Form 10-K for the year ended October 28, 2018 (the "2018 Form 10-K"), as filed with the U.S. Securities and Exchange Commission (the "SEC") on December 19, 2018.

On February 11, 2019, the Company filed a transition report on Form 10-Q (the "transition report") which included unaudited financial information for the transition period from October 29, 2018 to December 31, 2018, referred to herein as the "transition period". Starting with the transition period, the Company began reporting results under three reportable segments: (i) Commercial; (ii) Siding; and (iii) Windows to align with how the Company manages its business, reviews operating performance and allocates resources following the consummation of the merger on November 16, 2018, pursuant to which Ply Gem Parent, LLC ("Ply Gem") merged with and into NCI, with NCI continuing its existence as a corporation organized under the laws of the state of Delaware. The Commercial segment includes the operating results of the legacy NCI businesses, and the Siding and Windows segments will include the operating results of the legacy Ply Gem operating segments.

During the transition period, the Company adopted ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)*, and applied it retrospectively to all periods presented.

The exhibits to this Current Report on Form 8-K supersede the following Items in the 2018 Form 10-K to reflect, retrospectively, the changes resulting from the establishment of the Company's current segment presentation and the adoption of the ASUs referenced above:

- Part I, Item 1. Business
- Part I, Item 1A. Risk Factors
- Part I, Item 2. Properties
- Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations
- Part II, Item 7A. Quantitative and Qualitative Disclosures About Market Risk
- Part II, Item 8. Financial Statements and Supplementary Data
- Part IV, Item 15. Exhibits and Financial Statement Schedules -
    - Exhibit 101.INS - XBRL Instance Document
    - Exhibit 101.SCH - XBRL Taxonomy Extension Schema Document
    - Exhibit 101.CAL - XBRL Taxonomy Extension Calculation Linkbase Document
    - Exhibit 101.DEF - XBRL Taxonomy Extension Definition Linkbase Document
    - Exhibit 101.LAB - XBRL Taxonomy Extension Labels Linkbase Document
    - Exhibit 101.PRE - XBRL Taxonomy Extension Presentation Linkbase Document

All other information in the 2018 Form 10-K is not materially affected by the changes noted above, and as such, remains unchanged. Unaffected items and unaffected portions of the 2018 Form 10-K have not been repeated in, and are not amended or modified by, this Current Report or the Exhibits to this Current Report.

The information in this Current Report and the Exhibits to this Current Report with respect to the Company should be read in conjunction with the 2018 Form 10-K and the Transition Report. This Current Report and the Exhibits to this Current Report do not reflect events that may have occurred subsequent to December 19, 2018, the date on which the Company filed the 2018 Form 10-K, and does not modify or update in any way the disclosures made in the 2018 Form 10-K other than as required to retrospectively reflect the reportable segment changes and the adoption of ASU 2016-18, as described above. For information on developments since the filing of the 2018 Form 10-K, please refer to the Company's subsequent filings with the SEC.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

Exhibit Number	Description
23.1	Consent of Ernst & Young LLP
99.1	Part I, Item 1. Business
99.2	Part I, Item 1A. Risk Factors
99.3	Part I, Item 2. Properties
99.4	Part II, Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations
99.5	Part II, Item 7A. Quantitative and Qualitative Disclosures About Market Risk
99.6	Part II, Item 8. Financial Statements and Supplementary Data
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURE

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

NCI BUILDING SYSTEMS, INC.

By: /s/ Shawn K. Poe

Name: Shawn K. Poe

Title: Executive Vice President and Chief Financial Officer

Date: February 19, 2019

Exhibit 99.1

Explanatory Note

"Item 1. Business" set forth in this Exhibit 99.1 has been recast from the "Item 1. Business" included in Part I of the Company's Annual Report on Form 10-K for the year ended October 28, 2018 as filed with the U.S. Securities and Exchange Commission on December 19, 2018 to reflect changes to NCI's reportable business segments.

Item 1. *Business.*

General

NCI Building Systems, Inc. (together with its subsidiaries, unless the context requires otherwise, the "Company," "NCI," "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 approximate $295 billion nonresidential construction industry, we primarily serve the low-rise nonresidential construction market (five stories or less) which, according to Dodge Data & Analytics ("Dodge"), represented approximately 87% of the total nonresidential construction industry during our fiscal year 2018. Our broad range of products are used primarily in new construction and in repair and retrofit activities, mostly in North America.

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 approximately 3,200 affiliated builders across North America in our Engineered Building Systems business, over 1,000 dealer partners for our insulated metal panel ("IMP") products and approximately 5,500 architects. We also provide metal coil coating services for commercial and construction applications, servicing both internal and external customers.

As of October 28, 2018, we operated 36 manufacturing facilities located in the United States, Mexico and Canada, 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.

Since 2011, we have executed on a strategy to become the leading provider of IMP products in North America through our acquisitions of Metl-Span LLC (''Metl-Span'') in 2012 and CENTRIA, a Pennsylvania general partnership (''CENTRIA''), in 2015. We believe the IMP market remains underpenetrated in North America. IMP products possess several physical and cost-effective attributes, such as energy efficiency, that make them compelling alternatives to competing building materials, in particular due to the adoption of stricter standards and codes by numerous states in the United States that are expected to increase the use of IMP products in construction projects. Given these factors, we believe that growth within the IMP market will continue to outpace the broader metal building sector and the nonresidential construction industry as a whole.

The engineered building systems, metal components, insulated metal panels and metal coil coating 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 each 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.

Current market estimates continue to show uneven activity across the nonresidential construction markets. According to Dodge, low-rise nonresidential construction starts, as measured in square feet and comprising buildings of up to five stories, were down as much as approximately 7% in our fiscal 2018 as compared to our fiscal 2017. However, Dodge typically revises initial

reported figures, and we expect this metric will be revised upwards over time. Leading indicators for low-rise, nonresidential construction activity indicate positive momentum into fiscal 2019.

The leading indicators that we follow and that typically have the most meaningful correlation to nonresidential low-rise construction starts are the American Institute of Architects' ("AIA") Architecture Mixed Use Index, Dodge residential single family starts and the Conference Board Leading Economic Index ("LEI"). Historically, there has been a very high correlation to the Dodge low-rise nonresidential starts when the three leading indicators are combined and then seasonally adjusted. The combined forward projection of these metrics, based on a 9 to 14-month historical lag for each metric, indicates low single digit growth for new low-rise nonresidential construction starts in fiscal 2019.

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 Fund VIII Investment Group"), 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"). On May 14, 2013, the CD&R Fund VIII Investment Group 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 Fund VIII Investment Group 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 Fund VIII Investment Group to the Company in connection with the Conversion of the Preferred Shares. As a result of the Conversion, the CD&R Fund VIII Investment Group no longer have rights to dividends or default dividends as specified in the Certificate of Designations for the Convertible Preferred Stock. The Conversion eliminated all the outstanding Convertible Preferred Stock and increased stockholders' equity by nearly $620.0 million.

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 included $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. The Metl-Span Acquisition 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 January 16, 2015, NCI Group, Inc., a wholly-owned subsidiary of the Company, and Steelbuilding.com, LLC, a wholly owned subsidiary of NCI Group, Inc., completed the acquisition of CENTRIA (the "CENTRIA Acquisition"), pursuant to the terms of the Interest Purchase Agreement, dated November 7, 2014 ("Interest Purchase Agreement") with SMST Management Corp., a Pennsylvania corporation, Riverfront Capital Fund, a Pennsylvania limited partnership, and CENTRIA. NCI acquired all of the general partnership interests of CENTRIA in exchange for $255.8 million in cash, including cash acquired of $8.7 million. The purchase price was subject to a post-closing adjustment to net working capital as provided in the Interest Purchase Agreement, which we settled during the first quarter of fiscal 2016 for additional cash consideration of approximately $2.1 million payable to the seller, which approximated the amount we previously accrued. The purchase price was funded through the issuance of $250.0 million of new indebtedness.

On February 8, 2018, the Company entered into a Term Loan Credit Agreement (the "Pre-merger Term Loan Credit Agreement") which provided for a term loan credit facility in an original aggregate principal amount of $415.0 million (the "Pre-merger Term Loan Credit Facility"). Proceeds from borrowings under the Pre-merger Term Loan Credit Facility were used, together with cash on hand, (i) to refinance the existing term loan credit agreement, (ii) to redeem and repay the existing 8.25% senior notes due 2023 and (iii) to pay any fees, premiums and expenses incurred in connection with the refinancing. The term loans under the Pre-merger Term Loan Credit Agreement would have matured on February 7, 2025 and, prior to such date, would have amortized in nominal quarterly installments equal to one percent of the aggregate initial principal amount thereof per annum.

On February 8, 2018, the subsidiaries of the Company, NCI Group, Inc. and Robertson-Ceco II Corporation, and the Company as a guarantor, entered into an ABL Credit Agreement (the "Pre-merger ABL Credit Agreement"). The Pre-merger ABL Credit Agreement provided for an asset-based revolving credit facility (the "Pre-merger ABL Credit Facility") which allowed aggregate maximum borrowings by the ABL borrowers of up to $150 million, letters of credit of up to $30 million and up to $20 million for swingline borrowings. Borrowing availability is determined by a monthly borrowing base collateral calculation that is based on specified percentages of the value of accounts receivable, eligible credit card receivables and eligible inventory, less certain reserves and subject to certain other adjustments. Availability is reduced by issuance of letters of credit as well as any borrowings. All borrowings under the Pre-merger ABL Credit Facility would have matured on February 8, 2023.

At a Special Meeting of the shareholders of NCI held on November 15, 2018 (the "Special Shareholder Meeting"), NCI's shareholders approved (i) the Agreement and Plan of Merger (the "Merger Agreement") among NCI, Ply Gem Parent, LLC ("Ply Gem"), and for certain limited purposes set forth in the Merger Agreement, Clayton, Dubilier & Rice, LLC, a Delaware limited liability company, pursuant to which, at the closing of the merger, Ply Gem was merged with and into the Company, with the Company continuing its existence as a corporation organized under the laws of the State of Delaware (the "Merger") and (ii) the

issuance in the Merger of 58,709,067 shares of NCI common stock, par value $0.01 per share (the "NCI Common Stock") in the aggregate, on a pro rata basis, to the holders of all of the equity interests in Ply Gem (the "Stock Issuance"). NCI's shareholders also approved the three additional proposals described in the Company's proxy statement relating to the Special Shareholder Meeting. The Merger was consummated on November 16, 2018 pursuant to the Merger Agreement.

Pursuant to the terms of the Merger Agreement, on November 16, 2018, the Company entered into (i) a stockholders agreement (the "New Stockholders Agreement") between the Company and each of Clayton, Dubilier & Rice Fund VIII, L.P., a Cayman Islands exempted limited partnership ("CD&R Fund VIII"), CD&R Friends & Family Fund VIII, L.P., a Cayman Islands exempted limited partnership ("CD&R FF Fund VIII", and together with CD&R Fund VIII, the "CD&R Fund VIII Investor Group"), CD&R Pisces Holdings, L.P., a Cayman Islands exempted limited partnership ("CD&R Pisces", and together with CD&R Fund VIII and CD&R FF Fund VIII, individually, the "CD&R Investors," and collectively, the "CD&R Investor Group"), Atrium Intermediate Holdings, LLC, a Delaware limited liability company ("Atrium"), GGC BP Holdings, LLC, a Delaware limited liability company ("GGC"), and AIC Finance Partnership, L.P., a Cayman Islands exempted limited partnership ("AIC", and together with Atrium and GGC, each individually, a "Golden Gate Investor," and collectively, the "Golden Gate Investor Group," and together with the CD&R Investor Group, the "Investors"), pursuant to which the Company granted to the Investors certain governance, preemptive and subscription rights and (ii) a registration rights agreement (the "New Registration Rights Agreement") with the Investors, pursuant to which the Company granted the Investors customary demand and piggyback registration rights, including rights to demand registrations and underwritten shelf registration statement offerings with respect to the shares of NCI Common Stock that are held by the Investors following the consummation of the Merger.

Pursuant to the terms of the New Stockholders Agreement, CD&R Fund VIII, CD&R FF Fund VIII and the Company terminated the Stockholders Agreement (the "Old Stockholders Agreement"), dated as of October 20, 2009, by and among the Company, CD&R Fund VIII and CD&R FF Fund VIII. Pursuant to the terms of the New Registration Rights Agreement, CD&R Fund VIII, CD&R FF Fund VIII and the Company terminated the Registration Rights Agreement (the "Old Registration Rights Agreement"), dated as of October 20, 2009, by and among the Company, CD&R Fund VIII and CD&R FF Fund VIII.

On November 16, 2018, in connection with the consummation of the Merger, the Company assumed (i) the obligations of the company formerly known as Ply Gem Midco, Inc. ("Ply Gem Midco"), a subsidiary of Ply Gem immediately prior to the consummation of the Merger, as borrower under the Current Cash Flow Credit Agreement, (ii) the obligations of Ply Gem Midco as parent borrower under the Current ABL Credit Agreement and (iii) the obligations of Ply Gem Midco as issuer under the Current Indenture (each as defined and further described in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations).

For additional discussion of the Company's debt following the Merger, see "Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations."

Our principal offices are located at 5020 Weston Parkway, Suite 400, Cary, North Carolina 27513, and our telephone number is (888) 975-9436.

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.ncibuildingsystems.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

On February 11, 2019, the Company filed a transition report on Form 10-Q which included the financial information for the transition period from October 29, 2018 to December 31, 2018, referred to herein as the "transition period". For the transition period ended December 31, 2018, the Company began reporting results under new reportable segments to align with how the Company will manage its business, review operating performance and allocate resources following the merger with Ply Gem. We have revised our segment reporting to represent how we now manage our business, recasting prior periods to conform to the current segment presentation.

Subsequent to the Merger, we have three reportable segments: (i) Commercial; (ii) Siding; and (iii) Windows. The Commercial segment includes the aggregate operating results of the legacy NCI businesses - Engineered Building Systems; Metal Components; Insulated Metal Panels; and Metal Coil Coating, which operate primarily in the nonresidential construction market. The Siding and Windows segments will include the operating results of the legacy Ply Gem operating segments. For the fiscal year ended October 28, 2018 there were no operations within the Siding and Windows segments.

Prior to the Merger we operated 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. The manufacturing and distribution activities of our businesses are effectively coupled through the use of our nationwide hub-and-spoke manufacturing and distribution system, which supports and enhances our vertical integration.

Commercial Segment

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:

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 reduce operating costs.

Manufacturing. As of October 28, 2018, we operated seven facilities for manufacturing and distributing engineered building systems throughout the United States and in 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 portions of our drafting requirements to third parties.

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.

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.

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,” “Heritage” and “SteelBuilding.com.” We market engineered building systems through an in-house sales force to affiliated builder networks of approximately 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 2018, 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 business accounted for 37.8% of total consolidated sales for the fiscal 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 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 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.

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. 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 continually developing and marketing new products such as our 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. However, 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. As of October 28, 2018, we operated 14 facilities to manufacture metal components for the nonresidential construction industry, including three facilities for our door operations.

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, manufacturing 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.

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" and "Metal Depots." In addition to metal roofing systems, we manufacture roll-up doors and sell interior and exterior walk doors for use in the self-storage industry and other metal 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 primarily within six market segments: commercial/industrial, architectural, standing seam roof systems, agricultural, residential and cold storage. 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 regional sales managers. Each local sales office 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 2018, our largest customer for Metal Components accounted for less than 1% of our total consolidated sales and external sales of our Metal Components business accounted for 30.6% of total consolidated sales for the fiscal year.

Insulated Metal Panels

Products. Insulated metal panels are panels consisting of rigid foam encased between two sheets of coated metal in a variety of modules, lengths and reveal combinations which are used in architectural, commercial, industrial and cold storage market applications.

Manufacturing. As of October 28, 2018, we operated eight facilities (seven in the United States and one in Canada) to manufacture IMP products.

Sales, Marketing and Customers. We design, manufacture, sell and distribute insulated metal panels for use in various Architectural, Commercial, Industrial and Cold Storage end-market applications under the brand names "Metl-Span" and "CENTRIA".

One of our strategic objectives and a major part of our “green” initiative is to expand our IMP product lines, which are increasingly desirable because of their energy efficiency, noise reduction and aesthetic qualities. Our IMP product line manufacturing facilities in the United States and Canada provide the nonresidential building products market with cost-effective and energy efficient insulated metal wall and roof panels.

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.

As with components products, our IMP product lines service each of our six market segments: commercial/industrial, architectural, standing seam roof systems, agricultural, residential and cold storage.

During fiscal 2018, the largest customer of our Insulated Metal Panels business accounted for less than 2% of our total consolidated sales and external sales of our Insulated Metal Panels business represented 21.2% of total consolidated sales for the fiscal year.

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 businesses 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 service. 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. As of October 28, 2018, we operated seven metal coil coating facilities located in the United States. Two of our facilities coat hot-rolled, heavy gauge metal coils and five of our facilities coat light gauge metal coils.

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 businesses. 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 2018, the largest customer of our Metal Coil Coating business accounted for approximately 1% of our total consolidated sales and external sales of our Metal Coil Coating business represented 10.4% of total consolidated sales for the fiscal year.

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, reduce engineering, selling, general and administrative (“ESG&A”) expenses and improve plant utilization through expanded use of our integrated business model and facility re-alignment. 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.
- *Engineered Building Systems business.* 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.
- *Metal Components business.* 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.
- *Insulated Metal Panels business.* We intend to drive growth in sales of high-margin IMP product lines through all legacy commercial channels.
- *Metal Coil Coating business.* 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.

The combination of NCI and Ply Gem, headquartered in Cary, NC, establishes a leading exterior building products manufacturer with a broad range of products to residential and commercial customers for both new construction and repair & remodel. With a portfolio of key products which includes windows, doors, siding, metal wall and roof systems, engineered commercial buildings, insulated metal panels, stone and other adjacent products, the Company has more than 20,000 employees across 80 manufacturing, distribution and office locations throughout North America.

Restructuring

We continue to execute on our plans to improve cost efficiency through the optimization of our combined manufacturing plant footprint and the elimination of certain fixed and indirect ESG&A costs. During the fiscal year ended October 28, 2018, we incurred restructuring charges of $1.5 million, including $1.3 million, $1.3 million and $0.1 million in the Engineered Building Systems and Insulated Metal Panels businesses, and Corporate, respectively, partially offset by a net gain of $1.2 million on sales of facilities

in our Metal Components business. Restructuring charges are recorded for these plans as they become estimable and probable. See Note 5 — Restructuring in the notes to the consolidated financial statements for additional information.

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 (Galvalume® is a registered trademark of BIEC International, Inc.).

Our raw materials on hand increased to $205.9 million at October 28, 2018 from $150.9 million at October 29, 2017 due to rising input costs and to support higher levels of business activity in fiscal 2018.

The price and supply of steel impacts our business. 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. 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 business, 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" and Item 7A. Quantitative and Qualitative Disclosures About Market Risk — Steel Prices."

Backlog

At October 28, 2018 and October 29, 2017, the total backlog of orders, consisting of Engineered Building Systems' and IMP orders, for our products we believe to be firm was $557.0 million and $545.6 million, respectively. Job orders included in backlog are generally cancelable by customers at any time for any reason; however, cancellation charges may be assessed. 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 16% 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.

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. However, the metal components market is more fragmented than the engineered building systems market.

As of October 28, 2018, we operated 36 manufacturing facilities located in the United States, Mexico and Canada, with additional sales and distribution offices throughout the United States and Canada. These facilities are used primarily for the manufacturing of metal components and engineered building systems for the building industry. We believe this broad geographic

distribution gives us an advantage over our metal components and engineered building systems competitors because major elements of a customer's 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 Engineered Building Systems, Metal Components, Insulated Metal Panels and Metal Coil Coating businesses, 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, 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. For more information, see "Acquisitions" below.

In addition to the consolidation of competitors within the industries of the engineered building systems, metal components and metal coil coating businesses, 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, including the Metl-Span Acquisition, the CENTRIA Acquisition and the Merger, 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 businesses, and our goal is to continue to grow organically and through opportunistic strategic acquisitions.

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 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 Company's debt agreements contain a number of covenants that, among other things, limit or restrict the ability of the Company and its subsidiaries to incur additional indebtedness, transfer or sell 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, local and tribal levels. These laws and regulations can impact or restrict our business activities in many ways, such as:

- requiring investigative or remedial action to mitigate or contain certain environmental conditions that may have been historically or otherwise caused by our operations or practices, or by former owners or operators at properties we have acquired; 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 requirements 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 corrective actions, 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. We do so with the goal of minimizing the associated costs of compliance without affecting our ability to comply.

Failure to comply with environmental laws and regulations may trigger a variety of administrative, civil or criminal enforcement actions, including the assessment of monetary penalties, the imposition of investigative or remedial requirements, or the issuance of orders limiting current or future operations. 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 or 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, local or tribal 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 or regulations, the promulgation of new laws or regulations, 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 (such as our manufacturing facilities) and impose various permitting, air pollution control, emissions monitoring, recordkeeping and reporting requirements. Such laws and regulations may require us to obtain pre-approval for constructing or modifying our facilities in ways that have the potential to produce new or increased air emissions; obtain and comply with operating permits that limit air emissions or restrict certain operating parameters; or employ best available control technologies to reduce or minimize emissions from our facilities.

Our failure to comply with these requirements could subject us to monetary penalties, injunctions, restrictions on operations, or 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. 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 impact our facilities, raw material suppliers, the transportation and distribution of our products, and our customers, which 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 and permit programs 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 using a multistep process, with the largest sources first subjected 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.

Although it is not possible to accurately predict how new GHG rules and policies 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. Such restrictions could potentially make our products more expensive and reduce their demand.

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 waste. Industrial wastes we generate, such as paint waste, spent solvents and used chemicals, may be regulated as hazardous waste, although RCRA has provisions to exempt some of our wastes from classification as hazardous waste. However, our non-hazardous or exempted industrial wastes are still regulated 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. During our normal 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 parties the costs incurred for remedial cleanup 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; damages to natural resources; and the costs of risk assessment studies and contamination containment measures.

We currently own or lease, and historically 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, disposal or release 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 limit 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, or CWA, 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 wastewater standards and pretreatment or discharge permits containing limits on various water pollutant discharge parameters.

Our failure to comply with CWA 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 discharge or stormwater runoff treatment technology relating to maintaining compliance with wastewater 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 corrective action obligations. We do not believe that our operations will be materially adversely affected by these 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.

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 $3.5 million, $4.3 million and $3.7 million for fiscal years 2018, 2017 and 2016, respectively. We incur research and development costs to develop new products, improve existing products and improve safety factors of our products in the metal components business. These products include building and roofing systems, insulated panels, clips, purlins and fasteners.

Employees

As of October 28, 2018, we have approximately 5,300 employees, of whom approximately 4,100 are manufacturing and engineering personnel. We regard our employee relations as satisfactory. Approximately 13% of our workforce, including the employees at our subsidiary in Mexico, are represented by a collective bargaining agreement or union. As of the date of the consummation of the Merger, Ply Gem employed approximately 15,600 employees across 39 facilities in North America.

Exhibit 99.2

Explanatory Note

"Item 1A. Risk Factors" set forth in this Exhibit 99.2 has been recast from the "Item 1A. Risk Factors" included in Part I of the Company's Annual Report on Form 10-K for the year ended October 28, 2018 as filed with the U.S. Securities and Exchange Commission on December 19, 2018 to reflect changes to NCI's reportable business segments.

Item 1A. ***Risk Factors.***

Risks related to our business

Our industry is cyclical and highly sensitive to macroeconomic conditions. Our industry is currently experiencing a prolonged downturn which, if sustained, will materially and adversely affect the outlook for 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 unprecedented volatility, which is having an adverse effect on our business.

Current market estimates continue to show uneven activity across the nonresidential construction markets. According to Dodge, low-rise nonresidential construction starts, as measured in square feet and comprising buildings of up to five stories, were down as much as approximately 7% in our fiscal 2018 as compared to our fiscal 2017. However, Dodge typically revises initial reported figures, and we expect this metric may be revised upwards over time. Leading indicators for low-rise, nonresidential construction activity indicate positive momentum into 2019.

The leading indicators that we follow and that typically have the most meaningful correlation to nonresidential low-rise construction starts are the AIA Architecture Mixed Use Index, Dodge Residential single family starts and the LEI. Historically, there has been a very high correlation to the Dodge low-rise nonresidential starts when the three leading indicators are combined and then seasonally adjusted. The combined forward projection of these metrics, based on a 9 to 14-month historical lag for each metric, indicates low single digit growth for new low-rise nonresidential construction starts in 2019, with the majority of that growth occurring in the second half of our fiscal year.

However, 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, tariffs, 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 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, tax reform 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.

Changes in legislation, regulation and government policy may have a material effect on the Company's business in the future.

While it is not possible to predict whether and when any such changes will occur, changes at the local, state or federal level could significantly impact the Company's business. For example, the Company's business activity levels are heavily influenced by the U.S. domestic economy and changes in administration policies may result in changes in tax rates and/or prevailing interest rates, which could either stimulate or contract activity levels in the domestic economy. More specifically, the Company has had a production facility in Mexico for approximately 20 years and purchases a material amount of manufactured products from this subsidiary. For example, in fiscal 2018, the Company imported approximately $75 million of metal building products from the Company's Mexican subsidiary. Specific legislative and regulatory proposals discussed during and after the election that could have a material impact on us include, but are not limited to, certain modifications to international trade policy. Any such changes, if unmitigated by changes in our supply chain, may make it more difficult and/or more expensive for us and, thus, could have a material adverse effect on the Company's results of operations and limit our growth.

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.

We may have future capital needs and may not be able to obtain additional financing on acceptable terms.

Although we believe that our current cash position and the additional committed funding available under the Current ABL Credit Facility and the Current Cash Flow Revolver is sufficient for our current operations, any reductions in our available borrowing capacity, or our inability to renew or replace our debt facilities, when required or when business conditions warrant, could have a material adverse effect on our business, financial condition and results of operations. The economic conditions, credit market conditions and economic climate affecting our industry, as well as other factors, may constrain our financing abilities. Our ability to secure additional financing, if available, and to satisfy our financial obligations under indebtedness outstanding from time to time will depend upon our future operating performance, the availability of credit generally, economic conditions and financial, business and other factors, many of which are beyond our control. The market conditions and the macroeconomic conditions that affect our industry could have a material adverse effect on our ability to secure financing on favorable terms, if at all.

We may be unable to secure additional financing or financing on favorable terms or our operating cash flow may be insufficient to satisfy our financial obligations under the indebtedness outstanding from time to time. Furthermore, if financing is not available when needed, or is available on unfavorable terms, we may be unable to take advantage of business opportunities or respond to competitive pressures, any of which could have a material adverse effect on our business, financial condition and results of operations. If we raise additional funds through further issuances of equity, convertible debt securities or other securities convertible into equity, our existing stockholders could suffer significant dilution.

Our ability to access future financing also may be dependent on regulatory restrictions applicable to banks and other institutions subject to U.S. federal banking regulations, even if the market would otherwise be willing to provide such financing.

We have obligations incident to being a public company, including with respect to the requirements of and related rules under the Sarbanes-Oxley Act of 2002. Fulfilling these obligations is expensive and time-consuming, and any delays or difficulties in satisfying these obligations could have a material adverse effect on our future results of operations.

We completed our initial public offering in fiscal 1992. As a public company, we are subject to the reporting and corporate governance requirements, New York Stock Exchange ("NYSE") listing standards and the Sarbanes-Oxley Act of 2002 that apply to issuers of listed equity, which imposes certain compliance costs and obligations upon us. Being a public company entails higher auditing, accounting and legal fees and expenses, investor relations expenses, directors' fees and director and officer liability insurance costs, registrar and transfer agent fees and listing fees, as well as other expenses, than for a non-public company.

In addition, 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.

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.

For example, we completed our annual impairment assessment of goodwill and indefinite lived intangibles in the fourth quarter of fiscal 2017 and recorded a $6.0 million impairment charge related to the goodwill associated with a reporting unit within the Metal Coil Coating business.

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

The engineered building systems, metal components and metal coil coating 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.”

We rely on third-party suppliers for materials in addition to steel, and if we fail to identify and develop relationships with a sufficient number of qualified suppliers, or if there is a significant interruption in our supply chains, our business and results of operations could be adversely affected.

In addition to steel, our operations require other raw materials from third-party suppliers. We generally have multiple sources of supply for our raw materials, however, in some cases, materials are provided by a single supplier. The loss of, or substantial decrease in the availability of, products from our suppliers, or the loss of a key supplier, could adversely impact our financial condition and results of operations. In addition, supply interruptions could arise from shortages of raw materials, labor disputes or weather conditions affecting products or shipments or other factors beyond our control. Short- and long-term disruptions in our supply chain would result in a need to maintain higher inventory levels as we replace similar product, a higher cost of product and ultimately a decrease in our revenues and profitability. To the extent our suppliers experience disruptions, there is a risk for delivery delays, production delays, production issues or delivery of non-conforming products by our suppliers. Even where these risks do not materialize, we may incur costs as we prepare contingency plans to address such risks. In addition, disruptions in transportation lines could delay our receipt of raw materials. If our supply of raw materials is disrupted or our delivery times extended, our results of operations and financial condition could be materially adversely affected. Furthermore, some of our third-party suppliers may not be able to handle commodity cost volatility or changing volumes while still performing up to our specifications. Short-term changes in the cost of these materials, some of which are subject to significant fluctuations, are sometimes, but not always passed on to our customers. Our inability to pass on material price increases to our customers could adversely impact our financial condition, operating results and cash flows.

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 such 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 copyrights, patents, foreign patents, pending patent and copyright 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. CENTRIA also has a number of U.S. patents, including for its composite joinery apparatus. We and CENTRIA also have a number of registered trademarks and pending registrations in the United States. In addition, CENTRIA has exclusively licensed certain metal building cladding technology from Proclad Enterprises Ltd., which, under certain circumstances, may be converted to a non-exclusive license. We view this portfolio of owned and licensed 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.

There can be no assurance that the efforts we have taken to protect our proprietary rights will be sufficient or effective, that any pending or future patent and trademark applications will lead to issued patents and registered trademarks in all instances, that others will not develop or patent similar or superior technologies, products or services, or that our patents, trademarks and other intellectual property will not be challenged, invalidated, misappropriated or infringed by others. If we are unable to protect and maintain our intellectual property rights including those acquired from CENTRIA, or if there are any successful intellectual property challenges or infringement proceedings against us, including in connection with intellectual property of CENTRIA, our business and revenue could be materially and adversely affected.

We may also be subject to future claims and legal proceedings regarding alleged infringement by us of the patents, trademarks and other intellectual property rights of third parties. If there is a claim against us for infringement, misappropriation, misuse or other violation of third-party intellectual property rights, and we are unable to obtain sufficient rights or develop non-infringing intellectual property or otherwise alter our business practices on a timely or cost-efficient basis, our business and competitive position may be adversely affected.

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

During the normal operation of our manufacturing facilities, we emit and discharge pollutants into the environment, handle and use hazardous substances, and generate and dispose of industrial wastes. We also own and operate, or have in the past owned and operated, real and leased property that has been historically used for industrial purposes. We incur costs and liabilities to comply with environmental laws and regulations that apply to our operations and properties. We may incur significant additional costs as those laws and regulations, or their enforcement, change in the future; or if we discover a release of hazardous substances, industrial wastes or other contamination into the environment, historical or otherwise, caused by our manufacturing operations or historical predecessors.

Our manufacturing facilities are subject to stringent and complex federal, state, local and tribal environmental laws and regulations. These include (i) the federal Clean Air Act and comparable state laws and regulations that impose requirements related to air emissions; (ii) the federal Clean Water Act and comparable state laws and regulations that impose requirements related to wastewater and stormwater discharges; (iii) the federal Resource Conservation and Recovery Act and comparable state laws that impose requirements for the storage, treatment, handling and disposal of industrial wastes from our facilities; and (iv) the 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 where 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 limiting current or future operations. For more information about the effect of environmental laws and regulations on our business, see "Item 1. 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 business is intense. 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 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;
- sales of our Common Stock by our significant stockholders;
- fluctuations in stock market price and volume; and
- other general economic conditions.

During fiscal 2018, our stock price on the NYSE ranged from a high of $23.35 per share to a low of $12.30 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 common stock.

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 and may be liable for termination fees.

Restructuring our operations may harm our profitability, financial condition and results of operations. Our ability to fully achieve the estimated cost savings is uncertain.

We have developed plans to improve cost efficiency and optimize our combined manufacturing plant footprint considering our recent acquisitions and restructuring efforts. Future charges related to the plans may harm our profitability in the periods incurred. Additionally, if we were to incur unexpected charges related to the plans, our financial condition and results of operations may suffer.

Implementation of these plans carry significant risks, including:

- actual or perceived disruption of service or reduction in service levels to our customers;
- failure to preserve supplier relationships and distribution, sales and other important relationships and to resolve conflicts that may arise
- potential adverse effects on our internal control environment and an inability to preserve adequate internal controls;
- diversion of management attention from ongoing business activities and other strategic objectives; and
- failure to maintain employee morale and retain key employees.

Because of these and other factors, we cannot predict whether we will fully realize the cost savings from these plans. If we do not fully realize the expected cost savings from these plans, our business and results of operations may be negatively affected. Also, if we were to experience any adverse changes to our business, additional restructuring activities may be required in the future.

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 amounts of 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 impact our facilities, raw material suppliers, the transportation and distribution of our products, and our customers, which 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 and permit programs that would restrict emissions of GHGs under existing provisions of the federal CAA.

Although it is not possible to accurately predict how new GHG rules and policy 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. Such restrictions could potentially make our products more expensive and reduce their demand.

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 Internal Revenue Service ("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 enterprise resource planning technologies will require maintenance or replacement in order to allow us to continue to operate and manage critical aspects of our business.

We rely heavily on enterprise resource planning technologies ("ERP Systems") from third parties in order to operate and manage critical internal functions of our business, including accounting, order management, procurement, and transactional entry and approval. Certain of our ERP Systems are no longer supported by their vendor, are reaching the end of their useful life or are in need of significant updates to adequately perform the functions we require. We have limited access to support for older software versions and may be unable to repair the hardware required to run certain ERP Systems on a timely basis due to the unavailability of replacement parts. In addition, we face operational vulnerabilities due to limited access to software patches and software updates on any software that is no longer supported by their vendor. We are planning hardware and software upgrades to our ERP Systems and are in discussions with third-party vendors regarding system updates.

If our ERP Systems become unavailable due to extended outages or interruptions, or because they are no longer available on commercially reasonable terms, our operational efficiency could be harmed and we may face increased replacement costs. We may also face extended recovery time in the event of a system failure due to lack of resources to troubleshoot and resolve such issues. Our ability to manage our operations could be interrupted and our order management processes and customer support functions could be impaired until equivalent services are identified, obtained and implemented on commercially reasonable terms, all of which could adversely affect our business, results of operations and financial condition.

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 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 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.

Recently enacted tariffs on steel imports could result in increased steel prices and adversely affect our results of operations.

In 2018, the Trump administration implemented new tariffs on imports of steel into the United States. As the implementation of tariffs is ongoing, more tariffs may be added in the future. The new tariffs may provide domestic steel producers the flexibility to increase their prices, at least to a level where their products would still be priced below foreign competitors once the tariffs are taken into account. The new tariffs could result in both increased steel prices and a decreased available supply of steel. We may not be able to pass such price increases on to our customers and may not be able to secure adequate alternative sources of steel on a timely basis. Either of these occurrences could adversely affect our results of operations and financial condition.

Risks related to the Ply Gem business

On November 16, 2018, the date we consummated the Merger, the businesses and operations of Ply Gem became part of our operations and will be reflected in our consolidated financial results from that day forward. The businesses of Ply Gem and NCI are subject to substantially similar risks and uncertainties and, as a result, Ply Gem's businesses are and will be subject to many of the risks described above. For additional information about risks related to Ply Gem's business, see "Other Risk Factors of Ply Gem" set forth in the Company's Proxy Statement relating to the Special Shareholder Meeting, filed with the SEC on October 17, 2018.

Risks related to the Merger

Combining the businesses of NCI and Ply Gem may be more difficult, costly and time-consuming than expected, which may adversely affect the Company's results and negatively affect the value of NCI common stock.

The Company's Management is in the process of integrating NCI's and Ply Gem's respective businesses. The combination of two independent businesses is a complex, costly and time-consuming process and the Company's management may face significant challenges in implementing such integration, many of which may be beyond the control of management, including, without limitation:

- latent impacts resulting from the diversion of NCI's and Ply Gem's respective management teams' attention from ongoing business concerns as a result of the devotion of management's attention to the Merger and performance shortfalls at one or both of the companies;
- ongoing diversion of the attention of management from the operation of the Company's business as a result of the intended business separations;
- difficulties in achieving anticipated cost savings, synergies, business opportunities and growth prospects;
- the possibility of faulty assumptions underlying expectations regarding the integration process;
- unanticipated issues in integrating accounting, information technology, communications programs, financial procedures and operations, and other systems, procedures and policies;
- difficulties in managing a larger surviving corporation, addressing differences in business culture and retaining key personnel;
- unanticipated changes in applicable laws and regulations;
- coordinating geographically separate organizations; and
- unforeseen expenses or delays associated with the Merger.

Some of these factors will be outside of the control of the Company, and any one of them could result in increased costs and diversion of management's time and energy, as well as decreases in the amount of expected revenue that could materially impact the business, financial conditions and results of operations of the combined business. The integration process and other disruptions resulting from the Merger may also adversely affect the Company's relationships with employees, suppliers, customers, distributors, licensors and others with whom NCI and Ply Gem have business or other dealings, and difficulties in integrating the businesses of NCI and Ply Gem could harm the reputation of the Company.

If the Company is not able to successfully combine the businesses of NCI and Ply Gem in an efficient, cost-effective and timely manner, the anticipated benefits and cost savings of the Merger may not be realized fully, or at all, or may take longer to realize than expected, and the value of NCI Common Stock, the revenues, levels of expenses and results of operations may be affected adversely. If the Company is not able to adequately address integration challenges, the Company may be unable to successfully integrate NCI's and Ply Gem's operations or realize the anticipated benefits of the Merger.

In connection with the Merger, we may be required to take write-downs or write-offs, restructuring and impairment or other charges that could negatively affect our business, assets, liabilities, prospects, outlook, financial condition and results of operations.

Although Ply Gem and the Company have conducted extensive due diligence on each other in connection with the Merger, we cannot assure that this diligence revealed all material issues that may be present, that it would be possible to uncover all material issues through a customary amount of due diligence, or that factors outside of our control will not later arise. Unexpected risks may arise and previously known risks may materialize in a manner not consistent with our preliminary risk analysis. Further, as a result of the Merger, purchase accounting, and the proposed operation of the Company, as the surviving corporation going forward, we may be required to take write-offs or write-downs, restructuring and impairment or other charges. As a result, we may be forced to write-down or write-off assets, restructure its operations, or incur impairment or other charges that could negatively affect our business, assets, liabilities, prospects, outlook, financial condition and results of operations.

Pursuant to the Merger Agreement, we entered into a stockholders agreement with each of the Investors pursuant to which the CD&R Investors will have substantial governance and other rights setting forth certain terms and conditions regarding the ownership of the CD&R Investors' shares of NCI Common Stock.

Pursuant to the terms of the Merger Agreement, on November 16, 2018, the Company entered into the New Stockholders Agreement with each of the Investors.

Pursuant to the New Stockholders Agreement, among other matters, the CD&R Investor Group is entitled to nominate for election, fill vacancies and appoint five out of twelve initial members of NCI's board of directors and, thereafter, so long as the CD&R Investor Group beneficially owns at least 7.5% of the outstanding shares of NCI Common Stock, to nominate for election, fill vacancies and appoint replacements for a number of Board members in proportion to the CD&R Investor Group's percentage beneficial ownership of outstanding NCI Common Stock, but never to exceed one less than the number of independent, non-CD&R-affiliated directors serving on the Board. The New Stockholders Agreement contains voting agreements between the Company and each of the Investors, including the requirement that each Investor shall vote all of the shares of Common Stock that it beneficially owns (a) in favor of all director nominees, other than CD&R Investor Nominees or director nominees proposed by a Golden Gate Investor, nominated by the Board for election by the stockholders of the Company in accordance with the terms of the New Stockholders Agreement and the Sixth Amended and Restated By-laws of the Company, (b) as recommended by the Board, on any and all (i) proposals relating to or concerning compensation or equity incentives for directors, officers or employees of the Company adopted in the ordinary course of business consistent with past practice, (ii) proposals by stockholders of the Company, other than a proposal by a CD&R Investor or a Golden Gate Investor, and (iii) proposals the subject matter of which is a CD&R Investor Consent Action (as defined in the New Stockholders Agreement), provided that, in respect of clauses (i) and (iii) only, that the Board's recommendation is consistent with the CD&R Investor Group's exercise of its consent rights provided in the New Stockholders Agreement, and (c) not in favor of any transaction constituting, or that would result in, a Change of Control (as defined in the New Stockholders Agreement) that has not been approved by a majority of the Independent Non-CD&R Investor Directors (as defined in the New Stockholders Agreement), if the per share consideration to be received by any CD&R Investor or Golden Gate Investor in connection with such transaction is not equal to, and in the same form as, the per-share consideration to be received by the shareholders not affiliated with the Investors.

The CD&R Investor Group collectively owns approximately 49.6% of the outstanding NCI common stock as of November 16, 2018. As a significant stockholder, the CD&R Investors could significantly influence the outcome of matters requiring a stockholder vote, including the election of directors, the adoption of any amendment to NCI's certificate of incorporation or bylaws and the approval of mergers and other significant corporate transactions. Their influence over NCI may have the effect of delaying or preventing a change of control or may adversely affect the voting and other rights of other stockholders.

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

Pursuant to the terms of the New Registration Rights Agreement, the Company granted the Investors customary demand and piggyback registration rights, including rights to demand registrations and underwritten shelf registration statement offerings with respect to the shares of NCI Common Stock that are held by the Investors following the consummation of the Merger.

On April 8, 2016, the SEC declared effective our shelf registration statement on Form S-3 which registered the resale of the shares of our Common Stock held by the CD&R Fund VIII Investor Group. Pursuant to the New Registration Rights Agreement, the Company is required to use its reasonable best efforts to file a registration statement on Form S-3 or any comparable or successor form or forms or any similar short-form registration statement prior to February 14, 2019 with respect to the Golden Gate Investors. At any time after May 16, 2020, CD&R Pisces may request in writing that the Company effect the registration under and in accordance with the provisions of the Securities Act of 1933, all or any part of the shares of NCI Common Stock that CD&R Pisces beneficially owns.

Upon the consummation of the Merger, as of November 16, 2018, the CD&R Fund VIII Investor Group, CD&R Pisces and the Golden Gate Investor Group each owned approximately 18.3%, 31.3% and 13.4%, respectively, of the issued and outstanding NCI Common Stock.

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 any of the Investors 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.

Risks related to our indebtedness

We have substantial debt and may incur substantial additional debt, which could adversely affect our financial health, reduce our profitability, limit our ability to obtain financing in the future and pursue certain business opportunities and make payments on our indebtedness.

We have substantial indebtedness. As of October 28, 2018, we had total indebtedness of approximately $412.9 million. Following the consummation of the Merger, on November 16, 2018 we had total indebtedness of approximately $3.2 billion.

The amount of our debt or other similar obligations could have important consequences for us, including, but not limited to:

- a substantial portion of our cash flow from operations must be dedicated to the payment of principal and interest on our indebtedness, thereby reducing the funds available to us for other purposes;
- our ability to obtain additional financing for working capital, capital expenditures, acquisitions, debt service requirements or general corporate purposes and our ability to satisfy our obligations with respect to our outstanding indebtedness may be impaired in the future;
- we are exposed to the risk of increased interest rates because a portion of our borrowings is at variable rates of interest;
- we may be at a competitive disadvantage compared to our competitors with less debt or with comparable debt at more favorable interest rates and that, as a result, may be better positioned to withstand economic downturns;
- our ability to refinance indebtedness may be limited or the associated costs may increase;
- our ability to engage in acquisitions without raising additional equity or obtaining additional debt financing may be impaired in the future;
- it may be more difficult for us to satisfy our obligations to our creditors, resulting in possible defaults on and acceleration of such indebtedness;
- we may be more vulnerable to general adverse economic and industry conditions; and
- our flexibility to adjust to changing market conditions and our ability to withstand competitive pressures could be limited, or we may be prevented from making capital investments that are necessary or important to our operations in general, growth strategy and efforts to improve operating margins of our business units.

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.

The Current Indenture, the Current Cash Flow Credit Agreement and the Current ABL Credit Agreement contain restrictions and limitations that could significantly impact our ability and the ability of most of our subsidiaries to engage in certain business and financial transactions.

Current Indenture

The Current Indenture (as defined in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations) contains restrictive covenants that, among other things, limit our ability and the ability of our restricted subsidiaries to:

- incur additional indebtedness or issue certain preferred shares;
- pay dividends, redeem stock or make other distributions in respect of capital stock;
- repurchase, prepay or redeem subordinated indebtedness;
- make investments;
- create liens;
- transfer or sell assets;
- create restrictions on the ability of our restricted subsidiaries to pay dividends to us or make other intercompany transfers;
- consolidate, merge, sell or otherwise dispose of all or substantially all of our assets;
- enter into certain transactions with our affiliates; and
- designate subsidiaries as unrestricted subsidiaries.

Current Cash Flow Credit Agreement and Current ABL Credit Agreement

The Current Cash Flow Credit Agreement and the Current ABL Credit Agreement (each as defined in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations) contain a number of covenants that limit our ability and the ability of our restricted subsidiaries to:

- incur additional indebtedness or issue certain preferred shares;
- pay dividends, redeem stock or make other distributions in respect of capital stock;
- repurchase, prepay or redeem the 8.00% Senior Notes (as defined in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations) and subordinated indebtedness;
- make investments;
- incur additional liens;
- transfer or sell assets;
- create restrictions on the ability of our restricted subsidiaries to pay dividends to us or make other intercompany transfers;
- make negative pledges;
- consolidate, merge, sell or otherwise dispose of all or substantially all of our assets;
- enter into certain transactions with our affiliates; and
- designate subsidiaries as unrestricted subsidiaries.

In addition, the Current Cash Flow Revolver (as defined in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations) will under certain circumstances require us to maintain a maximum total secured leverage ratio, and the Current ABL Facility (as defined in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations) will under certain circumstances require us to maintain a minimum consolidated fixed charge coverage ratio. The Current ABL Credit Agreement will also contain other covenants customary for asset-based facilities of this nature. Our ability to borrow additional amounts under the Current Cash Flow Revolver and the Current ABL Facility depends upon satisfaction of these covenants. Events beyond our control can affect our ability to meet these covenants.

We are required to make mandatory pre-payments under the Current Cash Flow Credit Agreement and the Current ABL 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 the Current Cash Flow Credit Agreement and the Current ABL Credit Agreement.

In addition, under certain circumstances and subject to the limitations set forth in the Current Cash Flow Credit Agreement, the Current Term Loan Facility (as defined in Item 7. Management's Discussion and Analysis of Financial Condition and Result of Operations) may require us to make prepayments of the term loans to the extent we generate excess positive cash flow each fiscal year, beginning with the fiscal year ending December 31, 2019.

Any future financing arrangements entered into by us may also contain similar covenants and restrictions. As a result of these covenants and restrictions, we may be limited in our ability to plan for or react to market conditions or to meet extraordinary capital needs or otherwise could restrict our activities. These covenants and 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.

Our failure to comply with obligations under the Current Cash Flow Credit Agreement, the Current ABL Credit Agreement or the Current Indenture, as well as others contained in any future debt instruments from time to time, may result in an event of default under the Current Cash Flow Credit Agreement, the Current ABL Credit Agreement or the Current Indenture, as applicable. A default, if not cured or waived, may permit acceleration of our indebtedness. If our indebtedness is accelerated, we cannot be certain that we will have sufficient funds available to pay the accelerated indebtedness or that we will have the ability to refinance the accelerated indebtedness on terms favorable to us or at all. If we are forced to refinance these borrowings on less favorable terms or cannot refinance these borrowings, our business, results of operations, financial condition and cash flows could be adversely affected.

Despite our indebtedness levels, we and our subsidiaries may be able to incur substantially more indebtedness, which may increase the risks to our financial condition created by our substantial indebtedness.

The terms of the Current Cash Flow Credit Agreement, the Current ABL Credit Agreement and the Current Indenture provide us and our subsidiaries with the flexibility to incur a substantial amount of indebtedness in the future, which indebtedness may be secured or unsecured. As of October 28, 2018, we had total indebtedness of approximately $412.9 million. Following the consummation of the Merger, on November 16, 2018 we had total indebtedness of approximately $3.2 billion. In particular, if we or our subsidiaries are in compliance with certain incurrence ratios set forth in the Current Cash Flow Credit Agreement, the Current ABL Credit Facility and the Current Indenture, we may be able to incur substantial additional indebtedness. Any such incurrence of additional indebtedness may increase the risks created by our current substantial indebtedness. As of October 28, 2018, we were able to borrow up to approximately $141.0 million under the Pre-merger ABL Credit Facility. All of these borrowings under the Pre-merger ABL Credit Facility would be secured. At November 16, 2018, following the consummation of the Merger, there were no amounts drawn on the Current Cash Flow Revolver or the Current ABL Credit Facility.

An increase in interest rates would increase the cost of servicing our debt and could reduce our profitability, decrease our liquidity and impact our solvency.

To the extent LIBOR exceeds 0.00%, our indebtedness under the Current Cash Flow Facilities (as defined in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations) and the Current ABL facility will bear interest at variable rates, and our future indebtedness may bear interest at variable rates. As a result, increases in interest rates could increase the cost of servicing such debt and materially reduce our profitability and cash flows. As of November 16, 2018, assuming all Current ABL Facility revolving loans were fully drawn, each one percent change in interest rates would result in approximately a $31.7 million million change in annual interest expense on the Current Term Loan Facility and the Current ABL Facility. The impact of such an increase would be more significant for us than it would be for some other companies because of our substantial debt.

Exhibit 99.3

Explanatory Note

"Item 2. Properties" set forth in this Exhibit 99.3 has been recast from the "Item 2. Properties" included in Part I of the Company's Annual Report on Form 10-K for the year ended October 28, 2018 as filed with the U.S. Securities and Exchange Commission on December 19, 2018 to reflect changes to NCI's reportable business segments.

Item 2. *Properties.*

As of October 28, 2018, we conducted 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
Sheridan, Arkansas	Insulated metal panels	215,000	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	Insulated metal panels	124,800	Owned
Shelbyville, Indiana	Metal components[(1)]	70,200	Owned
Shelbyville, Indiana	Insulated metal panels	108,300	Leased
Monticello, Iowa	Engineered building systems[(4)]	231,966	Owned
Mount Pleasant, Iowa	Engineered building systems[(4)]	218,500	Owned
Frankfort, Kentucky	Insulated metal panels	270,000	Owned
Hernando, Mississippi	Metal components[(1)]	129,682	Owned
Omaha, Nebraska	Metal components[(5)]	56,716	Owned
Las Vegas, Nevada	Insulated metal panels	126,400	Leased
Rome, New York	Metal components[(5)]	53,700	Owned
Cambridge, Ohio	Metal coil coating	200,000	Owned
Middletown, Ohio	Metal coil coating	170,000	Owned
Oklahoma City, Oklahoma	Metal components[(5)]	59,400	Leased
Ambridge, Pennsylvania	Metal coil coating	32,000	Leased
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
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	Insulated metal panels	91,800	Owned
Lubbock, Texas	Metal components[(1)]	95,376	Owned
Salt Lake City, Utah	Metal components[(3)]	84,800	Owned
Prince George, Virginia	Insulated metal panels	101,400	Owned
Foreign:			
Monterrey, Mexico	Engineered building systems[(6)]	246,196	Owned
Hamilton, Ontario, Canada	Insulated metal panels	100,000	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.

We also operate eight Metal Depots facilities in our Metal Components business 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 Commercial segment headquarters. We also own approximately ten acres of land at another location in Houston adjacent to one of our manufacturing facilities.

The Ply Gem business acquired in the Merger operates 36 manufacturing facilities across the United States and Canada. Ply Gem's Canadian manufacturing facilities are supported by a network of 26 distribution facilities.

Exhibit 99.4

Explanatory Note

"Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" set forth in this Exhibit 99.4 has been recast from the "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" included in Part II of the Company's Annual Report on Form 10-K for the year ended October 28, 2018 as filed with the U.S. Securities and Exchange Commission on December 19, 2018 to reflect changes to NCI's reportable business segments and to apply retrospectively the adoption of the Financial Accounting Standards Board Accounting Standards Update ("ASU") 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force),* which the Company adopted during the transition period ended December 31, 2018.

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 design, engineer, manufacture and market engineered building systems, metal components and insulated metal panels 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. We also provide metal coil coating services for commercial and construction applications, servicing both internal and external customers.

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. Similarly, metal components and insulated metal panels offer builders, designers, architects and end-users several advantages, including lower long-term costs, longer life, attractive aesthetics and design flexibility.

We use a 52/53 week year with our fiscal year end on the Sunday closest to October 31.

On November 16, 2018, the board of directors of the Company approved a change to the Company's fiscal year from a 52/53 week year with the Company's fiscal year end on the Sunday closest to October 31 to a fiscal year of the 12 month period of January 1 to December 31 of each calendar year, to commence with the fiscal year ending December 31, 2019. The Company filed a transition report on Form 10-Q on February 11, 2019 that covered the transition period from October 29, 2018 to December 31, 2018.

We evaluate segment's performance based primarily upon operating income before corporate expenses.

Merger with Ply Gem

At the Special Shareholder Meeting on November 15, 2018, NCI's shareholders approved (i) the Merger Agreement and (ii) the Stock Issuance. NCI's shareholders also approved the three additional proposals described in the Company's proxy statement relating to the Special Shareholder Meeting. The Merger was consummated on November 16, 2018 pursuant to the Merger Agreement.

Pursuant to the terms of the Merger Agreement, on November 16, 2018, the Company entered into (i) the New Stockholders Agreement between the Company and each of the Investors, pursuant to which the Company granted to the Investors certain governance, preemptive and subscription rights and (ii) the New Registration Rights Agreement with the Investors, pursuant to which the Company granted the Investors customary demand and piggyback registration rights, including rights to demand registrations and underwritten shelf registration statement offerings with respect to the shares of NCI Common Stock that are held by the Investors following the consummation of the Merger. Pursuant to the terms of the New Stockholders Agreement, the Company and the CD&R Fund VIII Investor Group terminated the Old Stockholders Agreement and the Old Registration Rights Agreement.

On November 16, 2018, in connection with the consummation of the Merger, the Company assumed (i) the obligations of Ply Gem Midco, a subsidiary of Ply Gem immediately prior to the consummation of the Merger, as borrower under the Current Cash Flow Credit Agreement, (ii) the obligations of Ply Gem Midco as parent borrower under the Current ABL Credit Agreement and (iii) the obligations of Ply Gem Midco as issuer under the Current Indenture.

On April 12, 2018, Ply Gem Midco entered into a Cash Flow Credit Agreement (the "Current Cash Flow Credit Agreement"), by and among Ply Gem Midco, JPMorgan Chase Bank, N.A., as administrative agent and collateral agent (the "Cash Flow Agent"), and the several banks and other financial institutions from time to time party thereto. As of November 16, 2018, immediately prior to the Merger, the Current Cash Flow Credit Agreement provided for (i) a term loan facility (the "Current Term Loan Facility") in an original aggregate principal amount of $1,755.0 million and (ii) a cash flow-based revolving credit facility (the "Current Cash Flow Revolver" and together with the Current Term Loan Facility, the "Current Cash Flow Facilities") of up to $115.0

million. On November 16, 2018, Ply Gem Midco entered into a Lender Joinder Agreement, by and among Ply Gem Midco, the additional commitment lender party thereto and the Cash Flow Agent, which amended the Current Cash Flow Credit Agreement in order to, among other things, increase the aggregate principal amount of the Current Term Loan Facility by $805.0 million (the "Incremental Term Loans"). Proceeds of the Incremental Term Loans were used to, among other things, (a) finance the Merger and to pay certain fees, premiums and expenses incurred in connection therewith, (b) repay in full amounts outstanding under the Pre-merger Term Loan Credit Agreement and the Pre-merger ABL Credit Agreement (each as defined below) and (c) repay $325.0 million of borrowings outstanding under the Current ABL Facility (as defined below). On November 16, 2018, in connection with the consummation of the Merger, NCI and Ply Gem Midco entered into a joinder agreement with respect to the Current Cash Flow Facilities, and NCI became the Borrower (as defined in the Current Cash Flow Credit Agreement) under the Current Cash Flow Facilities. The Current Term Loan Facility amortizes in nominal quarterly installments equal to one percent of the aggregate initial principal amount thereof per annum, with the remaining balance payable upon final maturity of the Current Term Loan Facility on April 12, 2025. There are no amortization payments under the Current Cash Flow Revolver, and all borrowings under the Current Cash Flow Revolver mature on April 12, 2023. At November 16, 2018, following consummation of the Merger, there was $2,555.6 million outstanding under the Current Term Loan Facility and there were no amounts drawn on the Current Cash Flow Revolver.

On April 12, 2018, Ply Gem Midco and certain subsidiaries of Ply Gem Midco entered into an ABL Credit Agreement (the "Current ABL Credit Agreement"), by and among Ply Gem Midco, the subsidiary borrowers from time to time party thereto, UBS AG, Stamford Branch, as administrative agent and collateral agent (the "ABL Agent"), and the several banks and other financial institutions from time to time party thereto, which provided for an asset-based revolving credit facility (the "Current ABL Facility") of up to $360.0 million, consisting of (i) $285.0 million available to U.S. borrowers (subject to U.S. borrowing base availability) (the "ABL U.S. Facility") and (ii) $75.0 million available to both U.S. borrowers and Canadian borrowers (subject to U.S. borrowing base and Canadian borrowing base availability) (the "ABL Canadian Facility"). On October 15, 2018, Ply Gem Midco entered into Amendment No. 2 to the Current ABL Credit Agreement, by and among Ply Gem Midco, the incremental lender party thereto and the ABL Agent, which amended the Current ABL Credit Agreement in order to, among other things, increase the aggregate commitments under the Current ABL Facility by $36.0 million to $396.0 million overall, and with the (x) ABL U.S. Facility being increased from $285.0 million to $313.5 million and (y) the ABL Canadian Facility being increased from $75.0 million to $82.5 million. On November 16, 2018, Ply Gem Midco entered into Amendment No. 4 to the Current ABL Credit Agreement, by and among Ply Gem Midco, the incremental lenders party thereto and the ABL Agent, which amended the Current ABL Credit Agreement in order to, among other things, increase the aggregate commitments under the Current ABL Facility by $215.0 million (the "Incremental ABL Commitments") to $611.0 million overall, and with the (x) ABL U.S. Facility being increased from $313.5 million to approximately $483.7 million and (y) the ABL Canadian Facility being increased from $82.5 million to approximately $127.3 million. On November 16, 2018, in connection with the consummation of the Merger, NCI and Ply Gem Midco entered into a joinder agreement with respect to the Current ABL Facility, and NCI became the Parent Borrower (as defined in the Current ABL Credit Agreement) under the Current ABL Facility. The Company and, at the Company's option, certain of the Company's subsidiaries are the borrowers under the Current ABL Facility. As of November 16, 2018, and following consummation of the Merger, (a) Ply Gem Industries, Inc., Atrium Windows and Doors, Inc., NCI Group, Inc. and Robertson-Ceco II Corporation were U.S. subsidiary borrowers under the Current ABL Facility, and (b) Gienow Canada Inc., Mitten Inc., North Star Manufacturing (London) Ltd. and Robertson Building Systems Limited were Canadian borrowers under the Current ABL Facility. All borrowings under the Current ABL Facility mature on April 12, 2023. At November 16, 2018, following consummation of the Merger, there were no amounts drawn and $24.7 million of letters of credit issued under the Current ABL Facility.

On April 12, 2018, Ply Gem Midco issued $645.0 million aggregate principal amount of 8.00% Senior Notes due 2026 (the "8.00% Senior Notes"). The 8.00% Senior Notes were issued pursuant to an Indenture, dated as of April 12, 2018 (as supplemented from time to time, the "Current Indenture"), by and among Ply Gem Midco, as issuer, the subsidiary guarantors from time to time party thereto and Wilmington Trust, National Association, as trustee. On November 16, 2018, in connection with the consummation of the Merger, the Company entered into a supplemental indenture and assumed the obligations of Ply Gem Midco as issuer under the Current Indenture and the 8.00% Senior Notes. The 8.00% Senior Notes bear interest at 8.00% per annum and will mature on April 15, 2026. Interest is payable semi-annually in arrears on April 15 and October 15.

On November 16, 2018, in connection with the incurrence by Ply Gem Midco of the Incremental Term Loans and the obtaining by Ply Gem Midco of the Incremental ABL Commitments, following consummation of the Merger, the Company (a) terminated all outstanding commitments and repaid all outstanding amounts under the Term Loan Credit Agreement, dated as of February 8, 2018 (the "Pre-merger Term Loan Credit Agreement"), by and among the Company, as borrower, the several banks and other financial institutions from time to time party thereto and Credit Suisse AG, Cayman Islands Branch, as administrative agent and collateral agent, and (b) terminated all outstanding commitments and repaid all outstanding amounts under the ABL Credit Agreement, dated as of February 8, 2018 (the "Pre-merger ABL Credit Agreement"), by and among NCI Group, Inc. and Robertson-Ceco II Corporation, as borrowers, the Company, as a guarantor, the other borrowers from time to time party thereto, the several banks and other financial institutions from time to time party thereto and Wells Fargo Bank, National Association, as administrative agent and collateral agent. Outstanding letters of credit under the Pre-merger ABL Credit Agreement were cash collateralized.

In connection with the termination and repayment of the Pre-merger Term Loan Credit Agreement and the Pre-merger ABL Credit Agreement, the Company also terminated (i) the Term Loan Guarantee and Collateral Agreement, dated as of February 8, 2018, made by the Company and certain of its subsidiaries, in favor of Credit Suisse AG, Cayman Islands Branch, as Collateral Agent, (ii) the ABL Guarantee and Collateral Agreement, dated as of February 8, 2018, made by the Company and certain of its subsidiaries, in favor of Wells Fargo Bank, National Association, as Collateral Agent, and (iii) the Intercreditor Agreement, dated as of February 8, 2018, between Credit Suisse AG, Cayman Islands Branch and Wells Fargo Bank, National Association, and acknowledged by the Company and certain of its subsidiaries

The Company incurred approximately $15.3 million of acquisition expenses during fiscal 2018 related to the Merger, primarily for various third-party consulting and due-diligence services, and investment bankers' fees, which are recorded in strategic development and acquisition related costs in the Company's consolidated statements of operations.

Change in Operating Segments

On February 11, 2019, the Company filed a transition report on Form 10-Q which included the financial information for the transition period from October 29, 2018 to December 31, 2018, referred to herein as the "transition period". For the transition period ended December 31, 2018, the Company began reporting results under new reportable segments to align with how the Company will manage its business, review operating performance and allocate resources following the merger with Ply Gem. We have revised our segment reporting to represent how we now manage our business, recasting prior periods to conform to the current segment presentation.

Subsequent to the Merger, we have three reportable segments: (i) Commercial; (ii) Siding; and (iii) Windows. The Commercial segment includes the operating results of the legacy NCI businesses - Engineered Building Systems; Metal Components; Insulated Metal Panels; and Metal Coil Coating, which operate primarily in the nonresidential construction market. The Siding and Windows segments, which result from the Merger, will include the operating results of the legacy Ply Gem operating segments. For the fiscal year ended October 28, 2018 there were no operations within the Siding and Windows segments.

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 2018 Overview

Our fiscal 2018 financial performance showed year-over-year improvement in revenue, net income and Adjusted EBITDA, while gross margins declined over the same period. This improved financial performance was achieved despite challenging market conditions, including rising input costs and seasonally wet weather conditions primarily in Texas and the Southeast during the fourth quarter. During fiscal 2018, the Company realized the benefits of the focus on commercial discipline in the pass-through of material and other input costs and the Company's ongoing cost reduction initiatives.

Consolidated revenues increased by approximately 13.0% from the prior fiscal year. The year-over-year improvement was primarily driven by continued commercial discipline in the pass-through of higher costs in a rising cost environment across each of our businesses and underlying volume growth in the Engineered Building Systems and Insulated Metal Panel businesses. Each business achieved year over year external revenue growth.

Consolidated gross margin in fiscal 2018 decreased by 40 basis points from the prior fiscal year to 23.1%. Lower margins in the current period were driven primarily by higher freight and manufacturing costs, both of which experienced significant inflationary pressures during fiscal 2018. These were largely mitigated during the second half of the fiscal year through commercial discipline.

Consolidated engineering, selling, general and administrative expenses for fiscal 2018 includes a $4.6 million charge related to the acceleration of retirement benefits of our former CEO. Excluding the effects of the acceleration of CEO retirement benefits, as a percentage of sales, engineering, selling, general and administrative expenses decreased by 150 basis points to 15.1% compared to the prior fiscal year, predominantly the result of our strategic initiatives and restructuring activities.

Net income increased by $8.4 million to $63.1 million for fiscal 2018, compared to $54.7 million in the prior year. Diluted earnings per share was $0.94, while adjusted net income per diluted common share was $1.45. Adjusted EBITDA increased to $201.6 million representing an approximate 20.4% increase over the prior year. Net income was impacted by certain special items including a $21.9 million loss ($15.9 million, after taxes) on extinguishment of debt and a $6.7 million loss ($4.8 million, after taxes) on the sale of the China manufacturing facility associated with a reporting unit within the Insulated Metal Panels business, offset by a $4.7 million gain ($3.4 million, after taxes) on insurance recovery.

Due to the strong operating cash flow we reinvested $47.8 million in to capital expenditures, an increase of $25.8 million over prior year, primarily to support organic growth initiatives and advanced manufacturing. We also used $46.7 million to repurchase shares of our Common Stock in fiscal 2018. Our net debt leverage ratio (net debt/EBITDA) at the end of the fourth quarter improved to 1.8x, compared to 2.0x at the end of the prior year fourth quarter.

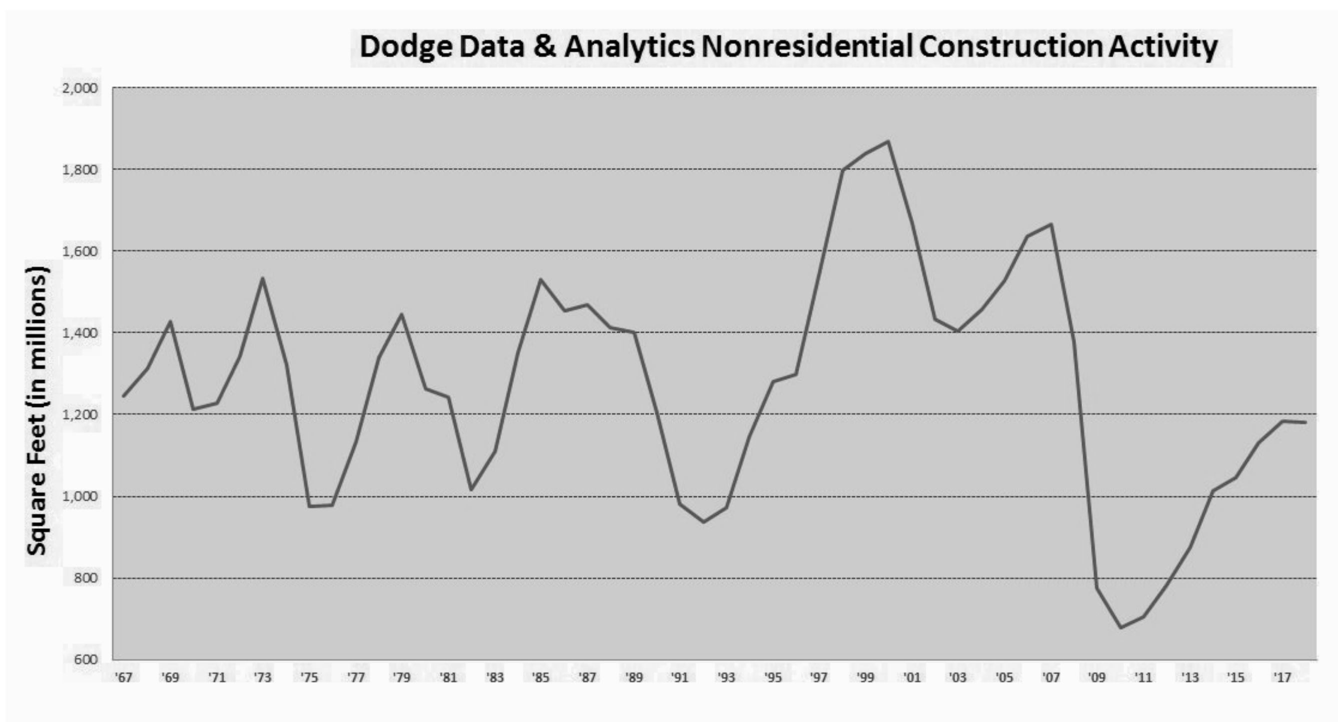
Overall, we delivered net income, Adjusted EBITDA, diluted earnings per share and adjusted diluted earnings per share in fiscal 2018 that exceeded the prior year's results. We remain focused on increasing our operating leverage and manufacturing efficiency by continuing to pursue our cost and efficiency initiatives. Our objective is to continue to execute on our strategic initiatives in order to increase market penetration and deliver top-line growth above nonresidential market growth during fiscal 2019 in both our legacy businesses and our IMP products through our multiple sales channels.

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. Following a significant downturn in 2008 and 2009, the current recovery of low-rise construction has been uneven and slow but is now showing some signs of steady growth. We believe that the economy is recovering and that the nonresidential construction industry will return to mid-cycle levels of activity over the next several years.

The graph below shows the annual nonresidential new construction starts, measured in square feet, since 1968 as compiled and reported by Dodge:



Current market estimates continue to show uneven activity across the nonresidential construction markets. According to Dodge, low-rise nonresidential construction starts, as measured in square feet and comprising buildings of up to five stories, were down as much as approximately 7% in our fiscal 2018 as compared to our fiscal 2017. However, Dodge typically revises initial reported figures, and we expect this metric will be revised upwards over time. Leading indicators for low-rise, nonresidential construction activity indicate positive momentum into fiscal 2019.

The leading indicators that we follow and that typically have the most meaningful correlation to nonresidential low-rise construction starts are the American Institute of Architects' ("AIA") Architecture Mixed Use Index, Dodge Residential single family starts and the Conference Board Leading Economic Index ("LEI"). Historically, there has been a very high correlation to the Dodge low-rise nonresidential starts when the three leading indicators are combined and then seasonally adjusted. The combined forward projection of these metrics, based on a 9 to 14-month historical lag for each metric, indicates low single digit growth for low-rise new construction starts in fiscal 2019.

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."

RESULTS OF OPERATIONS

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

	Fiscal year ended		
	October 28, 2018	**October 29, 2017**	**October 30, 2016**
Sales	**100.0%**	100.0%	100.0%
Cost of sales	**76.9**	76.5	74.6
Gross profit	**23.1**	23.5	25.4
Engineering, selling, general and administrative expenses	**15.4**	16.6	18.0
Intangible asset amortization	**0.5**	0.5	0.6
Goodwill impairment	**—**	0.3	—
Restructuring and impairment charges, net	**0.1**	0.3	0.3
Strategic development and acquisition related costs	**0.9**	0.1	0.2
Loss on disposition of business	**0.3**	—	—
Gain on insurance recovery	**(0.2)**	(0.6)	—
Income from operations	**7.1**	6.2	6.5
Interest income	**0.0**	0.0	0.0
Interest expense	**(1.1)**	(1.6)	(1.8)
Foreign exchange (loss) gain	**0.0**	0.0	(0.1)
Gain from bargain purchase	**—**	—	0.1
Loss on extinguishment of debt	**(1.1)**	—	—
Other income, net	**0.0**	0.1	0.0
Income before income taxes	**4.2**	4.7	4.7
Provision for income taxes	**1.0**	1.6	1.7
Net income	**3.2%**	3.1%	3.0%

RESULTS OF OPERATIONS FOR FISCAL 2018 COMPARED TO FISCAL 2017

Consolidated sales increased by 13.0%, or $230.3 million for fiscal 2018, compared to fiscal 2017. The year-over-year improvement was primarily driven by continued commercial discipline in the pass-through of higher costs in a rising cost environment across each of our businesses and underlying volume growth in the Engineered Building Systems and Insulated Metal Panel businesses. Each business achieved year over year external revenue growth.

Consolidated cost of sales increased by 13.6%, or $183.7 million for fiscal 2018, compared to fiscal 2017. This increase resulted primarily from higher input costs, including transportation, materials and skilled labor.

Gross margin was 23.1% for fiscal 2018 compared to 23.5% for fiscal 2017. The lower margin in the current period was primarily driven by higher freight and manufacturing costs, both of which experienced significant inflationary pressures during fiscal 2018. These factors were largely mitigated during the second half of the fiscal year through commercial discipline.

Engineered Building Systems sales increased 15.0%, or $104.3 million to $798.3 million in fiscal 2018, compared to $694.0 million in fiscal 2017. The increase in sales is a result of commercial discipline, the pass through of higher materials costs, and to a lesser extent, higher internal and external volumes. Sales to third parties for fiscal 2018 increased $95.5 million to $755.4 million from $659.9 million in the prior fiscal year.

Operating income of the Engineered Building Systems business increased to $66.7 million in fiscal 2018 compared to $41.4 million in the prior fiscal year. The $25.3 million increase resulted primarily from the increased revenue discussed above, as well as better leverage of engineering, selling, general and administrative expenses resulting from the execution of prior year cost reduction initiatives.

Metal Components sales increased 8.3%, or $52.7 million to $689.3 million in fiscal 2018, compared to $636.7 million in fiscal 2017. The increase was primarily driven by higher external volumes and the pass-through of increasing materials costs, offset by a decrease in internal volume based on a shift in internal production strategy, which moved a portion of fabrication from Metal Components to the Engineered Buildings Systems business. Sales to third parties for fiscal 2018 increased $68.0 million to $612.6 million from $544.7 million in the prior fiscal year.

Operating income of the Metal Components business increased to $87.6 million in fiscal 2018, compared to $78.8 million in the prior fiscal year. The $8.8 million increase was driven primarily by commercial discipline and improved operating leverage across the cost structure on higher volumes, offset by higher transportation costs.

Insulated Metal Panels sales increased 14.3%, or $63.0 million to $504.4 million in fiscal 2018, compared to $441.4 million in fiscal 2017. Sales to third parties for fiscal 2018 increased $52.5 million to $424.8 million from $372.3 million in the prior fiscal year due to continued high demand, predominantly within our cold storage and industrial, commercial, and institutional products. In addition, the increase in sales was also driven by a $10.6 million, or 13.2%, increase in internal sales, primarily through the Engineered Building Systems and Metal Components divisions as we continue to execute on our adjacency initiatives.

Operating income of the Insulated Metal Panels business decreased to $47.5 million in fiscal 2018, compared to $47.9 million in the prior fiscal year. The $0.4 million decrease was driven by a $6.7 million loss recognized on the sale of the China manufacturing facility and impacts from a change in product mix during the current year. In addition, prior period operating income includes $9.2 million of gain on insurance recovery for settlements on damaged or destroyed plant and equipment whereas in fiscal 2018 we recorded a gain of $4.7 million as we reached final settlement on this matter. Largely offsetting these factors were increased fiscal 2018 volume and better leverage of our fixed cost structure.

Metal Coil Coating sales increased by 13.1%, or $48.4 million to $417.3 million in fiscal 2018, compared to $368.9 million in the prior year. Sales to third parties increased $14.4 million to $207.8 million from $193.4 million in the prior fiscal year primarily due to the pass-through of increasing material costs. In addition, the increase in sales was also driven by a $34.0 million, or 16.3%, increase in internal sales.

Operating income of the Metal Coil Coating business increased to $28.6 million in fiscal 2018, compared to $21.5 million in the prior fiscal year. The $7.1 million increase was primarily due to the increase in package product sales and lower engineering, selling, general and administrative expenses resulting from the execution of prior year cost reduction initiatives. In addition, fiscal 2017 included a $6.0 million goodwill impairment, discussed below.

Consolidated engineering, selling, general and administrative expenses increased to $307.1 million in fiscal 2018, compared to $293.1 million in the prior fiscal year. The $14.0 million increase is related to higher current year revenue, as well as a $4.6 million charge related to the acceleration of retirement benefits of our former CEO. Excluding the effects of the acceleration of CEO retirement benefits, as a percentage of sales, engineering, selling, general and administrative expenses were 15.1% for fiscal 2018 as compared to 16.6% for fiscal 2017.

Consolidated intangible asset amortization remained consistent at $9.6 million during fiscal 2018 and fiscal 2017.

Goodwill impairment for fiscal 2017 of $6.0 million was related to the coil coating operations of CENTRIA within our Metal Coil Coating business. There was no corresponding impairment for fiscal 2018.

Consolidated restructuring charges for fiscal 2018 and 2017 were $1.9 million and $5.3 million, respectively. Each period generally includes severance-related costs, related to our actions taken to streamline our management and engineering and drafting activities, and also to optimize our overall manufacturing structure and footprint. In fiscal 2017, we incurred severance-related charges including in connection with the closure of three facilities. The current fiscal year charges are offset by a $0.6 million gain on the sale of a facility that was previously designated as "held for sale".

Consolidated strategic development and acquisition related costs were $17.2 million during fiscal 2018, compared to $2.0 million in the prior fiscal year. These non-operational costs include external legal, financial and due diligence costs incurred to deliver on our strategic initiatives.

Loss on disposition of business for fiscal 2018 was $5.7 million. During fiscal 2018, we recorded a loss of $6.7 million on the sale of our China manufacturing facility included in the Insulated Metal Panels business and also recorded a $1.0 million gain related to the disposal of a non-strategic product line previously consolidated within the Insulated Metal Panels business. There was no corresponding loss for fiscal 2017.

Consolidated gain on insurance recovery for fiscal 2018 and 2017 were $4.7 million and $9.7 million, respectively, which related to settlements with our insurers for property damage to two facilities in the Metal Components and Insulated Metal Panels businesses.

Consolidated interest expense decreased to $21.8 million for fiscal 2018, compared to $28.9 million for fiscal 2017. The decrease is primarily due to the redemption of our 8.25% Senior Notes and lower variable rates on the Pre-merger Term Loan Credit Facility, both results of activities to strengthen our capital structure that were completed in February 2018.

Loss on debt extinguishment for fiscal 2018 was $21.9 million. There was no corresponding amount recorded in fiscal 2017. During our second quarter of fiscal 2018, we recognized a pretax loss, primarily on the extinguishment of our 8.25% senior notes due 2023, of $21.9 million, of which approximately $15.5 million represented the call premium paid on the redemption of the notes.

Consolidated foreign exchange gain (loss) was a loss of $0.2 million for fiscal 2018, compared to a gain of $0.5 million for the prior year primarily due to the fluctuations in the exchange rate between the Canadian dollar and U.S. dollar in the current period.

Consolidated provision for income taxes was $20.0 million for fiscal 2018, compared to $28.4 million for the prior fiscal year, primarily as a result of higher pre-tax income in fiscal 2017. The effective tax rate for fiscal 2018 was 24.1% compared to 34.2% for fiscal 2017. The change in the effective tax rate was primarily driven by the effects associated with the enactment of U.S. Tax Reform.

Diluted income per common share improved to $0.94 per diluted common share for fiscal 2018, compared to $0.77 per diluted common share for fiscal 2017. The improvement in diluted income per common share was primarily due to the $8.3 million increase in net income applicable to common shares resulting from the factors described above in this section and share repurchases executed during fiscal 2018.

RESULTS OF OPERATIONS FOR FISCAL 2017 COMPARED TO FISCAL 2016

Consolidated sales increased by 5.1%, or $85.4 million for fiscal 2017, compared to fiscal 2016. The increase was driven by continued commercial discipline in the pass-through of higher costs in a rising steel price environment predominantly in the Engineered Building Systems and Metal Components businesses despite overall tonnage volumes being lower year over year.

Consolidated cost of sales increased by 7.6%, or $95.4 million for fiscal 2017, compared to fiscal 2016. This increase was the result of rising raw materials costs during fiscal 2017 as compared to declining materials costs in fiscal 2016.

Gross margin was 23.5% for fiscal 2017 compared to 25.4% for fiscal 2016. The decrease in gross margin was primarily a result of lower volumes in the Engineered Building Systems business, uneven production flow and increased transportation costs.

Engineered Building Systems sales increased 3.2%, or $21.7 million to $694.0 million in fiscal 2017, compared to $672.2 million in fiscal 2016. The increase in sales is a result of commercial discipline, partially offset by lower volumes in the fourth quarter of fiscal 2017, primarily driven by hurricane related disruptions. Sales to third parties for fiscal 2017 increased $7.4 million to $659.9 million from $652.5 million in the prior fiscal year.

Operating income of the Engineered Building Systems business decreased to $41.4 million in fiscal 2017 compared to $62.0 million in the prior fiscal year. The $20.7 million decrease resulted from rapidly rising steel costs during the current year as compared to the prior fiscal year, combined with the disruptive impact of hurricanes during the fourth quarter of fiscal 2017.

Metal Components sales increased 8.5%, or $50.0 million to $636.7 million in fiscal 2017, compared to $586.7 million in fiscal 2016. The increase in sales was primarily driven by higher external volumes and the execution of commercial discipline. Sales to third parties for fiscal 2017 increased $49.6 million to $544.7 million from $495.0 million in the prior fiscal year.

Operating income of the Metal Components business increased to $78.8 million in fiscal 2017, compared to $70.7 million in the prior fiscal year. The $8.0 million increase was driven by the increased sales discussed in the immediately preceding paragraph.

Insulated Metal Panels sales increased 11.4%, or $45.1 million to $441.4 million in fiscal 2017, compared to $396.3 million in fiscal 2016. The increase in sales was primarily driven by commercial discipline and improved product mix.

Operating income of the Insulated Metal Panels business increased to $47.9 million in fiscal 2017, compared to $24.6 million in the prior fiscal year. The $23.3 million increase was driven predominantly due to a higher mix of higher margin architectural products.

Metal Coil Coating sales increased by 6.5%, or $22.5 million to $368.9 million in fiscal 2017, compared to $346.3 million in the prior year. The increase in sales was primarily the result of pass through of higher steel prices through its coil package products. Metal Coil Coating third-party sales increased $3.8 million to $193.4 million from $189.7 million in the prior fiscal year and accounted for 10.9% of total consolidated third-party sales for fiscal 2017.

Operating income of the Metal Coil Coating business decreased to $21.5 million in fiscal 2017, compared to $32.4 million in the prior fiscal year. The $11.0 million decrease was driven by lower manufacturing efficiency due to lower volumes and higher material costs in fiscal 2017.

Consolidated engineering, selling, general and administrative expenses decreased to $293.1 million in fiscal 2017, compared to $302.6 million in the prior fiscal year. As a percentage of sales, engineering, selling, general and administrative expenses were 16.6% for fiscal 2017 as compared to 18.0% for fiscal 2016. The $9.4 million decrease in expenses was primarily due to the cost reductions resulting from execution of strategic initiatives.

Consolidated intangible asset amortization remained consistent at $9.6 million during fiscal 2017 and fiscal 2016.

Goodwill impairment for fiscal 2017 of $6.0 million was related to the coil coating operations of CENTRIA within our Metal Coil Coating business.

Consolidated restructuring charges for fiscal 2017 were $5.3 million. These charges relate to our efforts to streamline our management, engineering and drafting and manufacturing structures as well as to optimize our manufacturing footprint. We incurred severance-related charges associated with these activities, including in connection with the closure of three facilities.

Consolidated strategic development and acquisition related costs decreased to $2.0 million during fiscal 2017, compared to $2.7 million in the prior fiscal year. These non-operational costs include external legal, financial and due diligence costs incurred to deliver on our strategic initiatives.

Consolidated interest expense decreased to $28.9 million for fiscal 2017, compared to $31.0 million for fiscal 2016. The decrease is primarily a result of voluntary principal prepayments the Company made on its term loan during fiscal 2017 and 2016.

Consolidated foreign exchange gain (loss) was a gain of $0.5 million for fiscal 2017, compared to a loss of $1.4 million for the prior year primarily due to the fluctuations in the exchange rate between the Canadian dollar and U.S. dollar in the current period.

Consolidated provision for income taxes was $28.4 million for fiscal 2017, compared to $27.9 million for the prior fiscal year, primarily as a result of higher pre-tax income in fiscal 2017. The effective tax rate for fiscal 2017 was 34.2% compared to 35.4% for fiscal 2016.

Diluted income per common share improved to $0.77 per diluted common share for fiscal 2017, compared to $0.70 per diluted common share for fiscal 2016. The improvement in diluted income per common share was primarily due to the $3.8 million increase in net income applicable to common shares resulting from the factors described above in this section and share repurchases executed during fiscal 2017.

LIQUIDITY AND CAPITAL RESOURCES

General

Our cash, cash equivalents and restricted cash decreased from $65.8 million to $54.5 million during fiscal 2018. The following table summarizes our consolidated cash flows for fiscal 2018 and fiscal 2017 (in thousands):

	Fiscal Year Ended	
	October 28, 2018	October 29, 2017
Net cash provided by operating activities	$ 82,463	$ 63,874
Net cash used in investing activities	(38,174)	(10,284)
Net cash used in financing activities	(55,473)	(53,702)
Effect of exchange rate changes on cash and cash equivalents	(93)	193
Net (decrease) increase in cash, cash equivalents and restricted cash	(11,277)	81
Cash, cash equivalents and restricted cash at beginning of period	65,794	65,713
Cash, cash equivalents and restricted cash at end of period	$ 54,517	$ 65,794

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 generally rely on cash as well as short-term borrowings, when needed, 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.

Net cash provided by operating activities was $82.5 million during fiscal 2018 compared to $63.9 million during fiscal 2017. The change was driven by an increase in earnings in the current fiscal year as compared to the prior fiscal year, offset by net cash used for working capital as described below.

Net cash used in accounts receivable was $35.4 million for the fiscal year ended October 28, 2018 compared to $19.6 million for the fiscal year ended October 29, 2017. The increase in accounts receivable as of October 28, 2018 as compared to the prior fiscal year was primarily the result of strong revenue growth during the current period. Our trailing 90-days sales outstanding ("DSO") was approximately 35.2 days at October 28, 2018 as compared to 35.1 days at October 29, 2017.

The change in cash relating to inventory for the fiscal year ended October 28, 2018 was $47.1 million and resulted primarily from higher inventory purchases to support higher sales and the continued increase in material costs, particularly steel. Our trailing 90-days inventory on-hand ("DIO") was 54.9 days at October 28, 2018 as compared to 51.5 days at October 29, 2017.

Net cash provided by accounts payable was $24.5 million for the fiscal year ended October 28, 2018 compared to $4.9 million for the fiscal year ended October 29, 2017. Our vendor payments can fluctuate significantly based on the timing of disbursements, inventory purchases and vendor payment terms. Our trailing 90-days payable outstanding ("DPO") at October 28, 2018 was 33.4 days compared to 32.5 days at October 29, 2017.

Net cash provided by accrued expenses was $16.3 million for the fiscal year ended October 28, 2018 compared to $12.3 million net cash used in accrued expenses for the fiscal year ended October 29, 2017. The change was primarily driven by timing of compensation payments.

Investing Activities

Cash used in investing activities increased to $38.2 million during fiscal 2018 compared to $10.3 million used in the prior fiscal year. In fiscal 2018, we used $47.8 million for capital expenditures, sold a business in China, resulting in a net use of $4.4 million of cash and sold a non-strategic product line in our Insulated Metal Panels business for $3.0 million. Additionally, we sold one manufacturing facility in our Engineered Building Systems business and two manufacturing facilities in our Metal Components business for total cash consideration of $6.3 million and we received insurance proceeds of $4.7 million as reimbursement for new assets acquired for a facility in the Insulated Metal Panels business that experienced a fire in June 2016. In fiscal 2017, we used $22.1 million for capital expenditures. These cash outflows were partially offset by $8.6 million in cash proceeds from insurance for an involuntary loss on conversion at two of our facilities and $3.2 million in cash received from the sale of assets previously classified as held for sale.

Financing Activities

Cash used in financing activities was $55.5 million in fiscal 2018 compared $53.7 million in the prior fiscal year. During fiscal 2018, we borrowed periodically under our ABL Facility and repaid all of that amount during the period, used $51.8 million to repurchase shares of our outstanding common stock under programs approved by the Board of Directors on September 8, 2016 and October 10, 2017 and for the purchases of shares related to restricted stock that were withheld to satisfy minimum tax withholding obligations arising in connection with the vesting of restricted stock awards and units. Net cash used in the redemption of our Senior Notes and refinancing of long-term debt, including payments of financing cost; as well as payments on the refinanced term loan was $3.2 million. We received $1.3 million in cash proceeds from the exercises of stock options.

During fiscal 2017 we used $43.6 million to repurchase shares of our Common Stock under our authorized stock repurchase programs and for the purchases of shares related to restricted stock that were withheld to satisfy minimum tax withholding obligations arising in connection with the vesting of restricted stock awards and units. In addition, we used $10.2 million to make voluntary principal prepayments on borrowings under the credit agreement that governed our then-outstanding term loans Credit Agreement and we received $1.7 million in cash proceeds from the exercises of stock options.

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 Clayton, Dubilier & Rice Fund VIII L.P. ("CD&R Fund VIII"). In connection with the Investment Agreement and the Stockholders Agreement dated October 20, 2009 (the "Old Stockholders Agreement"), CD&R Fund VIII and CD&R Friends & Family Fund VIII, L.P. (collectively, the "CD&R Fund VIII Investor Group") purchased convertible preferred stock, which was later converted to shares of our Common Stock on May 14, 2013.

On January 2014, the CD&R Fund VIII Investor Group completed a registered underwritten offering, in which the CD&R Fund VIII Investor Group offered 8.5 million shares of Common Stock at a price to the public of $18.00 per share (the "2014 Secondary Offering"). The underwriters also exercised their option to purchase 1.275 million additional shares of Common Stock. In addition, the Company entered into an agreement with the CD&R Fund VIII Investor Group 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 Fund VIII Investor Group in the underwritten offering (the "2014 Stock Repurchase"). The 2014 Stock Repurchase, which was completed at the same time as the 2014 Secondary Offering, represented a private, non-underwritten transaction between NCI and the CD&R Fund VIII Investor Group that was approved and recommended by the Affiliate Transactions Committee of our board of directors.

On July 25, 2016, the CD&R Fund VIII Investor Group completed a registered underwritten offering, in which the CD&R Fund VIII Investor Group offered 9.0 million shares of our Common Stock at a price to the public of $16.15 per share (the "2016 Secondary Offering"). The underwriters also exercised their option to purchase 1.35 million additional shares of our Common Stock from the CD&R Fund VIII Investor Group. The aggregate offering price for the 10.35 million shares sold in the 2016 Secondary Offering was approximately $160.1 million, net of underwriting discounts and commissions. The CD&R Fund VIII Investor Group received all of the proceeds from the 2016 Secondary Offering and no shares in the 2016 Secondary Offering were sold by the Company or any of its officers or directors (although certain of our directors are affiliated with the CD&R Fund VIII Investor Group). In connection with the 2016 Secondary Offering and 2016 Stock Repurchase (as defined below), we incurred approximately $0.7 million in expenses, which were included in engineering, selling, general and administrative expenses in the consolidated statements of operations for the fiscal year ended October 30, 2016.

On July 18, 2016, the Company entered into an agreement with the CD&R Fund VIII Investor Group to repurchase approximately 2.9 million shares of our Common Stock at the price per share equal to the price per share paid by the underwriters to the CD&R Fund VIII Investor Group in the underwritten offering (the "2016 Stock Repurchase"). The 2016 Stock Repurchase, which was completed concurrently with the 2016 Secondary Offering, represented a private, non-underwritten transaction between the Company and the CD&R Fund VIII Investor Group that was approved and recommended by the Affiliate Transactions Committee of our board of directors. See Note 18 — Stock Repurchase Program.

On December 11, 2017, the CD&R Fund VIII Investor Group completed a registered underwritten offering of 7,150,000 shares of the Company's Common Stock at a price to the public of $19.36 per share (the "2017 Secondary Offering"). Pursuant to the underwriting agreement, at the CD&R Fund VIII Investor Group request, the Company purchased 1.15 million of the 7.15 million shares of the Common Stock from the underwriters in the 2017 Secondary Offering at a price per share equal to the price at which the underwriters purchased the shares from the CD&R Fund VIII Investor Group. The total amount the Company spent on these repurchases was $22.3 million.

At October 28, 2018 and October 29, 2017, the CD&R Fund VIII Investor Group owned approximately 34.4% and 43.8%, respectively, of the outstanding shares of our Common Stock.

On November 16, 2018, the Company entered into (i) the New Stockholders Agreement between the Company and each of the Investors, pursuant to which the Company granted to the Investors certain governance, preemptive and subscription rights and (ii) the New Registration Rights Agreement with the Investors, pursuant to which the Company granted the Investors customary demand and piggyback registration rights, including rights to demand registrations and underwritten shelf registration statement offerings with respect to the shares of NCI Common Stock that are held by the Investors following the consummation of the Merger. Pursuant to the terms of the New Stockholders Agreement, the Company and the CD&R Fund VIII Investor Group terminated the Old Stockholders Agreement and the Old Registration Rights Agreement.

In addition, pursuant to Section 3.1(c)(i) of the New Stockholders Agreement, the CD&R Investor Group is entitled to nominate for election, fill vacancies and appoint five out of twelve initial members of NCI's board of directors following consummation of the Merger and, thereafter, so long as the CD&R Investor Group beneficially owns at least 7.5% of the outstanding shares of NCI Common Stock, to nominate for election, fill vacancies and appoint replacements for a number of Board members in proportion to the CD&R Investor Group's percentage beneficial ownership of outstanding NCI Common Stock, but never to exceed one less than the number of independent, non-CD&R-affiliated directors serving on the Board.

The New Stockholders Agreement contains voting agreements between the Company and each of the Investors, including the requirement that each Investor shall vote all of the shares of Common Stock that it beneficially owns (a) in favor of all director nominees, other than CD&R Investor Nominees or director nominees proposed by a Golden Gate Investor, nominated by the Board for election by the stockholders of the Company in accordance with the terms of the New Stockholders Agreement and the Sixth Amended and Restated By-laws of the Company, (b) as recommended by the Board, on any and all (i) proposals relating to or concerning compensation or equity incentives for directors, officers or employees of the Company adopted in the ordinary course of business consistent with past practice, (ii) proposals by stockholders of the Company, other than a proposal by a CD&R Investor or a Golden Gate Investor, and (iii) proposals the subject matter of which is a CD&R Investor Consent Action (as defined in the New Stockholders Agreement), provided that, in respect of clauses (i) and (iii) only, that the Board's recommendation is consistent with the CD&R Investor Group's exercise of its consent rights provided in the New Stockholders Agreement, and (c) not in favor of any transaction constituting, or that would result in, a Change of Control (as defined in the New Stockholders Agreement) that has not been approved by a majority of the Independent Non-CD&R Investor Directors (as defined in the New Stockholders Agreement), if the per share consideration to be received by any CD&R Investor or Golden Gate Investor in connection with such transaction is not equal to, and in the same form as, the per-share consideration to be received by the shareholders not affiliated with the Investors.

Debt

On February 8, 2018, the Company entered into a Term Loan Credit Agreement (the "Pre-merger Term Loan Credit Agreement") and ABL Credit Agreement (the "Pre-merger ABL Credit Agreement"), the proceeds of which, together, were used to redeem the 8.25% senior notes and to refinance the Company's then existing term loan credit facility and the Company's then existing asset-based revolving credit facility.

The Pre-merger Term Loan Credit Agreement provided for an aggregate principal amount of $415.0 million (the "Pre-merger Term Loan Credit Facility"). Proceeds from borrowings under the Pre-merger Term Loan Credit Facility were used, together with cash on hand, (i) to refinance the existing term loan credit agreement, (ii) to redeem and repay the Notes (the foregoing, collectively, the "Refinancing") and (iii) to pay any fees, premiums and expenses incurred in connection with the Refinancing.

The Pre-merger ABL Credit Agreement provided for an asset-based revolving credit facility which allowed aggregate maximum borrowings by the ABL Borrowers of up to $150.0 million (the "Pre-merger ABL Credit Facility"). As set forth in the Pre-merger ABL Credit Agreement, extensions of credit under the Pre-merger ABL Credit Facility are limited by a borrowing base calculated periodically based on specified percentages of the value of eligible accounts receivable, eligible credit card receivables and eligible inventory, less certain reserves and certain adjustments. Availability is reduced by issuance of letters of credit as well as any borrowings.

As of October 28, 2018, we had an aggregate principal amount of $412.9 million of outstanding indebtedness, comprising $412.9 million of borrowings under our Pre-merger Term Loan Credit Facility. We had no revolving loans outstanding under the Pre-merger ABL Credit Facility. Our excess availability under the Pre-merger ABL Credit Facility was $141.0 million as of October 28, 2018. In addition, standby letters of credit related to certain insurance policies totaling approximately $9.0 million were outstanding but undrawn under the Pre-merger ABL Credit Facility.

For additional information, see Note 11 — Long-Term Debt and Note Payable in the notes to the consolidated financial statements.

In connection with the merger with Ply Gem, on November 16, 2018 we assumed the outstanding debt obligations of Ply Gem and repaid in full amounts outstanding under the Pre-merger Term Loan Credit Agreement and the Pre-merger ABL Credit Agreement. For additional information, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" for more information on our indebtedness following the Merger.

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, $141.0 million is available with our Pre-merger ABL Credit Facility at October 28, 2018 and we have a cash balance, including restricted cash, of $54.5 million as of October 28, 2018. Following the consummation of the Merger, we have a U.S. ABL Facility and a Canadian ABL Facility, which together have an aggregate capacity of approximately $611 million, and a Cash Flow Revolver of up to $115 million, none of which was drawn as of November 16, 2018.

We expect that, for the next 12 months, cash generated from operations and our Pre-merger ABL Credit 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 for fiscal 2019 and expansion when needed.

We expect to contribute $1.2 million to our defined benefit plans in fiscal 2019.

During fiscal 2018 we repurchased an aggregate of $46.7 million of our Common Stock under the stock repurchase programs authorized in September 8, 2016 and October 10, 2017. On March 7, 2018, the Company announced that its Board of Directors authorized new stock repurchase programs for up to an aggregate of $50.0 million. At October 28, 2018, approximately $55.6 million remained available for stock repurchases under the stock repurchase programs authorized on October 10, 2017 and March 7, 2018. We also withheld 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.

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.

In connection with the Merger, on November 16, 2018, we assumed the outstanding debt obligations of Ply Gem and repaid in full amounts outstanding under the Pre-merger Term Loan Credit Agreement and the Pre-merger ABL Credit Agreement. For additional information, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" for more information on our indebtedness following the Merger.

NON-GAAP MEASURES

Set forth below are certain non-GAAP measures which include adjusted operating income (loss), adjusted EBITDA, adjusted net income per diluted common share and adjusted net income applicable to common shares. We define adjusted operating income (loss) as operating income (loss) adjusted for items broadly consisting of selected items which management does not consider representative of our ongoing operations. 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 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 term loan and asset-based lending credit agreements 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.

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

	Fiscal Three Months Ended		Fiscal Year Ended	
	October 28, 2018	October 29, 2017	October 28, 2018	October 29, 2017
Net income per diluted common share, GAAP basis	$ 0.41	$ 0.25	$ 0.94	$ 0.77
Loss on extinguishment of debt	—	—	0.33	—
Loss on disposition of business	—	—	0.08	—
Goodwill impairment	—	0.09	—	0.08
Restructuring and impairment charges, net	0.01	0.02	0.03	0.07
Strategic development and acquisition related costs	0.18	0.00	0.26	0.03
Acceleration of CEO retirement benefits	—	—	0.07	—
Gain on insurance recovery	—	—	(0.07)	(0.14)
Other, net	—	0.00	0.00	0.01
Tax effect of applicable non-GAAP adjustments[1]	(0.05)	(0.04)	(0.19)	(0.02)
Adjusted net income per diluted common share	$ 0.55	$ 0.32	$ 1.45	$ 0.80

	Fiscal Three Months Ended		Fiscal Year Ended	
	October 28, 2018	October 29, 2017	October 28, 2018	October 29, 2017
Net income applicable to common shares, GAAP basis	$ 27,417	$ 17,412	$ 62,694	$ 54,399
Loss on extinguishment of debt	—	—	21,875	—
Loss on disposition of business	—	—	5,673	—
Goodwill impairment	—	6,000	—	6,000
Restructuring and impairment charges, net	769	1,710	1,912	5,297
Strategic development and acquisition related costs	11,661	193	17,164	1,971
Acceleration of CEO retirement benefits	—	—	4,600	—
Gain on insurance recovery	—	—	(4,741)	(9,749)
Other, net	—	28	(323)	591
Tax effect of applicable non-GAAP adjustments[1]	(3,418)	(3,093)	(12,783)	(1,603)
Adjusted net income applicable to common shares	$ 36,429	$ 22,250	$ 96,071	$ 56,906

(1) The Company calculated the tax effect of non-GAAP adjustments by applying the combined federal and state applicable statutory tax rate for the period to each applicable non-GAAP item.

The following tables reconcile adjusted operating income (loss) and adjusted EBITDA to operating income (loss) for the periods indicated below:

Consolidated

(In thousands)	Fiscal Three Months Ended				Fiscal Year Ended
	January 28, 2018	April 29, 2018	July 29, 2018	October 28, 2018	October 28, 2018
Total Net Sales	$ 421,349	$ 457,069	$ 548,525	$ 573,634	$ 2,000,577
Operating Income, GAAP	**12,898**	**18,956**	**54,501**	**39,565**	**125,920**
Restructuring and impairment charges, net	1,094	488	(439)	769	1,912
Strategic development and acquisition related costs	727	1,134	3,642	11,661	17,164
Loss (gain) on disposition of business	—	6,686	(1,013)	—	5,673
Acceleration of CEO retirement benefits	4,600	—	—	—	4,600
Gain on insurance recovery	—	—	(4,741)	—	(4,741)
Adjusted Operating Income	**19,319**	**27,264**	**51,950**	**51,995**	**150,528**
Other income and expense	928	(34)	87	(261)	720
Depreciation and amortization	10,358	10,442	10,174	11,351	42,325
Share-based compensation expense	2,270	1,998	1,041	2,729	8,038
Adjusted EBITDA	**$ 32,875**	**$ 39,670**	**$ 63,252**	**$ 65,814**	**$ 201,611**
Year over year growth, Total Net Sales	7.6%	8.7%	16.9%	17.4%	13.0%
Operating Income Margin	3.1%	4.1%	9.9%	6.9%	6.3%
Adjusted Operating Income Margin	4.6%	6.0%	9.5%	9.1%	7.5%
Adjusted EBITDA Margin	7.8%	8.7%	11.5%	11.5%	10.1%

	Fiscal Three Months Ended				Fiscal Year Ended
	January 29, 2017	April 30, 2017	July 30, 2017	October 29, 2017	October 29, 2017
Total Net Sales	$ 391,703	$ 420,464	$ 469,385	$ 488,726	$ 1,770,278
Operating Income, GAAP	**9,886**	**32,472**	**34,097**	**33,325**	**109,780**
Restructuring and impairment charges, net	2,264	315	1,009	1,709	5,297
Strategic development and acquisition related costs	357	124	1,297	193	1,971
Loss on sale of assets and asset recovery	—	137	—	—	137
Gain on insurance recovery	—	(9,601)	(148)	—	(9,749)
Unreimbursed business interruption costs	—	191	235	28	454
Goodwill impairment	—	—	—	6,000	6,000
Adjusted Operating Income	**12,507**	**23,638**	**36,490**	**41,255**	**113,890**
Other income and expense	309	449	1,322	(62)	2,018
Depreciation and amortization	10,315	10,062	10,278	10,664	41,319
Share-based compensation expense	3,042	2,820	2,284	2,084	10,230
Adjusted EBITDA	**$ 26,173**	**$ 36,969**	**$ 50,374**	**$ 53,941**	**$ 167,457**
Operating Income Margin	2.5%	7.7%	7.3%	6.8%	6.2%
Adjusted Operating Income Margin	3.2%	5.6%	7.8%	8.4%	6.4%
Adjusted EBITDA Margin	6.7%	8.8%	10.7%	11.0%	9.5%

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 October 28, 2018, we were not involved in any unconsolidated SPE transactions.

CONTRACTUAL OBLIGATIONS

The following table shows our contractual obligations as of October 28, 2018 (in thousands):

	Payments due by period				
Contractual Obligation	**Total**	**Less than 1 year**	**1 – 3 years**	**3 – 5 years**	**More than 5 years**
Total debt[1]	$ 412,925	$ 4,150	$ 8,300	$ 8,300	$ 392,175
Interest payments on debt[2]	107,578	17,398	34,268	33,564	22,348
Operating leases	44,998	13,951	14,425	8,929	7,693
Projected pension obligations[3]	19,578	754	3,929	5,061	9,834
Total contractual obligations	$ 585,079	$ 36,253	$ 60,922	$ 55,854	$ 432,050

(1) Reflects amounts outstanding under the Pre-merger Term Loan Credit Facility and the Pre-merger ABL Credit Facility which were paid off in full upon consummation of the Merger. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" for more information on our indebtedness following the Merger.

(2) Interest payments were calculated based on rates in effect at October 28, 2018 for variable rate obligations.

(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 plans and bond rates. Includes obligations with respect to the Company's Defined Benefit Plans and the other post-employment benefit ("OPEB") Plans.

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 IBNR claims. For all insurance carriers, the total standby letters of credit are approximately $9.0 million and $10.0 million at October 28, 2018 and October 29, 2017, 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 $355,000 per claim. Each reporting period, we record the costs of our health insurance plan, including paid claims, an estimate of the change in in IBNR claims, taxes and administrative fees, when applicable, (collectively the "Plan Costs") as general and administrative expenses 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 $250,000 per occurrence. The Property and Auto Liability deductibles are $500,000 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 because, as a general matter, the accruals historically have proved 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 $0.2 million.

Share-Based Compensation. Under FASB Accounting Standards Codification ("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 is 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. With the adoption of ASU 2016-09 in the first quarter of fiscal 2018, we account for forfeitures of outstanding but unvested grants in the period they occur. For the fiscal year ended October 29, 2017, the forfeiture rate in our calculation of share-based compensation expense was based on historical experience and was estimated at 5.0% 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 granted an immaterial amount of options during the fiscal years ended October 29, 2017 and October 30, 2016. We did not grant stock options during the fiscal year ended October 28, 2018.

Long-term incentive awards granted to our senior executives generally have a three-year performance period. Long-term incentive awards include restricted stock units and PSUs representing 40% and 60% of the total value, respectively. The restricted stock units vest upon continued employment. Vesting of the PSUs is contingent upon continued employment and the achievement of targets with respect to the following metrics, as defined by management: (1) cumulative free cash flow (weighted 40%); (2) cumulative earnings per share (weighted 40%); and (3) total shareholder return (weighted 20%), in each case during the performance period. At the end of the performance period, the number of actual shares to be awarded varies between 0% and 200% of target amounts. The PSUs vest pro rata if an executive's employment terminates prior to the end of the performance period due to death, disability, or termination by the Company without cause or by the executive for good reason. If an executive's employment terminates for any other reason prior to the end of the performance period, all outstanding unvested PSUs, whether earned or unearned, will be forfeited and cancelled. If a change in control occurs prior to the end of the performance period, the PSU payout will be calculated and paid assuming that the maximum benefit had been achieved. If an executive's employment terminates due to death or disability while any of the restricted stock is unvested, then all of the unvested restricted stock will become vested. If an executive's employment is terminated by the Company without cause or after reaching normal retirement age, the unvested restricted stock will be forfeited. If a change in control occurs prior to the end of the performance period, the restricted stock will fully vest. The fair value of the awards is based on the Company's stock price as of the date of grant. During the fiscal years 2018, 2017 and 2016, we granted PSUs with fair values of approximately $3.8 million, $4.6 million and $4.7 million, respectively, to the Company's senior executives.

Long-term incentive awards granted to our key employees generally have a three-year performance period. Long-term incentive awards are granted 50% in restricted stock units and 50% in PSUs. Vesting of PSUs is contingent upon continued employment and the achievement of free cash flow and earnings per share targets, as defined by management, over a three-year period. At the end of the performance period, the number of actual shares to be awarded varies between 0% and 150% of target amounts. However, a minimum of 50% of the awards will vest upon continued employment over the three-year period if the minimum targets are not met. The PSUs vest earlier upon death, disability or a change in control. A portion of the awards also vests upon 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 the Company's stock price as of the date of grant. During the

fiscal years ended October 28, 2018, October 29, 2017 and October 30, 2016, we granted Performance Share Awards with an equity fair value of $2.8 million, $2.0 million and $2.4 million, respectively. The PSUs granted in December 2017, 2016 and 2015 to our senior executives cliff vest at the end of the three-year performance period. For the PSUs granted in December 2014 to our senior executives, one-half vested on December 15, 2016 and one-half vested on December 15, 2017.

We granted 0.4 million, 0.3 million and 0.3 million restricted shares during the fiscal years ended October 28, 2018, October 29, 2017 and October 30, 2016, respectively. The restricted stock units granted in December 2017, 2016 and 2015 to our senior executives vest one-third annually. For the restricted stock units granted in December 2014 to our senior executives, two-thirds vested on December 15, 2016 and one-third vested on December 15, 2017.

The compensation cost related to 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. For awards with performance conditions, the amount of share-based compensation expense recognized is based upon the probable outcome of the performance conditions, as defined and determined by management. Our option awards and restricted stock awards are subject to graded vesting over a service period, which is typically three or four years. We generally 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, Mexican federal, and other 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.

As of October 28, 2018, the $1.8 million net operating loss and tax credit carryforward included $0.1 million for U.S. state loss carryforwards and $1.7 million for foreign loss carryforward. The state net operating loss carryforwards will expire in 2019 to 2029 years, if unused and the foreign loss carryforward will start to expire in fiscal 2028, 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, typically engage an outside appraisal firm to assist in the fair value determination of the acquired long-lived assets.

The Company has approximately $148.3 million of goodwill as of October 28, 2018. The Company also has $13.5 million of other intangible assets with indefinite lives as of October 28, 2018. We perform an annual impairment assessment of goodwill and indefinite-lived intangibles. Additionally, we assess goodwill and indefinite-lived intangibles for impairment whenever events or changes in circumstances indicate that the fair values may be below the carrying values of such assets. Goodwill is tested for impairment at the reporting unit level, which is defined as an operating segment or a component of an operating segment that constitutes a business for which financial information is available and is regularly reviewed by management. 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.

The fair value of our reporting units is based on a blend of estimated discounted cash flows, publicly traded company multiples and transaction multiples. The results from each of these models are then weighted and combined into a single estimate of fair value for our 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 the reporting units, weighted average cost of capital, working capital and capital expenditure requirements. During fiscal 2017, management early adopted the new accounting principle that simplified the test for goodwill impairment by eliminating the second step of the goodwill test. Management does 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 result in an impairment of goodwill.

We completed our annual goodwill impairment test as of July 30, 2018 for each of our reporting units. We have the option of performing an assessment of certain qualitative factors 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 impairment test. We elected to apply the qualitative assessment for the goodwill in each of our reporting units as of July 30, 2018. Additionally, we applied the qualitative assessment for our indefinite-lived intangible as of July 30, 2018. Under the qualitative assessment, various events and circumstances (or factors) that would affect the estimated fair value of a reporting unit are identified (similar to impairment indicators above). These factors are then classified by the type of impact they would have on the estimated fair value using positive, neutral, and negative categories based on current business conditions. Additionally, an assessment of the level of impact that a particular factor would have on the estimated fair value is determined using relative weightings. Additionally, the Company considers the results of the most recent quantitative impairment test completed for a reporting unit and compares the weighted average cost of capital (WACC), publicly traded company multiples and observable and recent transaction multiples between the current and prior years for a reporting unit. Based on our assessment of these tests, we do not believe it is more likely than not that the fair value of these reporting units or the indefinite-lived intangible assets are less than their respective carrying amounts.

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 2018, 2017 and 2016, we established new reserves (net of recoveries of previously written off balances) for doubtful accounts of $(0.5) million, $1.9 million and $1.3 million, respectively. In fiscal years 2018, 2017 and 2016, we wrote off uncollectible accounts, net of recoveries, of $1.6 million, $1.0 million and $1.6 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 net realizable value. 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 net realizable value 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 depending on the intended use of the related asset, if certain events or changes in circumstances indicate that the carrying value of such asset groups may not be recoverable and the undiscounted cash flows estimated to be generated by those asset groups are less than the carrying amount of those asset groups. Events and circumstances which indicate an impairment include (a) a significant decrease in the market value of the asset groups; (b) a significant change in the extent or manner in which an asset group 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 group; (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 group; or (f) a current expectation that, more likely than not, an asset group will be sold or otherwise disposed of significantly before the end of its previously estimated useful life. We assess our asset groups for any indicators of impairment on at least a quarterly basis.

If we determine that the carrying value of an asset group 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 group over its fair value. The fair value of asset groups is determined based on prices of similar assets adjusted for their remaining useful life.

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 operations 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.

RECENT ACCOUNTING PRONOUNCEMENTS

See Note 3 — Accounting Pronouncements in the notes to the consolidated financial statements for information on recent accounting pronouncements.

Exhibit 99.5

Explanatory Note

"Item 7A. Quantitative and Qualitative Disclosures About Market Risk" set forth in this Exhibit 99.5 has been recast from the "Item 7A. Quantitative and Qualitative Disclosures About Market Risk" included in Part II of the Company's Annual Report on Form 10-K for the year ended October 28, 2018 as filed with the U.S. Securities and Exchange Commission on December 19, 2018 to reflect changes to NCI's reportable business segments.

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 October 28, 2018, material costs (predominantly steel costs) constituted approximately 66% 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 (Galvalume® is a registered trademark of BIEC International, Inc.). 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 business, 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. 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.

With material costs (predominantly steel costs) accounting for approximately 66% of our cost of sales for fiscal 2018, a one percent change in the cost of steel could have resulted in a pre-tax impact on cost of sales of approximately $10.1 million for our fiscal year ended October 28, 2018. The impact to our financial results of operations of such an increase 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 October 28, 2018, all our contracts for the purchase of natural gas met the scope exemption for normal purchases and normal sales.

Ply Gem is also subject to significant market risk with respect to the pricing of principal raw materials, which include PVC resin, aluminum, glass and wood. If prices of these raw materials were to increase dramatically, we may not be able to pass such increases on to our customers and, as a result, gross margins could decline significantly. We manage the exposure to commodity pricing risk by increasing our selling prices for corresponding material cost increases, continuing to diversify our product mix, strategic buying programs and vendor partnering.

Interest Rates

We are subject to market risk exposure related to changes in interest rates on our Pre-merger Term Loan Credit Facility and Pre-merger ABL Credit Facility. These instruments bear interest at an agreed upon percentage point spread from either the prime interest rate or LIBOR. Under our Pre-merger Term Loan Credit Facility, we may, at our option, fix the interest rate for certain borrowings based on a spread over LIBOR for 30 days to six months. At October 28, 2018, we had $412.9 million outstanding under our Pre-merger Term Loan Credit Facility. Based on this balance, an immediate change of one percent in the interest rate would cause a change in interest expense of approximately $4.1 million on an annual basis. The fair value of our term loan credit facility at October 28, 2018 and October 29, 2017 was approximately $412.4 million and $144.1 million, respectively, compared to the face value of $412.9 million and $144.1 million, respectively.

See Note 11 — Long-Term Debt and Note Payable in the notes 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 October 28, 2018. Weighted average variable rates are based on an adjusted LIBOR rates at October 28, 2018, plus applicable margins.

	Scheduled Maturity Date[1]							Fair Value
	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021	Fiscal Year 2022	Fiscal Year 2023	Thereafter	Total	October 28, 2018
	(In thousands, except interest rate percentages)							
Total Debt:								
Variable Rate	$ 4,150	$ 4,150	$ 4,150	$ 4,150	$ 4,150	$ 392,175	$ 412,925	$ 412,409 [2]
Average interest rate	4.24%	4.24%	4.24%	4.24%	4.24%	4.24%	4.24%	

(1) Expected maturity date amounts are based on the face value of debt and do not reflect fair market value of the debt. Amounts reflect maturity dates under the Pre-merger Term Loans which were repaid in full on November 16, 2018. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" for a description of our new debt facilities.

(2) 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 losses were $0.3 million and $0.8 million for the fiscal years ended October 29, 2017 and October 30, 2016, respectively. For the fiscal year ended October 28, 2018, the net foreign currency re-measurement gain (loss) was insignificant.

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 (losses) gains included in net income for the fiscal years ended October 28, 2018, October 29, 2017 and October 30, 2016 were $(0.2) million, $0.8 million and $(0.6) million, respectively. Net foreign currency translation adjustment, net of tax, and included in other comprehensive income was $(0.1) million, $0.2 million and $(0.3) million for the fiscal years ended October 28, 2018, October 29, 2017 and October 30, 2016, respectively.

On January 29, 2018, we closed on the sale of CENTRIA International LLC, which owned our China manufacturing facility and are therefore no longer exposed to fluctuations in the foreign currency exchange rate between the U.S. dollar and Chinese yuan. The functional currency for our China operations was the Chinese yuan. The net foreign currency translation adjustment was insignificant for the fiscal years ended October 28, 2018 and October 29, 2017.

Exhibit 99.6

Explanatory Note

"Item 8. Financial Statements and Supplementary Data" set forth in this Exhibit 99.5 has been recast from the "Item 8. Financial Statements and Supplementary Data" included in Part II of the Company's Annual Report on Form 10-K for the year ended October 28, 2018 as filed with the U.S. Securities and Exchange Commission on December 19, 2018 to reflect changes to NCI's reportable business segments and to apply retrospectively the adoption of the Financial Accounting Standards Board Accounting Standards Update ("ASU") 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)*, and ASU 2017-07, *Compensation—Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost* which the Company adopted during the transition period ended December 31, 2018.

Item 8. *Financial Statements and Supplementary Data.*

INDEX TO FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting	2
Report of Independent Registered Public Accounting Firm	3
Financial Statements:	
Consolidated Statements of Operations for the Fiscal Years Ended October 28, 2018, October 29, 2017 and October 30, 2016	4
Consolidated Statements of Comprehensive Income for the Fiscal Years Ended October 28, 2018, October 29, 2017 and October 30, 2016	5
Consolidated Balance Sheets as of October 28, 2018 and October 29, 2017	6
Consolidated Statements of Cash Flows for the Fiscal Years Ended October 28, 2018, October 29, 2017 and October 30, 2016	7
Consolidated Statements of Stockholders' Equity for the Fiscal Years Ended October 28, 2018, October 29, 2017 and October 30, 2016	8
Notes to the consolidated financial statements	9

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of NCI Building Systems, Inc.

Opinion on Internal Control over Financial Reporting

We have audited NCI Building Systems, Inc. internal control over financial reporting as of October 28, 2018, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, NCI Building Systems, Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of October 28, 2018, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of NCI Building Systems, Inc., as of October 28, 2018 and October 29, 2017, the related consolidated statements of operations, comprehensive income (loss), stockholders' equity and cash flows for each of the three years in the period ended October 28, 2018, and the related notes and our report dated December 19, 2018, except with respect to the effects of the change in the composition of reportable segments, change in the income statement presentation of service cost and other components for defined benefit pension and other postretirement benefit plans, and change in presentation of restricted cash in the statement of cash flows as discussed in Notes 1, 3, and 20 as to which the date is February 19, 2019, expressed an unqualified opinion thereon.

Basis for Opinion

The Company'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. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. 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.

Definition and Limitations of Internal Control Over Financial Reporting

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.

/s/ Ernst & Young LLP

Houston, Texas
December 19, 2018

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of NCI Building Systems, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of NCI Building Systems, Inc. (the "Company") as of October 28, 2018 and October 29, 2017, and the related consolidated statements of operations, comprehensive income (loss), stockholders' equity and cash flows for each of the three years in the period ended October 28, 2018, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at October 28, 2018 and October 29, 2017, and the results of its operations and its cash flows for each of the three years in the period ended October 28, 2018, 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) (PCAOB), the Company's internal control over financial reporting as of October 28, 2018, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated December 19, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

We have served as the Company's auditor since 1991.

/s/ Ernst & Young LLP

Houston, Texas
December 19, 2018, except with respect to the effects of the change in the composition of reportable segments, change in the income statement presentation of service cost and other components for defined benefit pension and other postretirement benefit plans, and change in presentation of restricted cash in the statement of cash flows as discussed in Notes 1, 3, and 20 as to which the date is February 19, 2019

CONSOLIDATED STATEMENTS OF OPERATIONS

NCI BUILDING SYSTEMS, INC.

	Fiscal Year Ended		
	October 28, 2018	October 29, 2017	October 30, 2016
	(In thousands, except per share data)		
Sales	**$ 2,000,577**	$ 1,770,278	$ 1,684,928
Cost of sales	**1,537,895**	1,354,214	1,257,038
Gross profit	**462,682**	416,064	427,890
Engineering, selling, general and administrative expenses	**307,106**	293,145	302,551
Intangible asset amortization	**9,648**	9,620	9,638
Goodwill impairment	**—**	6,000	—
Restructuring and impairment charges, net	**1,912**	5,297	4,252
Strategic development and acquisition related costs	**17,164**	1,971	2,670
Loss on disposition of business	**5,673**	—	—
Gain on insurance recovery	**(4,741)**	(9,749)	—
Income from operations	**125,920**	109,780	108,779
Interest income	**140**	238	146
Interest expense	**(21,808)**	(28,899)	(31,019)
Foreign exchange (loss) gain	**(244)**	547	(1,401)
Gain from bargain purchase	**—**	—	1,864
Loss on extinguishment of debt	**(21,875)**	—	—
Other income, net	**962**	1,472	595
Income before income taxes	**83,095**	83,138	78,964
Provision for income taxes	**19,989**	28,414	27,937
Net income	**$ 63,106**	$ 54,724	$ 51,027
Net income allocated to participating securities	**(412)**	(325)	(389)
Net income applicable to common shares	**$ 62,694**	$ 54,399	$ 50,638
Income per common share:			
Basic	**$ 0.95**	$ 0.77	$ 0.70
Diluted	**$ 0.94**	$ 0.77	$ 0.70
Weighted average number of common shares outstanding:			
Basic	**66,260**	70,629	72,411
Diluted	**66,362**	70,778	72,857

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

NCI BUILDING SYSTEMS, INC.

	Fiscal Year Ended		
	October 28, 2018	**October 29, 2017**	**October 30, 2016**
		(In thousands)	
Comprehensive income:			
Net income	**$ 63,106**	$ 54,724	$ 51,027
Other comprehensive income (loss), net of tax:			
Foreign exchange translation (losses) gains and other (net of income tax of $0 in 2018, 2017 and 2016)	**(93)**	198	(325)
Unrecognized actuarial gains (losses) on pension obligation (net of income tax of ($322), ($1,805), and $1,245 in 2018, 2017 and 2016, respectively)	**916**	2,824	(1,948)
Other comprehensive income (loss)	**823**	3,022	(2,273)
Comprehensive income	**$ 63,929**	$ 57,746	$ 48,754

See accompanying notes to the consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

NCI BUILDING SYSTEMS, INC.

	October 28, 2018	October 29, 2017
	(In thousands, except share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 54,272**	$ 65,658
Restricted cash	**245**	136
Accounts receivable, net	**233,297**	199,897
Inventories, net	**254,531**	198,296
Income taxes receivable	**1,012**	3,617
Investments in debt and equity securities, at market	**5,285**	6,481
Prepaid expenses and other	**34,821**	31,359
Assets held for sale	**7,272**	5,582
Total current assets	**590,735**	511,026
Property, plant and equipment, net	**236,240**	226,995
Goodwill	**148,291**	148,291
Intangible assets, net	**127,529**	137,148
Deferred income taxes	**982**	2,544
Other assets, net	**6,598**	5,108
Total assets	**$ 1,110,375**	$ 1,031,112
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	**$ 4,150**	$ —
Note payable	**497**	440
Accounts payable	**170,663**	147,772
Accrued compensation and benefits	**65,136**	59,189
Accrued interest	**1,684**	6,414
Accrued income taxes	**11,685**	—
Other accrued expenses	**81,884**	76,897
Total current liabilities	**335,699**	290,712
Long-term debt, net of deferred financing costs of $5,699 and $6,857 on October 28, 2018 and October 29, 2017, respectively	**403,076**	387,290
Deferred income taxes	**2,250**	4,297
Other long-term liabilities	**39,085**	43,566
Total long-term liabilities	**444,411**	435,153
Stockholders' equity:		
Common stock, $.01 par value, 100,000,000 shares authorized; 66,264,654 and 68,677,684 shares issued in 2018 and 2017, respectively; and 66,203,841 and 68,386,556 shares outstanding in 2018 and 2017, respectively	**663**	687
Additional paid-in capital	**523,788**	562,277
Accumulated deficit	**(186,291)**	(248,046)
Accumulated other comprehensive loss, net	**(6,708)**	(7,531)
Treasury stock, at cost (60,813 and 291,128 shares in 2018 and 2017, respectively)	**(1,187)**	(2,140)
Total stockholders' equity	**330,265**	305,247
Total liabilities and stockholders' equity	**$ 1,110,375**	$ 1,031,112

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

NCI BUILDING SYSTEMS, INC.

	Fiscal Year Ended		
	October 28, 2018	October 29, 2017	October 30, 2016
		(In thousands)	
Cash flows from operating activities:			
Net income	**$ 63,106**	$ 54,724	$ 51,027
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation and amortization	**42,325**	41,318	41,924
Amortization of deferred financing costs	**1,501**	1,819	1,908
Loss on extinguishment of debt	**21,875**	—	—
Share-based compensation expense	**11,638**	10,230	10,892
Loss on disposition of business, net	**5,092**	—	—
(Gains) losses on assets, net	**(502)**	1,371	(2,673)
Goodwill impairment	**—**	6,000	—
Gain on insurance recovery	**(4,741)**	(9,749)	—
Provision for doubtful accounts	**(491)**	1,948	1,343
(Benefit) provision for deferred income taxes	**(889)**	866	1,318
Changes in operating assets and liabilities, net of effect of acquisitions and dispositions:			
Accounts receivable	**(35,397)**	(19,582)	(18,141)
Inventories	**(58,534)**	(11,473)	(29,054)
Income taxes	**2,605**	(2,637)	(1,953)
Prepaid expenses and other	**(5,479)**	(2,271)	671
Accounts payable	**24,465**	4,858	(1,598)
Accrued expenses	**16,284**	(12,320)	12,656
Other, net	**(395)**	(1,228)	159
Net cash provided by operating activities	**82,463**	63,874	68,479
Cash flows from investing activities:			
Acquisitions, net of cash acquired	**—**	—	(4,343)
Capital expenditures	**(47,827)**	(22,074)	(21,024)
Proceeds from sale of property, plant and equipment	**6,338**	3,197	5,417
Business disposition, net	**(1,426)**	—	—
Proceeds from insurance	**4,741**	8,593	10,000
Net cash used in investing activities	**(38,174)**	(10,284)	(9,950)
Cash flows from financing activities:			
Proceeds from stock options exercised	**1,279**	1,651	12,612
Proceeds from ABL facility	**100,000**	35,000	—
Payments on ABL facility	**(100,000)**	(35,000)	—
Proceeds from term loan	**415,000**	—	—
Payments on term loan	**(146,221)**	(10,180)	(40,000)
Payments on senior notes	**(265,470)**	—	—
Payments on note payable	**(1,742)**	(1,570)	(1,430)
Payments of financing costs	**(6,546)**	—	—
Payments related to tax withholding for share-based compensation	**(5,068)**	(2,389)	(1,141)
Purchases of treasury stock	**(46,705)**	(41,214)	(62,874)
Net cash used in financing activities	**(55,473)**	(53,702)	(92,833)
Effect of exchange rate changes on cash and cash equivalents	**(93)**	193	(325)
Net (decrease) increase in cash, cash equivalents and restricted cash	**(11,277)**	81	(34,629)
Cash, cash equivalents and restricted cash at beginning of period	**65,794**	65,713	100,342
Cash, cash equivalents and restricted cash at end of period	**$ 54,517**	$ 65,794	$ 65,713
Supplemental disclosure of cash flow information:			
Interest paid, net of amounts capitalized	**$ 24,841**	$ 27,659	$ 28,063
Taxes paid, net of amounts refunded	**$ 5,972**	$ 28,980	$ 36,073

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

NCI BUILDING SYSTEMS, INC.

	Common Stock		Additional Paid-In Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive (Loss) Income	Treasury Stock		Stockholders' Equity
	Shares	Amount				Shares	Amount	
				(In thousands, except share data)				
Balance, November 1, 2015	74,529,750	$ 745	$ 640,767	$(353,733)	$ (8,280)	(447,426)	$ (7,523)	$ 271,976
Treasury stock purchases	—	—	—	—	—	(4,589,576)	(64,015)	(64,015)
Retirement of treasury shares	(4,423,564)	(44)	(62,235)	—	—	4,423,564	62,279	—
Issuance of restricted stock	56,868	—	—	—	—	(161,633)	—	—
Stock options exercised	1,418,219	14	12,598	—	—	—	—	12,612
Excess tax shortfall from share-based compensation arrangements	—	—	(289)	—	—	—	—	(289)
Foreign exchange translation losses and other, net of taxes	—	—	—	—	(325)	—	—	(325)
Deferred compensation obligation	—	—	1,387	—	—	—	—	1,387
Unrecognized actuarial losses on pension obligations	—	—	—	—	(1,948)	—	—	(1,948)
Share-based compensation	—	—	10,892	—	—	—	—	10,892
Net income	—	—	—	51,027	—	—	—	51,027
Balance, October 30, 2016	71,581,273	$ 715	$ 603,120	$(302,706)	$ (10,553)	(775,071)	$ (9,259)	$ 281,317
Treasury stock purchases	—	—	—	—	—	(2,957,838)	(43,603)	(43,603)
Retirement of treasury shares	(3,443,448)	(34)	(50,553)	—	—	3,443,448	50,587	—
Issuance of restricted stock	356,701	4	(4)	—	—	(19,806)	—	—
Stock options exercised	182,923	2	1,651	—	—	—	—	1,653
Excess tax benefits from share-based compensation arrangements	—	—	1,515	—	—	—	—	1,515
Foreign exchange translation gains and other, net of taxes	—	—	(3,547)	(64)	198	—	—	(3,413)
Deferred compensation obligation	235	—	(135)	—	—	18,139	135	—
Unrecognized actuarial gains on pension obligations	—	—	—	—	2,824	—	—	2,824
Share-based compensation	—	—	10,230	—	—	—	—	10,230
Net income	—	—	—	54,724	—	—	—	54,724
Balance, October 29, 2017	68,677,684	$ 687	$ 562,277	$(248,046)	$ (7,531)	(291,128)	$ (2,140)	$ 305,247
Treasury stock purchases	—	—	—	—	—	(2,938,974)	(51,773)	(51,773)
Retirement of treasury shares	(2,938,974)	(29)	(51,743)	—	—	2,938,974	51,772	—
Issuance of restricted stock	410,520	4	(4)	—	—	181,439	—	—
Stock options exercised	115,424	1	1,278	—	—	—	—	1,279
Foreign exchange translation losses and other, net of taxes	—	—	(55)	—	(93)	—	—	(148)
Deferred compensation obligation	—	—	(954)	—	—	48,876	954	—
Unrecognized actuarial gains on pension obligations	—	—	—	—	916	—	—	916
Share-based compensation	—	—	11,638	—	—	—	—	11,638
Cumulative effect of accounting change	—	—	1,351	(1,351)	—	—	—	—
Net income	—	—	—	63,106	—	—	—	63,106
Balance, October 28, 2018	**66,264,654**	**$ 663**	**$ 523,788**	**$(186,291)**	**$ (6,708)**	**(60,813)**	**$ (1,187)**	**$ 330,265**

See accompanying notes to the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NCI BUILDING SYSTEMS, INC.

1. NATURE OF BUSINESS AND BASIS OF PRESENTATION

Nature of Business

NCI Building Systems, Inc. (together with its subsidiaries, unless otherwise indicated, 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. We provide metal coil coating services and design, engineer, manufacture and market metal components and engineered building systems primarily used in nonresidential construction. We manufacture and distribute extensive lines of metal products for the nonresidential construction market under multiple brand names through a broad network of manufacturing facilities and distribution centers. We sell our products primarily for use in new construction activities and also in repair and retrofit activities, mostly in North America.

On July 17, 2018, the Company entered into an Agreement and Plan of Merger (the "Merger Agreement") with Ply Gem Parent, LLC ("Ply Gem"), and for certain limited purposes as set forth in the Merger Agreement, Clayton, Dubilier & Rice, LLC ("CD&R"), pursuant to which, at the closing of the merger, Ply Gem would be merged with and into NCI, with NCI continuing its existence as a corporation organized under the laws of the State of Delaware (the "Merger"). On November 15, 2018, at a special meeting of shareholders of NCI, NCI's shareholders approved, among other items, the Merger Agreement and the issuance in the Merger of 58,709,067 shares of NCI common stock, par value $0.01 per share ("NCI Common Stock") in the aggregate, on a pro rata basis, to the holders of all of the equity interests in Ply Gem (the "Stock Issuance"), representing approximately 47% of the total number of shares of NCI Common Stock outstanding following the consummation of the Merger on November 16, 2018 (the "Closing Date"). The total value of shares of NCI Common Stock issued pursuant to the Stock Issuance was approximately $713.9 million based on the number of shares issued multiplied by the NCI Common Stock closing share price of $12.16 on the Closing Date. There are approximately 70,834 shares of NCI Common Stock of the original 58,709,067 that have not yet been issued pending holder identification and have been accrued as purchase consideration within other current liabilities in the consolidated balance sheet at December 31, 2018. For accounting and legal purposes, NCI was the accounting and legal acquirer of Ply Gem.

Subsequent to the Merger, we have three reportable segments: (i) Commercial; (ii) Siding; and (iii) Windows. The Commercial segment includes the operating results of the legacy NCI businesses - Engineered Building Systems; Metal Components; Insulated Metal Panels; and Metal Coil Coating, which operate primarily in the nonresidential construction market. The Siding and Windows segments, which result from the Merger will include the operating results of the legacy Ply Gem operating segments. For the fiscal year ended October 28, 2018 there were no operations within the Siding and Windows segments.

Operating segments are defined as components of an enterprise that engage in business activities and for 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 market the products in each of our operating segments nationwide primarily through a direct sales force and, in the case of our Engineered Building Systems business, through authorized builder networks.

Basis of Presentation

Our consolidated financial statements include the accounts of the Company and all majority-owned subsidiaries. All intercompany accounts, transactions and profits arising from consolidated entities have been eliminated in consolidation.

Fiscal Year

We use a 52/53 week fiscal year ending on the Sunday closest to October 31. The year end for fiscal 2018 is October 28, 2018. Fiscal years 2018, 2017, and 2016 were 52-week fiscal years.

On November 16, 2018, the board of directors of the Company approved a change to the Company's fiscal year from a 52/53 week year with the Company's fiscal year end on the Sunday closest to October 31 to a fiscal year of the 12 month period of January 1 to December 31 of each calendar year, to commence with the fiscal year ending December 31, 2019. The Company will file a transition report on Form 10-Q on or before February 11, 2019 that will cover the transition period from October 29, 2018 to December 31, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and

expenses during the reporting period. Examples include provisions for bad debts and inventory reserves, accounting for business combinations, valuation of reporting units for purposes of assessing goodwill and other indefinite-lived intangible assets for impairment, valuation of asset groups for impairment testing, accruals for employee benefits, general liability insurance, warranties and certain contingencies. We base our estimates on historical experience, market participant fair value considerations, projected future cash flows, and various other factors that are believed to be reasonable under the circumstances. Actual results could differ from those estimates.

(b) Cash and Cash Equivalents. Cash equivalents are stated at cost plus accrued interest, which approximates fair value. Cash equivalents are highly liquid debt instruments with an original maturity of three months or less and may consist of time deposits with a number of commercial banks with high credit ratings, money market instruments, certificates of deposit and commercial paper. Our policy allows us to also invest excess funds in no-load, open-end, management investment trusts ("mutual funds"). The mutual funds invest exclusively in high quality money market instruments. As of October 28, 2018, our cash and cash equivalents were only invested in cash.

(c) Accounts Receivable and Related Allowance. We report accounts receivable net of the allowance for doubtful accounts. Trade accounts receivable are the result of sales of building systems, metal components, insulated metal panels and metal coating services to customers throughout the United States and Canada and affiliated territories, including international builders who resell to end users. Sales are primarily denominated in U.S. dollars. Credit sales do not normally require a pledge of collateral; however, various types of liens may be filed to enhance the collection process and we require payment prior to shipment for certain international shipments.

We establish reserves for doubtful accounts on a customer by customer basis when we believe the required payment of specific amounts owed is unlikely to occur. In establishing these reserves, we consider changes in the financial position of a customer, availability of security, lien rights and bond rights as well as disputes, if any, with our customers. Our allowance for doubtful accounts reflects reserves for customer receivables to reduce receivables to amounts expected to be collected. We determine past due status as of the contractual payment date. Interest on delinquent accounts receivable is included in the trade accounts receivable balance and recognized as interest income when earned and collectability is reasonably assured. Uncollectible accounts are written off when a settlement is reached for an amount that is less than the outstanding historical balance or we have exhausted all collection efforts. The following table represents the rollforward of our uncollectible accounts for the fiscal years ended October 28, 2018, October 29, 2017 and October 30, 2016 (in thousands):

	October 28, 2018	October 29, 2017	October 30, 2016
Beginning balance	**$ 8,325**	$ 7,413	$ 7,695
Provision for bad debts	**(491)**	1,948	1,343
Amounts charged against allowance for bad debts, net of recoveries	**(1,585)**	(1,036)	(1,625)
Ending balance	**$ 6,249**	$ 8,325	$ 7,413

(d) Inventories. Beginning with our prospective adoption of ASU 2015-11 in the first quarter of fiscal 2018, inventories are stated at the lower of cost or net realizable value less allowance for inventory obsolescence using the First-In, First-Out Method ("FIFO") for steel coils and other raw materials. Prior inventory balances are stated at the lower of cost or market value less allowance for inventory obsolescence using FIFO. See Note 3 — Accounting Pronouncements.

The components of inventory are as follows (in thousands):

	October 28, 2018	October 29, 2017
Raw materials	**$ 205,902**	$ 150,919
Work in process and finished goods	**48,629**	47,377
	$ 254,531	$ 198,296

The following table represents the rollforward of reserve for obsolete materials and supplies activity for the fiscal years ended October 28, 2018, October 29, 2017 and October 30, 2016 (in thousands):

	October 28, 2018	October 29, 2017	October 30, 2016
Beginning balance	**$ 5,205**	$ 3,984	$ 3,749
Provisions	**3,069**	1,923	1,463
Dispositions	**(1,655)**	(702)	(1,228)
Ending balance	**$ 6,619**	$ 5,205	$ 3,984

The principal raw material used in the manufacturing of our products is steel which we purchase from multiple steel producers.

(e) Assets Held for Sale. We record assets held for sale at the lower of the carrying value or fair value less costs to sell. The following criteria are used to determine if property is held for sale: (i) management has the authority and commits to a plan to sell the property; (ii) the property is available for immediate sale in its present condition; (iii) there is an active program to locate a buyer and the plan to sell the property has been initiated; (iv) the sale of the property is probable within one year; (v) the property is being actively marketed at a reasonable sale price relative to its current fair value; and (vi) it is unlikely that the plan to sell will be withdrawn or that significant changes to the plan will be made.

In determining the fair value of the assets less cost to sell, we consider factors including current sales prices for comparable assets in the area, recent market analysis studies, appraisals and any recent legitimate offers. If the estimated fair value less cost to sell of an asset is less than its current carrying value, the asset is written down to its estimated fair value less cost to sell. During fiscal 2018 and 2017, we reclassified $5.0 million and $4.7 million, respectively, from property, plant and equipment to assets held for sale for idled facilities that met the held for sale criteria. The total carrying value of assets held for sale is $7.3 million and $5.6 million at October 28, 2018 and October 29, 2017, respectively. All of these assets continue to be actively marketed for sale or are under contract at October 28, 2018.

During fiscal 2018 and 2017, we sold certain idled facilities along with related equipment, which previously had been classified as held for sale. In connection with the sales of these assets, during fiscal 2018 and 2017, we received net cash proceeds of $4.1 million and $3.2 million, respectively, and recognized a net gain (loss) of $0.5 million and $(0.2) million, respectively. Certain assets held for sale are valued at fair value and are measured at fair value on a nonrecurring basis. Assets held for sale are reported at fair value, if, on an individual basis, the fair value of the asset is less than cost. The fair value of assets held for sale is estimated using Level 3 inputs, such as broker quotes for like-kind assets or other market indications of a potential selling value that approximates fair value. Assets held for sale, reported at fair value less cost to sell totaled $5.0 million as of October 28, 2018.

Due to uncertainties in the estimation process, it is reasonably possible that actual results could differ from the estimates used in our historical analysis. Our assumptions about property sales prices require significant judgment because the current market is highly sensitive to changes in economic conditions. We determined the estimated fair values of assets held for sale based on current market conditions and assumptions made by management, which may differ from actual results and may result in impairments if market conditions deteriorate.

(f) Property, Plant and Equipment and Leases. Property, plant and equipment are stated at cost and depreciated using the straight-line method over their estimated useful lives. Leasehold improvements are capitalized and amortized using the straight-line method over the shorter of their estimated useful lives or the term of the underlying lease. Computer software developed or purchased for internal use is depreciated using the straight-line method over its estimated useful life. Depreciation and amortization are recognized in cost of sales and engineering, selling, general and administrative expenses based on the nature and use of the underlying asset(s). Operating leases are expensed using the straight-line method over the term of the underlying lease.

Depreciation expense for fiscal 2018, 2017 and 2016 was $32.7 million, $31.7 million and $32.3 million, respectively. Of this depreciation expense, $5.8 million, $5.8 million and $6.4 million was related to computer software and equipment depreciation for fiscal 2018, 2017 and 2016.

Property, plant and equipment consists of the following (in thousands):

	October 28, 2018	October 29, 2017
Land	**$ 17,398**	$ 18,473
Buildings and improvements	**172,920**	178,019
Machinery, equipment and furniture	**356,509**	336,163
Transportation equipment	**4,287**	4,599
Computer software and equipment	**116,449**	117,515
Construction in progress	**28,608**	15,092
	696,171	669,861
Less: accumulated depreciation	**(459,931)**	(442,866)
	$ 236,240	$ 226,995

Estimated useful lives for depreciation are:

Buildings and improvements	15 – 39 years
Machinery, equipment and furniture	3 – 15 years
Transportation equipment	4 – 10 years
Computer software and equipment	3 – 7 years

We capitalize interest on capital invested in projects in accordance with Accounting Standards Codification ("ASC") Topic 835, *Interest*. For fiscal 2018, 2017 and 2016, the total amount of interest capitalized was $0.4 million, $0.2 million and $0.2 million, respectively. Upon commencement of operations, capitalized interest, as a component of the total cost of the asset, is amortized over the estimated useful life of the asset.

Involuntary conversions result from the loss of an asset because of an unforeseen event (e.g., destruction due to fire). Some of these events are insurable and result in property damage insurance recovery. Amounts the Company receives from insurance carriers are net of any deductibles related to the covered event. The Company records a receivable from insurance to the extent it recognizes a loss from an involuntary conversion event and the likelihood of recovering such loss is deemed probable at the balance sheet date. To the extent that any of the Company's insurance claim receivables are later determined not probable of recovery (e.g., due to new information), such amounts are expensed. The Company recognizes gains on involuntary conversions when the amount received from insurers exceeds the net book value of the impaired asset(s). In addition, the Company does not recognize a gain related to insurance recoveries until the contingency related to such proceeds has been resolved, through either receipt of a non-refundable cash payment from the insurers or by execution of a binding settlement agreement with the insurers that clearly states that a non-refundable payment will be made. To the extent that an asset is rebuilt or new assets are acquired, the associated expenditures are capitalized, as appropriate, in the consolidated balance sheets and presented as capital expenditures in the Company's consolidated statements of cash flows. With respect to business interruption insurance claims, the Company recognizes income only when non-refundable cash proceeds are received from insurers, which are presented in the Company's consolidated statements of operations as a component of gross profit or operating income and in the consolidated statements of cash flows as an operating activity.

In June 2016, the Company experienced a fire at one of its facilities. We estimated that fixed assets with a net book value of approximately $6.7 million were impaired as a result of the fire. During the second quarter of fiscal 2017, the Company settled the property damage claims with the insurers for actual cash value of $18.0 million. Of this amount, the Company received proceeds of $10.0 million from our insurers during the fourth quarter of fiscal 2016. The remaining $8.0 million was received in May 2017.

Approximately $8.8 million was previously recognized to offset the loss on involuntary conversion and other amounts incurred related to the incident. The remaining $9.2 million was recognized as a gain on insurance recovery in the consolidated statement of operations during the quarter ended April 30, 2017 as all contingencies were resolved.

The Company's property insurance policy is a replacement cost policy. During the third quarter of fiscal 2018, the Company received final proceeds of $4.7 million as reimbursement for new assets acquired and recognized a $4.7 million gain on insurance recovery in the consolidated statements of operations.

(g) Internally Developed Software. Internally developed software is stated at cost less accumulated amortization and is amortized using the straight-line method over its estimated useful life ranging from 3 to 7 years. Software assets are reviewed for impairment when events or circumstances indicate the carrying value may not be recoverable over the remaining lives of the assets. During the software application development stage, capitalized costs include external consulting costs, cost of software licenses and internal payroll and payroll related costs for employees who are directly associated with a software project. Upgrades and enhancements are capitalized if they result in added functionality which enable the software to perform tasks it was previously incapable of performing. Software maintenance, training, data conversion and business process reengineering costs are expensed in the period in which they are incurred.

(h) Goodwill and Other Intangible Assets. We review the carrying values of goodwill and identifiable intangibles whenever events or changes in circumstances indicate that such carrying values may not be recoverable and annually for goodwill and indefinite lived intangible assets as required by ASC Topic 350, *Intangibles — Goodwill and Other*. This guidance provides the option to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. If, based on a review of qualitative factors, it is more likely than not that the fair value of a reporting unit is less than its carrying value, we perform a quantitative analysis. Prior to July 30, 2017, the test for impairment was a two-step process that involved comparing the estimated fair value of each reporting unit to the reporting unit's carrying value, including goodwill. If the fair value of a reporting unit exceeded its carrying amount, the goodwill of the reporting unit was not considered impaired; therefore the second step of the impairment test would not be deemed necessary. If the carrying amount of the reporting unit exceeded its fair value, we would then perform the second step to the goodwill impairment test, which involved the determination of the fair value of a reporting unit's assets and liabilities as if those assets and liabilities had been acquired/assumed in a business combination at the impairment testing date, to measure the amount of goodwill impairment loss to be recorded. However, with the adoption of Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2017-04, we prospectively adopted a new accounting principle that eliminated the second step of the goodwill impairment test. Therefore, beginning with the annual goodwill impairment tests occurring on the first day of the fourth quarter of fiscal 2017, if the carrying value of a reporting unit exceeds its fair value, we measure any goodwill impairment losses as the amount by which the carrying amount of a reporting unit exceeds its fair value, not to exceed the total amount of goodwill allocated to that reporting unit.

Unforeseen events, changes in circumstances, 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 acquired assets or the strategy for our overall business and significant negative industry or economic trends. We recorded a non-cash loss on goodwill impairment of $6.0 million in fiscal 2017, which is included in goodwill impairment in the consolidated statements of operations. See Note 6 — Goodwill and Other Intangible Assets.

(i) Revenue Recognition. We recognize revenues when 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. A portion of our revenue, exclusively within our Engineered Building Systems business, includes multiple-element revenue arrangements due to multiple deliverables. Each deliverable is generally determined based on customer-specific manufacturing and delivery requirements.

Because the separate deliverables have value to the customer on a stand-alone basis, they are typically considered separate units of accounting. A portion of the entire job order value is allocated to each unit of accounting. Revenue allocated to each deliverable is recognized upon shipment. We use estimated selling price ("ESP") based on underlying cost plus a reasonable margin to determine how to separate multiple-element revenue arrangements into separate units of accounting, and how to allocate the arrangement consideration among those separate units of accounting. We determine ESP based on our normal pricing and discounting practices.

Our sales arrangements do not include a general right of return of the delivered product(s). In certain cases, the cancellation terms of a job order provide us with the opportunity to bill for certain incurred costs. In those instances, revenue is not recognized until all revenue recognition criteria are met, including reasonable assurance of collectability.

In our Metal Coil Coating business, our revenue activities broadly consist of cleaning, treating, painting and packaging various flat rolled metals as well as slitting and/or embossing the metal. We enter into two types of sales arrangements with our customers:

toll processing sales and package sales. The primary distinction between these two arrangements relates to ownership of the underlying metal coil during treatment. In toll processing arrangements, we do not maintain ownership of the underlying metal coil during treatment and only recognize revenue for the toll processing activities, typically, cleaning, painting, slitting, embossing and packaging. In package sales arrangements, we have ownership of the metal coil during treatment and recognize revenue on both the toll processing activities and the sale of the underlying metal coil. Under either arrangement, revenue and the related direct and indirect costs are recognized when all of the recognition criteria are met, which is generally when the products are shipped to the customer.

(j) Equity Raising and Deferred Financing Costs. Equity raising costs are recorded as a reduction to additional paid in capital upon the execution of an equity transaction. Deferred financing costs are capitalized as incurred and amortized using the straight-line method, which approximates the effective interest method, over the expected life of the associated debt. See Note 11 — Long-Term Debt and Note Payable.

(k) Cost of Sales. Cost of sales includes the cost of inventory sold during the period, including costs for manufacturing, inbound freight, receiving, inspection, warehousing, and internal transfers less vendor rebates. Costs associated with shipping and handling our products are included in cost of sales. Purchasing costs and engineering and drafting costs are included in engineering, selling, general and administrative expense. Purchasing costs were $3.9 million, $3.9 million and $5.3 million and engineering and drafting costs were $41.1 million, $43.1 million and $44.2 million in each of fiscal 2018, 2017 and 2016, respectively. Approximately $2.3 million and $2.6 million of these engineering, selling, general and administrative costs were capitalized and remained in inventory at the end of fiscal 2018 and 2017, respectively.

(l) Warranty. We sell weathertightness warranties to our customers for protection from leaks in our roofing systems related to weather. These warranties range from two years to twenty years. We sell two types of warranties, standard and Single Source™, and three grades of coverage for each. The type and grade of coverage determines the price to the customer. For standard warranties, our responsibility for leaks in a roofing system begins after 24 consecutive leak-free months. For Single Source™ warranties, the roofing system must pass our inspection before warranty coverage will be issued. Inspections are typically performed at three stages of the roofing project: (i) at the project start-up; (ii) at the project mid-point; and (iii) at the project completion. These inspections are included in the cost of the warranty. If the project requires or the customer requests additional inspections, those inspections are billed to the customer. Upon the sale of a warranty, we record the resulting revenue as deferred revenue, which is included in other accrued expenses and other long-term liabilities in our consolidated balance sheets depending on when the revenues are expected to be recognized. Deferred revenue of $25.3 million, classified within other accrued expenses at October 29, 2017 has been reclassified to other long-term liabilities to correct the prior year balance sheet classification. See Note 10 — Warranty.

(m) Insurance. Group medical insurance is purchased through Blue Cross Blue Shield ("BCBS"). The plans include a Preferred Provider Organization Plan ("PPO") and a Consumer Driven Health Plan ("CDHP"). These plans are managed-care plans utilizing networks to achieve discounts through negotiated rates with the providers within these networks. The claims incurred under these plans are self-funded for the first $355,000 of each claim. We purchase individual stop loss reinsurance to limit our claims liability to $355,000 per claim. BCBS administers all claims, including claims processing, utilization review and network access charges.

Insurance is purchased for workers compensation and employer liability, general liability, property and auto liability/auto physical damage. We utilize either deductibles or self-insurance retentions ("SIR") to limit our exposure to catastrophic loss. The workers compensation insurance has a $250,000 per-occurrence deductible. The property and auto liability insurances have per-occurrence deductibles of $500,000 and $250,000, respectively. The general liability insurance has a $1,000,000 SIR. Umbrella insurance coverage is purchased to protect us against claims that exceed our per-occurrence or aggregate limits set forth in our respective policies. All claims are adjusted utilizing a third-party claims administrator and insurance carrier claims adjusters.

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 on 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 lag factor and (iii) an estimated growth factor to provide for those claims that have been incurred but not yet reported and paid. We use an actuary to determine the claims lag and estimated liability for IBNR claims.

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 independent third-party actuarial 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, to include statutory impairment ratings. For general liability and automobile claims, accruals are

developed based on independent third-party actuarial 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. Each reporting period, we record the costs of our workers' compensation, general liability and automobile claims, including paid claims, an estimate of the change in IBNR claims, taxes and administrative fees as general and administrative expenses on our consolidated statements of operations.

(n) Advertising Costs. Advertising costs are expensed as incurred. Advertising expense was $9.3 million, $7.1 million and $7.1 million in fiscal 2018, 2017 and 2016, respectively.

(o) Impairment of Long-Lived Assets. We assess impairment of property, plant and equipment at an asset group level in accordance with the provisions of ASC Topic 360, *Property, Plant and Equipment.* We assess the recoverability of the carrying amount of property, plant and equipment if certain events or changes in circumstances indicate that the carrying value of such asset groups may not be recoverable, such as a significant decrease in market value of the asset groups or a significant change in our business conditions. If we determine that the carrying value of an asset group 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 group over its fair value. The fair value of an asset group is determined based on prices of similar assets adjusted for their remaining useful life.

(p) Share-Based Compensation. Compensation expense is recorded for restricted stock awards under the fair value method. Compensation expense for performance stock units ("PSUs") granted to our senior executives and Performance Share Awards granted to our key employees is recorded based on the probable outcome of the performance conditions associated with the respective shares, as determined by management. We recorded pre-tax compensation expense relating to restricted stock awards, Performance Share Awards, stock options and performance share unit awards of $11.6 million, $10.2 million and $10.9 million for fiscal 2018, 2017 and 2016, respectively. Included in the share-based compensation expense during fiscal 2018 were accelerated awards of $3.6 million due to the retirement of the Company's former CEO. See Note 7 — Share-Based Compensation.

(q) Foreign Currency Re-measurement and Translation. 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 other income in the current period. Net foreign currency re-measurement losses were $0.3 million and $0.8 million for the fiscal years ended October 29, 2017 and October 30, 2016, respectively. For the fiscal year ended October 28, 2018, the net foreign currency re-measurement gain (loss) was insignificant.

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 (losses) gains included in other income for the fiscal years ended October 28, 2018, October 29, 2017 and October 30, 2016 were $(0.2) million, $0.8 million and $(0.6) million, respectively. Net foreign currency translation adjustments, net of tax, and included in other comprehensive income were $(0.1) million, $0.2 million and $(0.3) million for the fiscal years ended October 28, 2018, October 29, 2017 and October 30, 2016, respectively.

(r) Contingencies. We establish reserves for estimated loss contingencies and unasserted claims 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. 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.

(s) 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, Mexican federal and other 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.

In assessing the realizability of deferred tax assets, we must consider whether it is more likely than not that some portion, or all, of the deferred tax assets will not be realized. We consider all available evidence, both positive and negative, in determining whether a valuation allowance is required. Such evidence includes the scheduled reversal of deferred tax liabilities, projected

future taxable income and tax planning strategies in making this assessment, and judgment is required in considering the relative weight of negative and positive evidence.

(t) Reclassifications. Certain reclassifications have been made to the prior period amounts in our consolidated balance sheets, consolidated cash flows and notes to the consolidated financial statements to conform to the current presentation. The net effect of these reclassifications was not material to our consolidated financial statements.

3. ACCOUNTING PRONOUNCEMENTS

Adopted Accounting Pronouncements

In July 2015, the FASB issued ASU 2015-11, *Inventory (Topic 330): Simplifying the Measurement of Inventory.* ASU 2015-11 requires that inventory that is accounted for using first-in, first-out (FIFO) or average cost method be measured at the lower of cost or net realizable value. We adopted this guidance in our first quarter of fiscal 2018 on a prospective basis. The adoption of this guidance did not have a material impact on our financial position or results of operations.

In November 2015, the FASB issued ASU 2015-17, *Balance Sheet Classification of Deferred Taxes*. ASU 2015-17 requires all deferred tax assets and liabilities to be presented on the balance sheet as noncurrent. This guidance did not change the requirement that deferred tax assets and liabilities be offset and presented by tax jurisdiction. We adopted ASU 2015-17 in our first quarter in fiscal 2018 on a retrospective basis. As a result deferred tax assets of $20.1 million that were presented on our October 29, 2017 consolidated balance sheet have been reclassified to non-current deferred tax liabilities and the remaining $2.5 million deferred tax assets have been reclassified to non-current deferred tax assets to be consistent with the current year classification.

In March 2016, the FASB issued ASU 2016-09, *Improvements to Employee Share-Based Payment Accounting*, which simplifies certain aspects of the accounting for share-based payment transactions, including income tax effects, forfeitures, minimum statutory tax withholding requirements, classification as either equity or liability, and classification on the statement of cash flows. We adopted ASU 2016-09 in our first quarter in fiscal 2018. ASU 2016-09 requires all excess tax benefits and tax deficiencies be recognized as income tax expense or benefit in the income statement, thus eliminating additional paid-in capital pools. The Company applied the new standard guidance prospectively to all excess tax benefits and tax deficiencies resulting from settlements after October 29, 2017. The standard also requires a policy election to either estimate the number of awards that are expected to vest or account for forfeitures when they occur. The Company recognized a cumulative effect adjustment of $1.4 million to increase accumulated deficit on a modified retrospective basis as of October 29, 2017 and has elected to account for forfeitures when they occur on a prospective basis. The standard requires that excess tax benefits should be classified along with other income tax cash flows as an operating activity on the statement of cash flows, which differs from the Company's historical classification of the excess tax benefits as cash inflows from financing activities. The Company elected to apply this provision using the retrospective transition method and reclassified $1.5 million and $(0.3) million of excess tax benefits/(shortfalls) from financing activities to operating activities on the statement of cash flows for the fiscal year ended October 29, 2017 and October 30, 2016, respectively. Additionally, the standard requires cash paid by an employer when directly withholding shares for tax withholding purposes to be classified in the statement of cash flows as a financing activity. Payments for shares withheld for tax withholding purposes of $5.1 million, $2.4 million and $1.1 million are classified on the consolidated statements of cash flows for the fiscal years ended October 28, 2018, October 29, 2017 and October 30, 2016, respectively.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)*, which clarifies how entities should present restricted cash and restricted cash equivalents in the statement of cash flows. Entities will no longer present transfers between cash and cash equivalents and restricted cash and restricted cash equivalents in the statement of cash flows. An entity with a material balance of restricted cash and restricted cash equivalents must disclose information about the nature of the restrictions. We adopted this guidance on a retrospective basis in the transition period ended December 31, 2018. The adoption of this guidance resulted in restricted cash activity previously included in financing activities on our consolidated statement of cash flows to be included as part of the beginning and ending balances of cash and cash equivalents and restricted cash in our consolidated statements of cash flows.

In January 2017, the FASB issued ASU 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business*. This ASU adds guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. Under the new guidance, if a single asset or group of similar identifiable assets comprise substantially all of the fair value of the gross assets acquired (or disposed of) in a transaction, the assets and related activities are not a business. Also, a minimum of an input process and a substantive process must be present and significantly contribute to the ability to create outputs in order to be considered a business. We early adopted ASU 2017-01 in the third quarter of fiscal 2018, as permitted. The adoption of this guidance did not have a material impact on our consolidated financial position or results of operations.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*, which provides guidance on eight cash flow classification issues with the objective of reducing differences in practice. We adopted this guidance on a retrospective basis in the transition period ended December 31, 2018. The adoption of this guidance did not have a material impact on our consolidated cash flows or financial disclosures and had no impact on our consolidated financial position and results of operations.

In March 2017, the FASB issued ASU 2017-07, *Compensation—Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, which amends the requirements related to the income statement presentation of the components of net periodic benefit cost for employer sponsored defined benefit pension and other postretirement benefit plans. Under the new guidance, an entity must disaggregate and present the service cost component of net periodic benefit cost in the same income statement line items as other employee compensation costs arising from services rendered during the period, and only the service cost component will be eligible for capitalization. Other components of net periodic benefit cost will be presented separately from the line items that include the service cost. We adopted this guidance in the transition period ended December 31, 2018 on a retrospective basis to adopt the requirement for separate presentation of the income statement service cost and other components, and on a prospective transition method to adopt the requirement to limit the capitalization of benefit cost to the service component. The adoption of ASU 2017-07 did not have a material impact on our consolidated financial statements.

In May 2017, the FASB issued ASU 2017-09, *Compensation—Stock Compensation (Topic 718): Scope of Modification Accounting*, which provides clarity on the accounting for modifications of stock-based awards. We adopted this guidance on a prospective basis in the transition period ended December 31, 2018 for share-based payment awards modified on or after the adoption date. The adoption of ASU 2017-09 did not have a material impact on our consolidated financial statements.

Recent Accounting Pronouncements

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. During 2016, the FASB also issued ASU 2016-08, *Revenue from Contracts with Customers: Principal versus Agent Considerations (Reporting Revenue Gross versus Net);* ASU 2016-10, *Revenue from Contracts with Customers: Identifying Performance Obligations and Licensing*; ASU 2016-11, *Rescission of SEC Guidance Because of Accounting Standards Updates 2014-09 and 2014-16 Pursuant to Staff Announcements at the March 3, 2016 EITF Meeting*; and ASU 2016-12, *Revenue from Contracts with Customers: Narrow-Scope Improvements and Practical Expedients;* and ASU 2016-20, *Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers* (collectively, the "new revenue standard"), all of which were issued to improve and clarify the guidance in ASU 2014-09. These ASUs are effective for our transition period ending December 31, 2018, using either a full or modified retrospective approach. We performed an assessment of the differences between the new revenue standard and current accounting practices. As part of our implementation process, we identified significant revenue streams and evaluated a sample of contracts within each significant revenue stream in order to determine the effect of the standard on our revenue recognition practices. We are substantially complete with this evaluation. We are in the process of establishing new policies, procedures, and internal controls to be put in place upon adoption of the standard. To adopt the new revenue standard, we will apply the modified retrospective approach, pursuant to which we will record an adjustment to the opening balance of accumulated deficit as of October 29, 2018 (the first day of our transition period ending December 31, 2018) for the impact of applying the new revenue standard to all contracts existing as of the date of application. Although this is still under review and not finalized, we expect that the adjustment related to changes in the timing of revenue recognition for: tolling services within the Metal Coil Coating business, fixed price contracts within the Insulated Metal Panels business, and our weathertightness warranties offered primarily in the Engineered Building Systems and Metal Components businesses will not be material. We do anticipate the adoption will have a material impact on our financial statement disclosures.

In February 2016, the FASB issued ASU 2016-02, *Leases*, which will require lessees to record most leases on the balance sheet and modifies the classification criteria and accounting for sales-type leases and direct financing leases for lessors. ASU 2016-02 is effective for our fiscal year ending December 31,2019, including interim periods within that fiscal year. ASU 2016-02, as amended by ASU 2018-11, *Leases: Targeted Improvements,* requires entities to use a modified retrospective approach, either, for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements, or under an alternative transition option, for leases existing at, or entered into after, the adoption date. While we are evaluating the impact that the adoption of this guidance will have on our consolidated financial statements, we currently believe that most of our operating leases will be reflected on the consolidated balance sheet upon adoption.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.* This ASU requires an entity to measure all expected credit losses for financial assets, including trade receivables, held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Entities will now incorporate forward-looking information based on expected losses to estimate credit losses. ASU 2016-13 is effective for our fiscal year ending December 31, 2020, including interim periods within that fiscal year. We are evaluating the impact that the adoption of this ASU will have on our consolidated financial position, result of operations and cash flows.

In October 2016, the FASB issued ASU 2016-16, *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other than Inventory*, which eliminates the exception that prohibits the recognition of current and deferred income tax effects for intra-entity transfers of assets other than inventory until the asset has been sold to an outside party. We will be required to adopt the amendments in this ASU in the transition period ending December 31, 2018. The application of the amendments will require the use of a modified retrospective basis through a cumulative-effect adjustment to retained earnings as of the beginning of the period of adoption. We are evaluating the standard and the impact it will have on our consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement *(Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement,* which modifies disclosure requirements for fair value measurements under ASC 820, *Fair Value Measurement.* We will be required to adopt this guidance retrospectively in the annual and interim periods for our fiscal year ending December 31, 2020, with early adoption permitted. We are evaluating the impact of adopting this guidance.

In August 2018, the FASB issued ASU 2018-14, *Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20): Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans*, which removes disclosures no longer considered cost beneficial, clarifies the specific requirements of disclosures and adds disclosure requirements identified as relevant. We will be required to adopt this guidance for our fiscal year ending December 31, 2020, with early adoption permitted. Certain provisions are applied prospectively while others are applied retrospectively. We are evaluating the impact of adopting this guidance.

In August 2018, the FASB issued ASU 2018-15, *Intangibles—Goodwill and Other—Internal-Use Software—General (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract*, which aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The accounting for the service element of a hosting arrangement that is a service contract is not affected by these amendments. We will be required to adopt this guidance in the annual and interim periods for our fiscal year ending December 31, 2020, with early adoption permitted. The amendments in this ASU may be applied either retrospectively or prospectively. We are evaluating the impact ASU 2018-15 will have on our consolidated financial statements.

4. ACQUISITION

Fiscal 2016 acquisition

On November 3, 2015, we acquired manufacturing operations in Hamilton, Ontario, Canada for cash consideration of $2.2 million, net of post-closing working capital adjustments. This business allows us to service customers more competitively within the Canadian and Northeastern United States insulated metal panel ("IMP") markets. Because the business was acquired from a seller in connection with a divestment required by a regulatory authority, the fair value of the net assets acquired exceeded the purchase consideration by $1.9 million, which was recorded as a non-taxable gain from bargain purchase in the consolidated statements of operations during the first quarter of fiscal 2016.

The fair values of the assets acquired and liabilities assumed as part of this acquisition as of November 3, 2015, as determined in accordance with ASC Topic 805, were as follows (in thousands):

	November 3, 2015
Current assets	$ 307
Property, plant and equipment	4,810
Assets acquired	5,117
Current liabilities assumed	380
Fair value of net assets acquired	4,737
Total cash consideration transferred	2,201
Deferred tax liabilities	672
Gain from bargain purchase	$ (1,864)

Pro forma financial information and other disclosures for this acquisition have not been presented as such is not material to the Company's financial position or operating results.

5. RESTRUCTURING

As part of the plans developed in the fourth quarter of fiscal 2015 to improve engineering, selling, general and administrative ("ESG&A") and manufacturing cost efficiency and optimize our combined manufacturing footprint, we incurred restructuring charges of $1.5 million for the fiscal year ended October 28, 2018.

For the fiscal year ended October 29, 2017, we incurred restructuring charges, primarily consisting of severance related costs of $4.7 million. For the fiscal year ended October 30, 2016, we incurred restructuring charges, primarily consisting of severance related costs of $3.6 million. We also incurred approximately $0.6 million of other costs associated with the restructuring actions during fiscal 2016.

The following table summarizes our restructuring plan costs and charges related to the restructuring plans during the fiscal year ended October 28, 2018 and since inception, which are recorded in restructuring and impairment charges in the Company's consolidated statements of operations (in thousands):

	Fiscal Year Ended October 28, 2018	Costs Incurred To Date (since inception)
General severance	**$ 2,272**	$ 11,234
Plant closing severance	**31**	3,310
Asset impairments	**1,171**	7,140
Gain on sale of facility	**(2,049)**	(2,049)
Other restructuring costs	**102**	1,415
Total restructuring costs	**$ 1,527**	$ 21,050

The following table summarizes our severance liability and cash payments made pursuant to the restructuring plans from inception through October 28, 2018 (in thousands):

	General Severance	Plant Closing Severance	Total
Balance, November 2, 2014	$ —	$ —	$ —
Costs incurred	3,887	1,575	5,462
Cash payments	(2,941)	(1,575)	(4,516)
Accrued severance[1]	739	—	739
Balance, November 1, 2015	$ 1,685	$ —	$ 1,685
Costs incurred[1]	2,725	165	2,890
Cash payments	(3,928)	(165)	(4,093)
Balance, October 30, 2016	$ 482	$ —	$ 482
Costs incurred	2,350	1,539	3,889
Cash payments	(2,549)	(1,539)	(4,088)
Balance, October 29, 2017	$ 283	$ —	$ 283
Costs incurred	2,272	31	2,303
Cash payments	(2,134)	(31)	(2,165)
Balance at October 28, 2018	**$ 421**	**$ —**	**$ 421**

(1) During the second and fourth quarters of fiscal 2015, we entered into transition and separation agreements with certain executive officers. Each terminated executive officer was entitled to severance benefit payments issuable in two installments. The termination benefits were measured initially at the separation dates based on the fair value of the liability as of the termination date and were recognized ratably over the future service period. Costs incurred during fiscal 2016 exclude $0.7 million of amortization expense associated with these termination benefits.

We expect to fully execute our plans in phases over the next 3 months and estimate that additional restructuring charges associated with these plans will not be material.

6. GOODWILL AND OTHER INTANGIBLE ASSETS

Our goodwill balance and changes in the carrying amount of goodwill in the Commercial segment are as follows (in thousands):

	Total
Balance, October 30, 2016	$ 154,271
Impairment [1]	(6,000)
Other, net	20
Balance, October 29, 2017	$ 148,291
Balance, October 28, 2018	**$ 148,291**

(1) Our July 31, 2017 goodwill impairment testing indicated an impairment as the carrying value of CENTRIA's coil coating operations exceeded its fair value. As a result, we recorded a non-cash charge of $6.0 million in goodwill impairment on our consolidated statements of operations for the year ended October 29, 2017.

In accordance with ASC Topic 350, *Intangibles — Goodwill and Other*, goodwill is tested for impairment at least annually at the reporting unit level, which is defined as an operating segment or a component of an operating segment that constitutes a business for which financial information is available and is regularly reviewed by management. Management has determined that we have six reporting units for the purpose of allocating goodwill and the subsequent testing of goodwill for impairment.

At the beginning of the fourth quarter of each fiscal year, we perform an annual impairment assessment of goodwill and indefinite-lived intangible assets. Additionally, we assess goodwill and indefinite-lived intangible assets for impairment whenever events or changes in circumstances indicate that the fair value may be below the carrying value. We completed our interim impairment test as of January 29, 2018 and our annual impairment assessment of goodwill and indefinite-lived intangible assets

as of July 30, 2018. We elected to apply the qualitative assessment for each of the reporting units with goodwill and the indefinite lived intangibles for the interim and annual tests. Under the qualitative assessment, relevant events and circumstances (or factors) that would affect the estimated fair value of a reporting unit are identified. These factors are then classified by the type of impact they would have on the estimated fair value using positive, neutral, and negative categories based on current business conditions. Additionally, an assessment of the level of impact that a particular factor would have on the estimated fair value is determined using relative weightings. Based on our assessment of these tests, we do not believe it is more likely than not that the fair value of these reporting units or the indefinite-lived intangible assets are less than their respective carrying amounts.

The following table represents all our intangible assets activity for the fiscal years ended October 28, 2018 and October 29, 2017 (in thousands):

	Range of Life (Years)	October 28, 2018	October 29, 2017
Amortized intangible assets:			
Cost:			
Trade names	15	**$ 29,167**	$ 29,167
Customer lists and relationships	12 – 20	**136,210**	136,210
		$ 165,377	$ 165,377
Accumulated amortization:			
Trade names		**$ (12,657)**	$ (10,713)
Customer lists and relationships		**(38,646)**	(30,971)
		$ (51,303)	$ (41,684)
Net book value		**$ 114,074**	$ 123,693
Indefinite-lived intangible assets:			
Trade names		**13,455**	13,455
Total intangible assets at net book value		**$ 127,529**	$ 137,148

The Star and Ceco trade name assets within the Engineered Building Systems business have an indefinite life and are not amortized, but are reviewed annually and tested for impairment. These 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 intention is to maintain these trade names indefinitely.

All other intangible assets are amortized on a straight-line basis or a basis consistent with the expected future cash flows over their expected useful lives. As of October 28, 2018 and October 29, 2017, the weighted average amortization period for all our intangible assets was 14.2 years and 15.0 years, respectively. Amortization expense of intangibles was $9.6 million, $9.6 million and $9.6 million for 2018, 2017 and 2016, respectively. We expect to recognize amortization expense over the next five fiscal years as follows (in thousands):

2019	$ 9,620
2020	9,327
2021	9,064
2022	8,721
2023	8,667

In accordance with ASC Topic 350, *Intangibles — Goodwill and Other*, we evaluate the remaining useful life of intangible assets on an annual basis. We also review finite-lived intangible assets for impairment when events or changes in circumstances indicate the carrying values may not be recoverable in accordance with ASC Topic 360, *Property, Plant and Equipment*.

7. SHARE-BASED COMPENSATION

Our 2003 Long-Term Stock Incentive Plan (the "Incentive Plan") is an equity-based compensation plan that allows for the grant of a variety of awards, including stock options, restricted stock, restricted stock units, stock appreciation rights, performance share units ("PSUs"), phantom stock awards, long-term incentive awards with performance conditions ("Performance Share Awards") and cash awards. Awards are generally granted once per year, with the amounts and types of awards determined by the

Compensation Committee of our Board of Directors (the "Committee"). As a general rule, option awards terminate on the earlier of (i) 10 years from the date of grant, (ii) 30 days after termination of employment or service for a reason other than death, disability or retirement, (iii) one year after death or (iv) one year for incentive stock options or five years for other awards after disability or retirement. Awards are non-transferable except by disposition on death or to certain family members, trusts and other family entities as the Committee may approve. Awards may be paid in cash, shares of our Common Stock or a combination, in lump sum or installments and currently or by deferred payment, all as determined by the Committee.

As of October 28, 2018, and for all periods presented, our share-based awards under this plan have consisted of restricted stock grants, PSUs and stock option grants, none of which can be settled through cash payments, and Performance Share Awards. Both our stock options and restricted stock awards are subject only to vesting requirements based on continued employment at the end of a specified time period and typically vest in annual increments over three to four years or earlier upon death, disability or a change in control. Restricted stock awards issued after December 15, 2013 do not vest upon attainment of a specified retirement age, as provided by the agreements governing such awards. The vesting of our Performance Share Awards is described below.

A total of approximately 3,771,000 and 2,287,000 shares were available at October 28, 2018 and October 29, 2017, respectively, under the Incentive Plan for the further grants of awards.

Our option awards and time-based restricted stock awards are typically subject to graded vesting over a service period, which is typically three or four years. Our performance-based and market-based restricted stock awards are typically subject to cliff vesting at the end of the service period, which is typically three years. We recognize compensation cost for these awards on a straight-line basis over the requisite service period for each annual award grant. In addition, certain of our awards provide for accelerated vesting upon qualified retirement, after a change in control or upon termination without cause or for good reason. We recognize compensation cost for such awards over the period from grant date to the date the employee first becomes eligible for retirement.

We adopted the provisions of ASU 2016-09, *Improvements to Employee Share-Based Payment Accounting,* in our first quarter in fiscal 2018. For additional information see Note 3 - Accounting Pronouncements.

Stock Option Awards

The fair value of each option award is estimated as of the date of grant using a Black-Scholes-Merton option pricing formula. Expected volatility is based on normalized historical volatility of our stock over a preceding period commensurate with the expected term of the option. 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 do not currently pay dividends on our Common Stock and have no current plans to do so in the future.

There were 115,424, 182,923 and 1,418,219 options exercised during fiscal 2018, 2017 and 2016, respectively. Cash received from the option exercises was $1.3 million, $1.7 million and $12.6 million during fiscal 2018, 2017 and 2016, respectively. The total intrinsic value of options exercised in fiscal 2018, 2017 and 2016 was $0.8 million, $1.4 million and $9.9 million, respectively.

During fiscal 2017 and 2016, we granted 10,424 and 28,535 stock options, respectively, and the weighted average grant-date fair value of options granted during fiscal 2017 and 2016 was $6.59 and $5.38, respectively. We did not grant stock options during fiscal 2018.

The weighted average assumptions for the option awards granted on December 15, 2016 and December 15, 2015 are as follows:

	December 15, 2016	December 15, 2015
Expected volatility	42.63%	43.71%
Expected term (in years)	5.50	5.50
Risk-free interest rate	2.15%	1.77%

The following is a summary of stock option transactions during fiscal 2018, 2017 and 2016 (in thousands, except weighted average exercise prices and weighted average remaining life):

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Life	Aggregate Intrinsic Value
Balance, November 1, 2015	1,904	$ 9.85		
Granted	29	12.76		
Exercised	(1,418)	(8.89)		
Cancelled	(7)	(227.21)		
Balance, October 30, 2016	508	10.24		
Granted	11	15.70		
Exercised	(183)	(9.03)		
Balance, October 29, 2017	336	11.06		
Exercised	(115)	11.09		
Cancelled	(6)	15.70		
Balance, October 28, 2018	**215**	**$ 10.94**	**2.9**	**$ 428**
Exercisable at October 28, 2018	**212**	**$ 10.86**	**2.8**	**$ 428**

The following summarizes additional information concerning outstanding options at October 28, 2018 (in thousands, except weighted average remaining life and weighted average exercise prices):

Options Outstanding		
Number of Options	Weighted Average Remaining Life	Weighted Average Exercise Price
194	2.5 years	$ 10.30
21	6.4 years	16.90
215	2.9 years	$ 10.94

The following summarizes additional information concerning options exercisable at October 28, 2018 (in thousands, except weighted average exercise prices):

Options Exercisable	
Number of Options	Weighted Average Exercise Price
194	$ 10.30
18	16.88
212	$ 10.86

Restricted stock and performance awards

Long-term incentive awards granted to our senior executives generally have a three-year performance period. Long-term incentive awards include restricted stock units and PSUs representing 40% and 60% of the total value, respectively. The restricted stock units vest upon continued employment. Vesting of the PSUs is contingent upon continued employment and the achievement of targets with respect to the following metrics, as defined by management: (1) cumulative free cash flow (weighted 40%); (2) cumulative earnings per share (weighted 40%); and (3) total shareholder return (weighted 20%), in each case during the performance period. At the end of the performance period, the number of actual shares to be awarded varies between 0% and 200% of target amounts. The PSUs vest pro rata if an executive's employment terminates prior to the end of the performance period due to death, disability, or termination by the Company without cause or by the executive for good reason. If an executive's employment terminates for any other reason prior to the end of the performance period, all outstanding unvested PSUs, whether earned or unearned, will be forfeited and cancelled. If a change in control occurs prior to the end of the performance period, the PSU payout will be calculated and paid assuming that the maximum benefit had been achieved. If an executive's employment terminates due to death or disability while any of the restricted stock is unvested, then all of the unvested restricted stock will become vested. If an executive's employment is terminated by the Company without cause or after reaching normal retirement age, the unvested restricted stock will be forfeited. If a change in control occurs prior to the end of the performance period, the restricted stock will

fully vest. The fair value of the awards is based on the Company's stock price as of the date of grant. During the fiscal years 2018, 2017 and 2016, we granted PSUs with fair values of approximately \$3.8 million, \$4.6 million and \$4.7 million, respectively, to the Company's senior executives.

The restricted stock units granted in December 2017, 2016 and 2015 to our senior executives vest one-third annually. For the restricted stock units granted in December 2014 to our senior executives, two-thirds vested on December 15, 2016 and one-third vested on December 15, 2017. The PSUs granted in December 2017, 2016 and 2015 to our senior executives cliff vest at the end of the three-year performance period. For the PSUs granted in December 2014 to our senior executives, one-half vested on December 15, 2016 and one-half vested on December 15, 2017.

Long-term incentive awards granted to our key employees generally have a three-year performance period. Long-term incentive awards are granted 50% in restricted stock units and 50% in PSUs. Vesting of PSUs is contingent upon continued employment and the achievement of free cash flow and earnings per share targets, as defined by management, over a three-year period. At the end of the performance period, the number of actual shares to be awarded varies between 0% and 150% of target amounts. However, a minimum of 50% of the awards will vest upon continued employment over the three-year period if the minimum targets are not met. The PSUs vest earlier upon death, disability or a change in control. A portion of the awards also vests upon 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 the Company's stock price as of the date of grant. The fair value and cash value of Performance Share Awards granted in fiscal 2018, 2017 and 2016 are as follows (in millions):

	Fiscal year ended		
	October 28, 2018	October 29, 2017	October 30, 2016
Equity fair value	**\$ 2.8**	\$ 2.0	\$ 2.4
Cash value	**\$ —**	\$ 2.0	\$ 2.1

On December 15, 2017, the performance period ended for certain PSUs granted to senior executives and key employees in December 2014. The PSUs vested at 69.4%, and resulted in the issuance of 0.1 million shares, net of shares withheld for taxes.

During fiscal 2018, 2017 and 2016, we granted time-based restricted stock awards with a fair value of \$7.1 million, \$4.5 million and \$4.2 million, respectively.

Restricted stock and performance award transactions during fiscal 2018, 2017 and 2016 were as follows (in thousands, except weighted average grant prices):

	Restricted Stock and Performance Awards					
	Time-Based		Performance-Based		Market-Based	
	Number of Shares	Weighted Average Grant Price	Number of Shares(1)	Weighted Average Grant Price	Number of Shares(1)	Weighted Average Grant Price
Balance, November 1, 2015	828	\$ 15.87	343	\$ 17.19	40	\$ 11.78
Granted	329	12.64	516	12.76	71	14.60
Vested	(335)	15.09	—	—	—	—
Forfeited	(60)	14.33	(60)	15.22	(4)	13.81
Balance, October 30, 2016	762	\$ 14.91	799	\$ 14.82	107	\$ 14.02
Granted	285	15.84	362	15.70	58	16.03
Vested	(392)	15.14	(165)	16.07	—	—
Forfeited	(27)	14.41	(124)	15.88	(21)	11.51
Balance, October 29, 2017	628	\$ 15.21	872	\$ 14.76	144	\$ 15.15
Granted	367	19.37	281	19.65	44	19.65
Vested	(423)	15.67	(94)	17.07	—	—
Forfeited	(64)	17.15	(183)	16.26	(43)	16.49
Balance, October 28, 2018	**508**	**\$ 17.58**	**876**	**\$ 16.14**	**145**	**\$ 16.02**

(1) The number of restricted stock shown reflects the shares that would be granted if the target level of performance is achieved. The number of shares actually issued may vary.

Share-Based Compensation Expense

Share-based compensation expense is recorded over the requisite service or performance period. For awards with performance conditions, the amount of share-based compensation expense recognized is based upon the probable outcome of the performance conditions, as defined and determined by management. With the adoption of ASU 2016-09 in the first quarter of fiscal 2018, we account for forfeitures of outstanding but unvested grants in the period they occur. We estimated a forfeiture rate of 5.0% for our non-officers and 0% for our officers in our calculation of share-based compensation expense for the fiscal years ended October 29, 2017 and October 30, 2016. These estimates are based on historical forfeiture behavior exhibited by our employees.

Share-based compensation expense as well as the unrecognized share-based compensation expense and weighted average period over which expense attributable to unvested awards will be recognized are as follows (in millions, except weighted average remaining years):

	Fiscal year ended		
	October 28, 2018	**October 29, 2017**	**October 30, 2016**
Cost of goods sold	**$ 0.9**	$ 1.0	$ 1.1
Engineering, selling, general and administrative	**10.7**	9.2	9.8
Total recognized share-based compensation expense	**$ 11.6**	$ 10.2	$ 10.9

	Fiscal Year Ended October 28, 2018	
	Unrecognized Share-Based Compensation Expense	**Weighted Average Remaining Years**
Stock options	$ —	0.1
Time-based restricted stock	4.8	1.9
Performance- and market-based restricted stock	7.0	1.9
Total unrecognized share-based compensation expense	$ 11.8	

As of October 28, 2018, we do not have any amounts capitalized for share-based compensation cost in inventory or similar assets. The total income tax benefit recognized in results of operations for share-based compensation arrangements was $3.2 million, $4.0 million and $4.2 million for the fiscal years ended October 28, 2018, October 29, 2017 and October 30, 2016, respectively.

8. EARNINGS PER COMMON SHARE

Basic earnings per common share is computed by dividing net income allocated to common shares by the weighted average number of common shares outstanding. Diluted income per common share, if applicable, considers the dilutive effect of common stock equivalents. The reconciliation of the numerator and denominator used for the computation of basic and diluted income per common share is as follows (in thousands, except per share data):

	Fiscal Year Ended		
	October 28, 2018	October 29, 2017	October 30, 2016
Numerator for Basic and Diluted Earnings Per Common Share:			
Net income applicable to common shares	**$ 62,694**	$ 54,399	$ 50,638
Denominator for Basic and Diluted Earnings Per Common Share:			
Weighted average basic number of common shares outstanding	**66,260**	70,629	72,411
Common stock equivalents:			
Employee stock options	**89**	124	446
PSUs and Performance Share Awards	**13**	25	—
Weighted average diluted number of common shares outstanding	**66,362**	70,778	72,857
Basic earnings per common share	**$ 0.95**	$ 0.77	$ 0.70
Diluted earnings per common share	**$ 0.94**	$ 0.77	$ 0.70
Incentive Plan securities excluded from dilution[1]	**1**	0	195

(1) Represents securities not included in the computation of diluted earnings per common share because their effect would have been anti-dilutive.

We calculate earnings per share using the "two-class" method, whereby unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents are "participating securities" and, therefore, these participating securities are treated as a separate class in computing earnings per share. The calculation of earnings per share presented here excludes the income attributable to unvested restricted stock units related to our Incentive Plan from the numerator and excludes the dilutive impact of those shares from the denominator. Awards subject to the achievement of performance conditions or market conditions for which such conditions had been met at the end of any of the fiscal periods presented are included in the computation of diluted earnings per common share if their effect was dilutive.

9. OTHER ACCRUED EXPENSES

Other accrued expenses are comprised of the following (in thousands):

	October 28, 2018	October 29, 2017
Accrued warranty obligation and deferred warranty revenue	**$ 7,005**	$ 7,082
Deferred revenue	**21,040**	28,295
Other accrued expenses	**53,839**	41,520
Total other accrued expenses	**$ 81,884**	$ 76,897

10. WARRANTY

The following table represents the rollforward of our accrued warranty obligation and deferred warranty revenue activity for the fiscal years ended October 28, 2018 and October 29, 2017 (in thousands):

	October 28, 2018	October 29, 2017
Beginning balance	**$ 32,418**	$ 33,122
Warranties sold	**3,297**	2,149
Revenue recognized	**(2,656)**	(2,323)
Cost incurred and other	**(2,400)**	(530)
Ending balance	**30,659**	32,418
Less: Current portion	**7,005**	7,082
Total warranty reserve, less current portion	**$ 23,654**	$ 25,336

11. LONG-TERM DEBT AND NOTE PAYABLE

Debt is comprised of the following (in thousands):

	October 28, 2018	October 29, 2017
Term loan credit facility, due February 2025 and June 2022, respectively	**$ 412,925**	$ 144,147
8.25% senior notes, due January 2023	**—**	250,000
Asset-based lending credit facility, due February 2023 and June 2019, respectively	—	—
Less: unamortized deferred financing costs[(1)]	**5,699**	6,857
Total long-term debt, net of deferred financing costs	**407,226**	387,290
Less: current portion of long-term debt	**4,150**	—
Total long-term debt, less current portion	**$ 403,076**	$ 387,290

(1) Includes the unamortized deferred financing costs associated with the term loan credit facilities and 8.25% senior notes due 2023 (the "Notes"). The unamortized deferred financing costs associated with the asset-based lending credit facilities of $1.1 million and $0.7 million as of October 28, 2018 and October 29, 2017, respectively, are classified in other assets on the consolidated balance sheets.

The scheduled maturity of our debt is as follows (in thousands):

2019	$ 4,150
2020	4,150
2021	4,150
2022	4,150
2023 and thereafter	396,325
	$ 412,925

Debt Redemption and Refinancing

On February 8, 2018, the Company entered into the Pre-merger Term Loan Credit Agreement and the Pre-merger ABL Credit Agreement (each defined below), the proceeds of which, together, were used to redeem the 8.25% senior notes and to refinance the Company's then existing term loan credit facility and the Company's then existing asset-based revolving credit facility.

Term Loan Credit Agreement

On February 8, 2018, the Company entered into a Term Loan Credit Agreement (the "Pre-merger Term Loan Credit Agreement") which provides for a term loan credit facility in an original aggregate principal amount of $415.0 million ("Pre-merger Term Loan Credit Facility"). Proceeds from borrowings under the Pre-merger Term Loan Credit Facility were used, together with cash on hand, (i) to refinance the existing term loan credit agreement, (ii) to redeem and repay the Notes and (iii) to pay any fees, premiums and expenses incurred in connection with the refinancing.

The term loans under the Pre-merger Term Loan Credit Agreement will mature on February 7, 2025 and, prior to such date, will amortize in nominal quarterly installments equal to one percent of the aggregate initial principal amount thereof per annum.

The term loans under the Pre-merger Term Loan Credit Agreement may be prepaid at the Company's option at any time, subject to minimum principal amount requirements. Prepayments in connection with a repricing transaction (as defined in the Pre-merger Term Loan Credit Agreement) during the first six months after the closing of the Pre-merger Term Loan Credit Facility will be subject to a prepayment premium equal to 1% of the principal amount of the term loans being prepaid. Prepayments may otherwise be made without premium or penalty (other than customary breakage costs). The Company will also have the ability to repurchase a portion of the term loans under the Pre-merger Term Loan Credit Agreement subject to certain terms and conditions set forth in the Pre-merger Term Loan Credit Agreement.

Subject to certain exceptions, the term loans under the Pre-merger Term Loan Credit Agreement will be subject to mandatory prepayment in an amount equal to:

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

The obligations under the Pre-merger Term Loan Credit Agreement are guaranteed by each direct and indirect U.S. restricted subsidiary of the Company, other than certain excluded subsidiaries, and are secured by:

- a perfected security interest in substantially all tangible and intangible assets of the Company and each guarantor (other than ABL Priority Collateral (as defined below)), including the capital stock of each direct material domestic subsidiary owned by the Company and each guarantor, and 65% of the capital stock of any non-U.S. subsidiary held directly by the Company or any guarantor, subject to customary exceptions (the "Term Loan Priority Collateral"), which security interest will be senior to the security interest in the foregoing assets securing the Pre-merger ABL Credit Facility (as defined below); and
- a perfected security interest in the ABL Priority Collateral, which security interest will be junior to the security interest in the ABL Priority Collateral securing the ABL Credit Facility.

At the Company's election, the interest rates applicable to the term loans under the Pre-merger Term Loan Credit Agreement will be based on a fluctuating rate of interest measured by reference to either (i) an adjusted LIBOR plus a borrowing margin of 2.00% per annum or (ii) an alternative base rate not less than 1.00% plus a borrowing margin of 1.00% per annum. At October 28, 2018, the interest rate on the Term Loans was 4.24%.

ABL Credit Agreement

On February 8, 2018, the subsidiaries of the Company, NCI Group, Inc. and Robertson-Ceco II Corporation, and the Company as a guarantor, entered into an ABL Credit Agreement (the "Pre-merger ABL Credit Agreement"). The Pre-merger ABL Credit Agreement provides for an asset-based revolving credit facility (the "Pre-merger ABL Credit Facility") which allows aggregate maximum borrowings by the ABL borrowers of up to $150 million, letters of credit of up to $30 million and up to $20 million for swingline borrowings. Borrowing availability is determined by a monthly borrowing base collateral calculation that is based on specified percentages of the value of accounts receivable, eligible credit card receivables and eligible inventory, less certain reserves and subject to certain other adjustments. Availability is reduced by issuance of letters of credit as well as any borrowings. All borrowings under the Pre-merger ABL Credit Facility mature on February 8, 2023.

The obligations under the Pre-merger ABL Credit Agreement are guaranteed by each direct and indirect U.S. restricted subsidiary of the Company, other than certain excluded subsidiaries, and are secured by:

- a perfected security interest in all present and after-acquired inventory, accounts receivable, deposit accounts, securities accounts, and any cash or other assets in such accounts (and, to the extent evidencing or otherwise related to such items, all general intangibles, intercompany debt, insurance proceeds, letter of credit rights, commercial tort claims, chattel paper, instruments, supporting obligations, documents, investment property and payment intangibles) and the proceeds of any of the foregoing and all books and records relating to, or arising from, any of the foregoing, except to the extent such proceeds constitute Term Loan Priority Collateral, and subject to customary exceptions (the "ABL Priority Collateral"), which security interest is senior to the security interest in the foregoing assets securing the Pre-merger Term Loan Credit Facility; and
- a perfected security interest in the Term Loan Priority Collateral, which security interest will be junior to the security interest in the Term Loan Priority Collateral securing the Pre-merger Term Loan Credit Facility.

At October 28, 2018 and October 29, 2017, the Company's excess availability under its asset-based lending credit facilities was $141.0 million and $140.0 million, respectively. At October 28, 2018 and October 29, 2017, the Company had no revolving loans outstanding under its asset-based lending credit facilities. In addition, at October 28, 2018 and October 29, 2017, standby letters of credit related to certain insurance policies totaling approximately $9.0 million and $10.0 million, respectively, were outstanding but undrawn under the Company's asset-based lending credit facilities.

The Pre-merger ABL Credit Agreement includes a minimum fixed charge coverage ratio of 1.00:1.00, which will apply if the Company fails to maintain a specified minimum borrowing capacity. The minimum level of borrowing capacity as of October 28, 2018 was $14.1 million. Although the Pre-merger ABL Credit Agreement does not require any financial covenant compliance, at October 28, 2018, the Company's fixed charge coverage ratio, which is calculated on a trailing twelve month basis, was 7.70:1.00.

Loans under the Pre-merger ABL Credit Facility bear interest, at NCI's option, as follows:

(1) Base Rate loans at the Base Rate plus a margin. The margin ranges from 0.25% to 0.75% depending on the quarterly average excess availability under such facility; and

(2) LIBOR loans at LIBOR plus a margin. The margin ranges from 1.25% to 1.75% depending on the quarterly average excess availability under such facility.

A commitment fee is paid on the Pre-merger ABL Credit Facility at an annual rate of 0.25% or 0.35%, depending on the average daily used percentage, 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 Pre-merger ABL Credit Facility also apply.

Redemption of 8.25% Senior Notes

On January 16, 2015, the Company issued $250.0 million in aggregate principal of 8.25% senior notes due 2023. On February 8, 2018, the Company redeemed the outstanding $250.0 million aggregate principal amount of the Notes for approximately $265.5 million using the proceeds from borrowings under the Pre-merger Term Loan Credit Facility.

During the fiscal year ended October 28, 2018, the Company incurred a pretax loss, primarily on the extinguishment of the Notes, of $21.9 million, of which approximately $15.5 million represents the premium paid on the redemption of the Notes.

Debt Covenants

The Company's outstanding debt agreements contain a number of covenants that, among other things, limit or restrict the ability of the Company and its subsidiaries to incur additional indebtedness, make dividends and other restricted payments, create liens securing indebtedness, engage in mergers and acquisitions, enter into restrictive agreements, amend certain documents in respect of other indebtedness, change the nature of the business and engage in certain transactions with affiliates. As of October 28, 2018, the Company was in compliance with all covenants that were in effect on such date.

Insurance Note Payable

As of October 28, 2018 and October 29, 2017, the Company had an outstanding note payable in the amount of $0.5 million and $0.4 million, respectively, related to financed insurance premiums. Insurance premium financings are generally secured by the unearned premiums under such policies.

12. CD&R FUND VIII Investor Group

On August 14, 2009, the Company entered into an Investment Agreement (as amended, the "Investment Agreement"), by and between the Company and Clayton, Dubilier & Rice Fund VIII L.P. ("CD&R Fund VIII"). In connection with the Investment Agreement and the Stockholders Agreement dated October 20, 2009 (the "Old Stockholders Agreement"), CD&R Fund VIII and CD&R Friends & Family Fund VIII, L.P. (collectively, the "CD&R Fund VIII Investor Group") purchased convertible preferred stock, which was later converted to shares of our Common Stock on May 14, 2013.

In January 2014, the CD&R Fund VIII Investor Group completed a registered underwritten offering, in which the CD&R Fund VIII Investor Group offered 8.5 million shares of Common Stock at a price to the public of $18.00 per share (the "2014 Secondary Offering"). The underwriters also exercised their option to purchase 1.275 million additional shares of Common Stock. In addition, the Company entered into an agreement with the CD&R Fund VIII Investor Group to repurchase 1.15 million shares of its Common Stock at a price per share equal to the price per share paid by the underwriters to the CD&R Fund VIII Investor Group in the underwritten offering (the "2014 Stock Repurchase"). The 2014 Stock Repurchase, which was completed at the same time as the 2014 Secondary Offering, represented a private, non-underwritten transaction between NCI and the CD&R Fund VIII Investor Group that was approved and recommended by the Affiliate Transactions Committee of our board of directors.

On July 25, 2016, the CD&R Fund VIII Investor Group completed a registered underwritten offering, in which the CD&R Fund VIII Investor Group offered 9.0 million shares of our Common Stock at a price to the public of $16.15 per share (the "2016 Secondary Offering"). The underwriters also exercised their option to purchase 1.35 million additional shares of our Common Stock from the CD&R Fund VIII Investor Group. The aggregate offering price for the 10.35 million shares sold in the 2016 Secondary Offering was approximately $160.1 million, net of underwriting discounts and commissions. The CD&R Fund VIII Investor Group received all of the proceeds from the 2016 Secondary Offering and no shares in the 2016 Secondary Offering were sold by the Company or any of its officers or directors (although certain of our directors are affiliated with the CD&R Fund VIII Investor Group). In connection with the 2016 Secondary Offering and the 2016 Stock Repurchase (as defined below), we incurred approximately $0.7 million in expenses, which were included in engineering, selling, general and administrative expenses in the consolidated statements of operations for the fiscal year ended October 30, 2016.

On July 18, 2016, the Company entered into an agreement with the CD&R Fund VIII Investor Group to repurchase approximately 2.9 million shares of our Common Stock at the price per share equal to the price per share paid by the underwriters to the CD&R Fund VIII Investor Group in the underwritten offering (the "2016 Stock Repurchase"). The 2016 Stock Repurchase, which was completed concurrently with the 2016 Secondary Offering, represented a private, non-underwritten transaction between the Company and the CD&R Fund VIII Investor Group that was approved and recommended by the Affiliate Transactions Committee of our board of directors. See Note 18 — Stock Repurchase Program.

On December 11, 2017, the CD&R Fund VIII Investor Group completed a registered underwritten offering of 7,150,000 shares of the Company's Common Stock at a price to the public of $19.36 per share (the "2017 Secondary Offering"). Pursuant to the underwriting agreement, at the CD&R Fund VIII Investor Group request, the Company purchased 1.15 million of the 7.15 million shares of the Common Stock from the underwriters in the 2017 Secondary Offering at a price per share equal to the price at which the underwriters purchased the shares from the CD&R Fund VIII Investor Group. The total amount the Company spent on these repurchases was $22.3 million.

At October 28, 2018 and October 29, 2017, the CD&R Fund VIII Investor Group owned approximately 34.4% and 43.8%, respectively, of the outstanding shares of our Common Stock.

13. RELATED PARTIES

Pursuant to the Investment Agreement and the Old Stockholders Agreement, the CD&R Fund VIII Investor Group had the right to designate a number of directors to NCI's board of directors that was equivalent to the CD&R Fund VIII Investor Group's percentage interest in the Company. Among other directors appointed by the CD&R Fund VIII Investor Group, our Board of Directors appointed to the board of directors James G. Berges, Nathan K. Sleeper and Jonathan L. Zrebiec. Messrs. Berges, Sleeper and Zrebiec are partners of Clayton, Dubilier & Rice, LLC, ("CD&R, LLC"), an affiliate of the CD&R Fund VIII Investor Group.

As a result of their respective positions with CD&R, LLC and its affiliates, one or more of Messrs. Berges, Sleeper and Zrebiec may be deemed to have an indirect material interest in certain agreements executed in connection with the Equity Investment. Messrs. Berges, Sleeper and Zrebiec may be deemed to have an indirect material interest in the following agreements:

- the Investment Agreement, pursuant to which the CD&R Fund VIII Investor Group acquired a 68.4% interest in the Company, CD&R Fund VIII's transaction expenses were reimbursed and a deal fee of $8.25 million was paid to CD&R, Inc., the predecessor to the investment management business of CD&R, LLC, on October 20, 2009;
- the Old Stockholders Agreement, which set forth certain terms and conditions regarding the Equity Investment and on certain actions of the CD&R Fund VIII Investor Group and their controlled affiliates with respect to the Company, and to provide for, among other things, subscription rights, corporate governance rights and consent rights as well as other obligations and rights;
- a Registration Rights Agreement, dated as of October 20, 2009 (the "Old Registration Rights Agreement"), between the Company and the CD&R Fund VIII Investor Group, pursuant to which the Company granted to the CD&R Fund VIII Investor Group, together with any other stockholder of the Company that may become a party to the Old Registration Rights Agreement in accordance with its terms, certain customary registration rights with respect to the shares of our Common Stock held by the CD&R Fund VIII Investor Group; and
- an Indemnification Agreement, dated as of October 20, 2009 between the Company, NCI Group, Inc., a wholly owned subsidiary of the Company, Robertson-Ceco II Corporation, a wholly owned subsidiary of the Company, the CD&R Fund VIII Investor Group and CD&R, Inc., pursuant to which the Company, NCI Group, Inc. and Robertson-Ceco II Corporation agreed to indemnify CD&R, Inc., the CD&R Fund VIII Investor Group and their general partners, the special limited partner of CD&R Fund VIII and any other investment vehicle that is a stockholder of the Company and is managed by CD&R, Inc. or any of its affiliates, their respective affiliates and successors and assigns and the respective directors, officers, partners, members, employees, agents, representatives and controlling persons of each of them, or of their respective partners, members and controlling persons, against certain liabilities arising out of the Equity Investment and transactions in connection with the Equity Investment, including, but not limited to, the Pre-merger Term Loan Credit Agreement, the Pre-merger ABL Credit Facility, the Exchange Offer, and certain other liabilities and claims.

14. FAIR VALUE OF FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, restricted cash, trade accounts receivable and accounts payable approximate fair value as of October 28, 2018 and October 29, 2017 because of the relatively short maturity of these instruments. The carrying amount of revolving loans outstanding under the asset-based lending facilities approximates fair value as the interest rates are variable and reflective of market rates. The fair values of the remaining financial instruments not currently recognized at fair value on our consolidated balance sheets at the respective fiscal year ends were (in thousands):

	October 28, 2018		October 29, 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Term loan credit facility, due February 2025 and June 2022, respectively	**$ 412,925**	**$ 412,409**	$ 144,147	$ 144,147
8.25% senior notes, due January 2023	—	—	250,000	267,500

The fair values of the term loan credit facilities and 8.25% senior notes were based on recent trading activities of comparable market instruments, which are level 2 inputs.

Fair Value Measurements

ASC Subtopic 820-10, *Fair Value Measurements and Disclosures*, requires us to use valuation techniques to measure fair value that maximize the use of observable inputs and minimize the use of unobservable inputs. These inputs are prioritized as follows:

Level 1: Observable inputs such as quoted prices for identical assets or liabilities in active markets.

Level 2: Other inputs that are observable directly or indirectly, such as quoted prices for similar assets or liabilities or market-corroborated inputs.

Level 3: Unobservable inputs for which there is little or no market data and which require us to develop our own assumptions about how market participants would price the assets or liabilities.

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at October 28, 2018 and October 29, 2017.

Money market: Money market funds have original maturities of three months or less. The original cost of these assets approximates fair value due to their short-term maturity.

Mutual funds: Mutual funds are valued at the closing price reported in the active market in which the mutual fund is traded.

Assets held for sale: Assets held for sale are valued based on current market conditions, prices of similar assets in similar condition and expected proceeds from the sale of the assets.

Deferred compensation plan liability: Deferred compensation plan liability is comprised of phantom investments in the deferred compensation plan and is valued at the closing price reported in the active markets in which the money market and mutual funds are traded.

The following tables summarize information regarding our financial assets and liabilities that are measured at fair value on a recurring basis as of October 28, 2018 and October 29, 2017, segregated by level of the valuation inputs within the fair value hierarchy utilized to measure fair value (in thousands):

	Recurring fair value measurements			
	October 28, 2018			
	Level 1	Level 2	Level 3	Total
Assets:				
Short-term investments in deferred compensation plan[1]:				
Money market	$ 369	$ —	$ —	$ 369
Mutual funds – Growth	1,118	—	—	1,118
Mutual funds – Blend	2,045	—	—	2,045
Mutual funds – Foreign blend	812	—	—	812
Mutual funds – Fixed income	—	941	—	941
Total short-term investments in deferred compensation plan	4,344	941	—	5,285
Total assets	$ 4,344	$ 941	$ —	$ 5,285
Liabilities:				
Deferred compensation plan liability	$ —	$ 4,639	$ —	$ 4,639
Total liabilities	$ —	$ 4,639	$ —	$ 4,639

	Recurring fair value measurements			
	October 29, 2017			
	Level 1	Level 2	Level 3	Total
Assets:				
Short-term investments in deferred compensation plan[1]:				
Money market	$ 1,114	$ —	$ —	$ 1,114
Mutual funds – Growth	958	—	—	958
Mutual funds – Blend	1,948	—	—	1,948
Mutual funds – Foreign blend	915	—	—	915
Mutual funds – Fixed income	—	1,546	—	1,546
Total short-term investments in deferred compensation plan	4,935	1,546	—	6,481
Total assets	$ 4,935	$ 1,546	$ —	$ 6,481
Liabilities:				
Deferred compensation plan liability	$ —	$ 4,923	$ —	$ 4,923
Total liabilities	$ —	$ 4,923	$ —	$ 4,923

(1) The unrealized holding gain (loss) was insignificant for the fiscal years ended October 28, 2018 and October 29, 2017.

15. INCOME TAXES

Income tax expense is based on pretax financial accounting income. Deferred income taxes are recognized for the temporary differences between the recorded amounts of assets and liabilities for financial reporting purposes and such amounts for income tax purposes.

The income tax provision for the fiscal years ended 2018, 2017 and 2016, consisted of the following (in thousands):

	Fiscal Year Ended		
	October 28, 2018	**October 29, 2017**	**October 30, 2016**
Current:			
Federal	**$ 16,850**	$ 23,885	$ 22,602
State	**3,483**	3,218	3,179
Foreign	**545**	445	838
Total current	**20,878**	27,548	26,619
Deferred:			
Federal	**(2,937)**	(358)	105
State	**565**	769	1,380
Foreign	**1,483**	455	(167)
Total deferred	**(889)**	866	1,318
Total provision	**$ 19,989**	$ 28,414	$ 27,937

The reconciliation of income tax computed at the United States federal statutory tax rate to the effective income tax rate is as follows:

	Fiscal Year Ended		
	October 28, 2018	**October 29, 2017**	**October 30, 2016**
Statutory federal income tax rate	**23.3 %**	35.0 %	35.0 %
State income taxes	**4.2 %**	3.2 %	3.8 %
Production activities deduction	**(1.7)%**	(3.1)%	(3.4)%
Non-deductible expenses	**0.2 %**	0.9 %	1.3 %
Revaluation of U.S. deferred income tax due to statutory rate reduction	**(1.2)%**	— %	— %
One-time repatriation tax on foreign earnings	**0.6 %**	— %	— %
Other	**(1.3)%**	(1.8)%	(1.3)%
Effective tax rate	**24.1 %**	34.2 %	35.4 %

The decrease in the effective tax rate for the fiscal year ended October 28, 2018 is a result of the net impact of the Tax Cuts and Jobs Act (“U.S. Tax Reform”) which was enacted by the United States on December 22, 2017. U.S. Tax Reform incorporates significant changes to U.S. corporate income tax laws including, among other things, a reduction in the federal statutory corporate income tax rate from 35% to 21%, an exemption for dividends received from certain foreign subsidiaries, a one-time repatriation tax on deemed repatriated earnings from foreign subsidiaries, immediate expensing of certain depreciable tangible assets, limitations on the deduction for net interest expense and certain executive compensation and the repeal of the Domestic Production Activities Deduction. The majority of these changes will be effective for the Company’s fiscal year beginning October 29, 2018. However, the corporate income tax rate reduction is effective December 22, 2017. As such, the Company’s statutory federal corporate income tax rate for the fiscal year ended October 28, 2018 is 23.3%. In addition, the one-time repatriation tax was recognized by the Company for the tax year ended October 28, 2018.

Under ASC Topic 740, Income Taxes ("ASC 740"), a company is generally required to recognize the effect of changes in tax laws in its financial statements in the period in which the legislation is enacted. U.S. income tax laws are deemed to be effective on the date the president signs tax legislation. The President signed the U.S. Tax Reform legislation on December 22, 2017. In acknowledgment of the substantial changes incorporated in the U.S. Tax Reform, the SEC staff issued Staff Accounting Bulletin 118 (“SAB 118”) to provide certain guidance in determining the accounting for income tax effects of the legislation in the accounting period of enactment as well as provide a measurement period within which to finalize and reflect such final effects associated with U.S. Tax Reform. Further, SAB 118 summarizes a three-step approach to be applied each reporting period within the overall measurement period: (1) amounts should be reflected in the period including the date of enactment for those items which are deemed to be complete, (2) to the extent the effects of certain changes due to U.S. Tax Reform for which the accounting is not deemed complete but for which a reasonable estimate can be determined, such provisional amount(s) should be reflected in the period so determined and adjusted in subsequent periods as such effects are finalized and (3) to the extent a reasonable estimate cannot be determined for a specific effect of the tax law change associated with U.S. Tax Reform, no provisional amount should be recorded but rather, continue to apply ASC 740 based upon the tax law in effect prior to the enactment of U.S. Tax Reform.

Such measurement period is deemed to end when all necessary information has been obtained, prepared and analyzed such that a final accounting determination can be concluded, but in no event should the period extend beyond one year.

In consideration of this guidance, the Company obtained, prepared and analyzed various information associated with the enactment of U.S. Tax Reform. Based upon this review, the Company recognized an estimated income tax benefit with respect to U.S. Tax Reform of $0.6 million. This net income tax benefit reflects a $1.0 million net estimated income tax benefit associated with the remeasurement of the Company's net U.S. deferred tax liability, partiality offset with a $0.5 million estimated income tax expense associated with the impact of the deemed repatriated earnings from the Company's foreign subsidiaries, including the one-time repatriation tax of $1.8 million. Due to the Company's fiscal year-end of October 28, 2018 and the timing of the various technical provisions provided for under U.S. Tax Reform, the financial statement impacts recorded in fiscal 2018 relating to U.S. Tax Reform are not deemed to be complete but rather are deemed to be reasonable, provisional estimates based upon the current available information. As such, the Company will continue to update and finalize the accounting for the tax effect of the enactment of U.S. Tax Reform in the next interim period in accordance with the guidance as outlined in SAB 118, as deemed necessary.

Deferred income taxes reflect the net impact of temporary differences between the amounts of assets and liabilities recognized for financial reporting purposes and such amounts recognized for income tax purposes. The tax effects of the temporary differences for fiscal 2018 and 2017 are as follows (in thousands):

	October 28, 2018	October 29, 2017
Deferred tax assets:		
Inventory obsolescence	**$ 2,161**	$ 2,680
Bad debt reserve	**1,007**	1,686
Accrued and deferred compensation	**14,828**	16,003
Accrued insurance reserves	**1,122**	1,816
Deferred revenue	**7,495**	10,260
Net operating loss and tax credit carryover	**1,815**	3,686
Depreciation and amortization	**536**	434
Pension	**2,842**	6,510
Other reserves	**863**	716
Total deferred tax assets	**32,669**	43,791
Less valuation allowance	**(11)**	—
Net deferred tax assets	**32,658**	43,791
Deferred tax liabilities:		
Depreciation and amortization	**(33,926)**	(42,632)
U.S. tax on unremitted foreign earnings	**—**	(1,107)
Other	**—**	(1,805)
Total deferred tax liabilities	**(33,926)**	(45,544)
Total deferred tax liability, net	**$ (1,268)**	$ (1,753)

We carry out our business operations through legal entities in the U.S., Canada, Mexico and Costa Rica, and carried out operations in China until the sale of our manufacturing facility in China during fiscal 2018. These operations require that we file corporate income tax returns that are subject to U.S., state and foreign tax laws. We are subject to income tax audits in these multiple jurisdictions.

As of October 28, 2018, the $1.8 million net operating loss and tax credit carryforward included $0.1 million for U.S. state loss carryforwards. The state net operating loss carryforwards will expire in 2019 to 2029, if unused. As of October 28, 2018, our foreign operations have a net operating loss carryforward of approximately $1.7 million, that will start to expire in fiscal 2028, if unused.

The following table represents the rollforward of the valuation allowance on deferred taxes activity for the fiscal years ended October 28, 2018, October 29, 2017 and October 30, 2016 (in thousands):

	October 28, 2018	October 29, 2017	October 30, 2016
Beginning balance	**$ —**	$ 210	$ 115
Additions (reductions)	**11**	(210)	95
Ending balance	**$ 11**	$ —	$ 210

Uncertain tax positions

There were no unrecognized tax benefits at October 28, 2018 and October 29, 2017. We do not anticipate any material change in the total amount of unrecognized tax benefits to occur within the next twelve months.

We recognize interest and penalties related to uncertain tax positions in income tax expense. To the extent accrued interest and penalties do not ultimately become payable, amounts accrued will be reduced and reflected as a reduction of the overall income tax provision in the period that such determination is made. We did not have any accrued interest and penalties related to uncertain tax positions as of October 28, 2018.

We file income tax returns in the U.S. federal jurisdiction and multiple state and foreign jurisdictions. Our tax years are closed with the IRS through the year ended October 28, 2014, as the statute of limitations related to these tax years has closed. In addition, open tax years related to state and foreign jurisdictions remain subject to examination but are not considered material.

16. ACCUMULATED OTHER COMPREHENSIVE LOSS

Accumulated other comprehensive loss consists of the following (in thousands):

	October 28, 2018	October 29, 2017
Foreign exchange translation adjustments	**$ (89)**	$ 3
Defined benefit pension plan actuarial losses, net of tax	**(6,619)**	(7,534)
Accumulated other comprehensive loss	**$ (6,708)**	$ (7,531)

17. OPERATING LEASE COMMITMENTS

We have operating lease commitments expiring at various dates, principally for real estate, office space, office equipment and transportation equipment. Certain of these operating leases have purchase options that entitle us to purchase the respective equipment at fair value at the end of the lease. In addition, many of our leases contain renewal options at rates similar to the current arrangements. As of October 28, 2018, future minimum rental payments related to noncancellable operating leases are as follows (in thousands):

2019	$ 13,951
2020	8,223
2021	6,202
2022	5,001
2023	3,928
Thereafter	7,693

Rental expense incurred from operating leases, including leases with terms of less than one year, for 2018, 2017 and 2016 was $20.1 million, $19.4 million and $17.8 million, respectively.

18. STOCK REPURCHASE PROGRAM

Our Board of Directors authorized two stock repurchase programs during the fiscal year ended October 30, 2016, which were publicly announced on January 20, 2016 and September 8, 2016. Together, these stock repurchase programs authorized for up to an aggregate of $106.3 million of the Company's Common Stock.

On July 18, 2016, the Company entered into an agreement with the CD&R Fund VIII Investor Group to repurchase approximately 2.9 million shares of our Common Stock for $45.0 million based on the price per share paid by the underwriters to the CD&R Fund VIII Investor Group in the 2016 Secondary Offering. The 2016 Stock Repurchase (as defined in Item 1. *Business)* represented a private, non-underwritten transaction between the Company and the CD&R Fund VIII Investor Group that was approved and recommended by the Affiliate Transactions Committee of our board of directors. The closing of the 2016 Stock Repurchase occurred on July 25, 2016 concurrently with the closing of the 2016 Secondary Offering. The 2016 Stock Repurchase was funded by the Company's cash on hand. In addition to the 2016 Stock Repurchase, the Company repurchased 1.6 million shares of its Common Stock for $17.9 million during fiscal 2016 through open-market purchases under the authorized stock repurchase programs.

On October 10, 2017 and March 7, 2018, the Company announced that its Board of Directors authorized new stock repurchase programs for up to an aggregate of $50.0 million and $50.0 million, respectively, of the Company's Common Stock.

During fiscal 2017 and fiscal 2018, the Company repurchased 2.8 million shares of its Common Stock for $41.2 million and 2.7 million shares of its Common Stock for $46.7 million, respectively, through open-market purchases under the authorized stock repurchase programs. The fiscal 2018 repurchases included 1.15 million shares for $22.3 million purchased pursuant to the CD&R Fund VIII Investor Group 2017 Secondary Offering (see Note 12 — CD&R Fund VIII Investor Group). As of October 28, 2018, approximately $55.6 million remains available for stock repurchases under the programs authorized on October 10, 2017 and March 7, 2018. The authorized programs have no time limit on their duration, but our Pre-merger Term Credit Agreement and Pre-merger ABL Credit Agreement apply certain limitations on our repurchase of shares of our Common Stock. The timing and method of any repurchases, which will depend on a variety of factors, including market conditions, are subject to results of operations, financial conditions, cash requirements and other factors, and may be suspended or discontinued at any time.

In addition to the Common Stock repurchases, the Company also withheld shares of restricted stock to satisfy minimum tax withholding obligations arising in connection with the vesting of restricted stock units, which are included in treasury stock purchases in the consolidated statements of stockholders' equity.

The Company canceled 4.0 million of the total shares repurchased during fiscal 2016 as well as 0.4 million shares repurchased in prior fiscal years that had been held in treasury stock, resulting in a $62.3 million decrease in both additional paid in capital and treasury stock during the fiscal year ended October 30, 2016. During the fiscal year ended October 29, 2017, the Company canceled 3.0 million of the total shares repurchased during fiscal 2017 as well as 0.4 million shares repurchased in the prior fiscal year that had been held in treasury stock, resulting in a $50.6 million decrease in both additional paid in capital and treasury stock. During fiscal year ended October 28, 2018, the Company canceled 2.7 million shares repurchased under stock repurchase programs and canceled 0.3 million shares of stock that are included in treasury stock purchases and were used to satisfy minimum tax withholding obligations arising in connection with the vesting of stock awards, resulting in a total $51.8 million decrease in both additional paid in capital and treasury stock.

Changes in treasury stock, at cost, were as follows (in thousands):

	Number of Shares	Amount
Balance, November 1, 2015	447	$ 7,523
Purchases	4,590	64,015
Issuance of restricted stock	162	—
Retirements	(4,424)	(62,279)
Balance, October 30, 2016	775	$ 9,259
Purchases	2,958	43,603
Issuance of restricted stock	20	—
Retirements	(3,444)	(50,587)
Deferred compensation obligation	(18)	(135)
Balance, October 29, 2017	291	$ 2,140
Purchases	2,939	51,773
Issuance of restricted stock	(181)	—
Retirements	(2,939)	(51,772)
Deferred compensation obligation	(49)	(954)
Balance, October 28, 2018	**61**	**$ 1,187**

19. EMPLOYEE BENEFIT PLANS

Defined Contribution Plan — We have a 401(k) profit sharing plan (the "Savings Plan") that allows participation for all eligible employees. The Savings Plan allows us to match between 50% and 100% of the participant's contributions up to 6% of a participant's pre-tax deferrals, based on a calculation of the Company's annual return-on-assets. Contributions expense for the fiscal years ended October 28, 2018, October 29, 2017 and October 30, 2016 was $7.6 million, $6.1 million and $5.7 million, respectively, for matching contributions to the Savings Plan.

Deferred Compensation Plan — We have an Amended and Restated Deferred Compensation Plan (as amended and restated, the "Deferred Compensation Plan") that allows our officers and key employees to defer up to 80% of their annual salary and up to 90% of their bonus on a pre-tax basis until a specified date in the future, including at or after retirement. Additionally, the Deferred Compensation Plan allows our directors to defer up to 100% of their annual fees and meeting attendance fees until a specified date in the future, including at or after retirement. The Deferred Compensation Plan also permits us to make contributions on behalf of our key employees who are impacted by the federal tax compensation limits under the NCI 401(k) plan, and to receive a restoration matching amount which, under the current NCI 401(k) terms, mirrors our 401(k) profit sharing plan matching levels based on our Company's performance. The Deferred Compensation Plan provides for us to make discretionary contributions to employees who have elected to defer compensation under the plan. Deferred Compensation Plan participants will vest in our discretionary contributions ratably over three years from the date of each of our discretionary contributions.

On February 26, 2016, the Company amended its Deferred Compensation Plan, with an effective date of January 31, 2016, to require that amounts deferred into the Company Stock Fund remain invested in the Company Stock Fund until distribution. In accordance with the terms of the Deferred Compensation Plan, the deferred compensation obligation related to the Company's stock may only be settled by the delivery of a fixed number of the Company's common shares held on the participant's behalf. The deferred compensation obligation related to the Company Stock Fund recorded within equity in additional paid-in capital on the consolidated balance sheet was $0.7 million and $1.3 million as of October 28, 2018 and October 29, 2017, respectively. Subsequent changes in the fair value of the deferred compensation obligation classified within equity are not recognized. Additionally, the Company currently holds 60,813 shares in treasury shares, relating to deferred, vested awards, until participants are eligible to receive benefits under the terms of the Deferred Compensation Plan.

As of October 28, 2018 and October 29, 2017, the liability balance of the Deferred Compensation Plan was $4.6 million and $4.9 million, respectively, and was included in accrued compensation and benefits on the consolidated balance sheets. We have not made any discretionary contributions to the Deferred Compensation Plan.

A rabbi trust is used to fund the Deferred Compensation Plan and an administrative committee manages the Deferred Compensation Plan and its assets. The investments in the rabbi trust were $5.3 million and $6.5 million as of October 28, 2018 and October 29, 2017, respectively. The rabbi trust investments include debt and equity securities as well as cash equivalents and are accounted for as trading securities.

Defined Benefit Plans — With the acquisition of RCC on April 7, 2006, we assumed a defined benefit plan (the "RCC Pension Plan"). Benefits under the RCC Pension Plan are primarily based on years of service and the employee's compensation. The RCC Pension Plan is frozen and, therefore, employees do not accrue additional service benefits. Plan assets of the RCC Pension Plan are invested in broadly diversified portfolios of government obligations, mutual funds, stocks, bonds, fixed income securities, master limited partnerships and hedge funds. In accordance with ASC Topic 805, we quantified the projected benefit obligation and fair value of the plan assets of the RCC Pension Plan and recorded the difference between these two amounts as an assumed liability.

As a result of the CENTRIA Acquisition on January 16, 2015, we assumed noncontributory defined benefit plans covering certain hourly employees (the "CENTRIA Benefit Plans"). Benefits under the CENTRIA Benefit Plans are calculated based on fixed amounts for each year of service rendered. CENTRIA also sponsors postretirement medical and life insurance plans that cover certain of its employees and their spouses (the "OPEB Plans"). The contributions to the OPEB Plans by retirees vary from none to 25% of the total premiums paid. Plan assets of the CENTRIA Benefit Plans are invested in broadly diversified portfolios of equity mutual funds, international equity mutual funds, bonds, mortgages and other funds. Currently, our policy is to fund the CENTRIA Benefit Plans as required by minimum funding standards of the Internal Revenue Code. In accordance with ASC Topic 805, we remeasured the projected benefit obligation and fair value of the plan assets of the CENTRIA Benefits Plans and OPEB Plans. The difference between the two amounts was recorded as an assumed liability.

In addition to the CENTRIA Benefit Plans, CENTRIA contributes to a multi-employer plan, the Steelworkers Pension Trust. The minimum required annual contribution to this plan is $0.3 million. The current contract expires on June 1, 2019. If we were to withdraw our participation from this multi-employer plan, CENTRIA may be required to pay a withdrawal liability representing an amount based on the underfunded status of the plan. The plan is not significant to the Company's consolidated financial statements.

We refer to the RCC Pension Plan and the CENTRIA Benefit Plans collectively as the "Defined Benefit Plans" in this Note.

Assumptions—Weighted average actuarial assumptions used to determine benefit obligations were as follows:

	October 28, 2018		October 29, 2017	
	Defined Benefit Plans	OPEB Plans	Defined Benefit Plans	OPEB Plans
Discount rate	**4.40%**	**4.20%**	3.64%	3.40%

Weighted average actuarial assumptions used to determine net periodic benefit cost (income) were as follows:

	October 28, 2018		October 29, 2017	
	Defined Benefit Plans	OPEB Plans	Defined Benefit Plans	OPEB Plans
Discount rate	**3.64%**	**3.40%**	3.64%	3.25%
Expected return on plan assets	**6.19%**	**n/a**	6.18%	n/a
Health care cost trend rate-initial	**n/a**	**7.50%**	n/a	7.00%
Health care cost trend rate-ultimate	**n/a**	**4.00%**	n/a	5.00%

The basis used to determine the overall expected long-term asset return assumption for the Defined Benefit Plans was a 10-year forecast of expected return based on the target asset allocation for the plans. The weighted average expected return for the portfolio over the forecast period is 6.19%, net of investment related expenses, and taking into consideration historical experience, anticipated asset allocations, investment strategies and the views of various investment professionals.

The health care cost trend rate for the OPEB Plans was assumed at 6.5% for years 2019 to 2024, 5.5% for years 2025 to 2035, 5.0% for years 2036 to 2051 and approximately 4.0% per year thereafter.

Funded status—The changes in the projected benefit obligation, plan assets and funded status, and the amounts recognized on our consolidated balance sheets were as follows (in thousands):

	October 28, 2018			October 29, 2017		
Change in projected benefit obligation	**Defined Benefit Plans**	**OPEB Plans**	**Total**	**Defined Benefit Plans**	**OPEB Plans**	**Total**
Accumulated benefit obligation	**$ 51,032**	**$ 7,354**	**$ 58,386**	$ 56,378	$ 7,698	$ 64,076
Projected benefit obligation – beginning of fiscal year	**$ 56,378**	**$ 7,698**	**$ 64,076**	$ 58,551	$ 8,347	$ 66,898
Interest cost	**1,976**	**247**	**2,223**	2,055	257	2,312
Service cost	**87**	**28**	**115**	97	36	133
Benefit payments	**(3,838)**	**(822)**	**(4,660)**	(3,681)	(546)	(4,227)
Plan amendments	**—**	**—**	**—**	275	—	275
Actuarial (gains) losses	**(3,571)**	**203**	**(3,368)**	(919)	(396)	(1,315)
Projected benefit obligation – end of fiscal year	**$ 51,032**	**$ 7,354**	**$ 58,386**	$ 56,378	$ 7,698	$ 64,076

	October 28, 2018			October 29, 2017		
Change in plan assets	**Defined Benefit Plans**	**OPEB Plans**	**Total**	**Defined Benefit Plans**	**OPEB Plans**	**Total**
Fair value of assets – beginning of fiscal year	**$ 49,564**	**$ —**	**$ 49,564**	$ 46,160	$ —	$ 46,160
Actual return on plan assets	**(263)**	**—**	**(263)**	5,041	—	5,041
Company contributions	**2,262**	**822**	**3,084**	2,044	546	2,590
Benefit payments	**(3,838)**	**(822)**	**(4,660)**	(3,681)	(546)	(4,227)
Fair value of assets – end of fiscal year	**$ 47,725**	**$ —**	**$ 47,725**	$ 49,564	$ —	$ 49,564

	October 28, 2018			October 29, 2017		
Funded status	**Defined Benefit Plans**	**OPEB Plans**	**Total**	**Defined Benefit Plans**	**OPEB Plans**	**Total**
Fair value of assets	**$ 47,725**	**$ —**	**$ 47,725**	$ 49,564	$ —	$ 49,564
Benefit obligation	**51,032**	**7,354**	**58,386**	56,378	7,698	64,076
Funded status	**$ (3,307)**	**$ (7,354)**	**$ (10,661)**	$ (6,814)	$ (7,698)	$ (14,512)

Benefit obligations in excess of fair value of assets of $10.7 million and $14.5 million as of October 28, 2018 and October 29, 2017, respectively, are included in other long-term liabilities on the consolidated balance sheets.

Plan assets—The investment policy is to maximize the expected return for an acceptable level of risk. Our expected long-term rate of return on plan assets is based on a target allocation of assets, which is based on our goal of earning the highest rate of return while maintaining risk at acceptable levels.

As of October 28, 2018 and October 29, 2017, the weighted average asset allocations by asset category for the Defined Benefit Plans were as follows (in thousands):

Investment type	October 28, 2018	October 29, 2017
Equity securities	**55%**	58%
Debt securities	**7%**	35%
Master limited partnerships	**3%**	3%
Cash and cash equivalents	**31%**	1%
Real estate	**3%**	2%
Other	**1%**	1%
Total	**100%**	100%

The principal investment objectives are to ensure the availability of funds to pay pension and postretirement benefits as they become due under a broad range of future economic scenarios, to maximize long-term investment return with an acceptable level of risk based on our pension and postretirement obligations, and to be sufficiently diversified across and within the capital markets to mitigate the risk of adverse or unexpected results from one security class will not have an unduly detrimental. Each asset class has broadly diversified characteristics. Decisions regarding investment policy are made with an understanding of the effect of asset allocation on funded status, future contributions and projected expenses.

The plans strive to have assets sufficiently diversified so that adverse or unexpected results from one security class will not have an unduly detrimental impact on the entire portfolio. We regularly review our actual asset allocation and the investments are periodically rebalanced to our target allocation when considered appropriate. We have set the target asset allocation for the RCC Pension Plan as follows: 45% US bonds, 17% large cap US equities, 13% foreign equity, 5% master limited partnerships, 2% commodity futures, 4% real estate investment trusts, 8% emerging markets and 6% small cap US equities. The CENTRIA Benefit Plans have a target asset allocation of approximately 80%-85% equities and 15%-20% fixed income.

The fair values of the assets of the Defined Benefit Plans at October 28, 2018 and October 29, 2017, by asset category and by levels of fair value, as further defined in Note 14 — Fair Value of Financial Instruments and Fair Value Measurements were as follows (in thousands):

	October 28, 2018			October 29, 2017		
Asset category	Level 1	Level 2	Total	Level 1	Level 2	Total
Cash and cash equivalents	**$ 14,774**	**$ —**	**$ 14,774**	$ 463	$ —	$ 463
Mutual funds:						
Growth funds	**7,235**	**—**	**7,235**	7,262	—	7,262
Real estate funds	**1,245**	**—**	**1,245**	1,236	—	1,236
Commodity linked funds	**528**	**—**	**528**	544	—	544
Equity income funds	**5,043**	**—**	**5,043**	4,767	—	4,767
Index funds	**3,036**	**35**	**3,071**	2,763	110	2,873
International equity funds	**253**	**1,543**	**1,796**	260	1,726	1,986
Fixed income funds	**1,745**	**1,518**	**3,263**	1,742	1,739	3,481
Master limited partnerships	**1,448**	**—**	**1,448**	1,506	—	1,506
Government securities	**—**	**—**	**—**	—	6,400	6,400
Corporate bonds	**—**	**—**	**—**	—	7,301	7,301
Common/collective trusts	**—**	**9,322**	**9,322**	—	11,745	11,745
Total	**$ 35,307**	**$ 12,418**	**$ 47,725**	$ 20,543	$ 29,021	$ 49,564

Net periodic benefit cost (income)—The components of the net periodic benefit cost (income) were as follows (in thousands):

	October 28, 2018		October 29, 2017		October 30, 2016	
	Defined Benefit Plans	OPEB Plans	Defined Benefit Plans	OPEB Plans	Defined Benefit Plans	OPEB Plans
Interest cost	**$ 1,976**	**$ 247**	$ 2,055	$ 257	$ 2,354	$ 261
Service cost	**87**	**28**	97	36	137	34
Expected return on assets	**(2,916)**	**—**	(2,798)	—	(2,979)	—
Amortization of prior service credit	**58**	**—**	(9)	—	(9)	—
Amortization of net actuarial loss	**991**	**—**	1,374	—	1,170	—
Net periodic benefit cost	**$ 196**	**$ 275**	$ 719	$ 293	$ 673	$ 295

The amounts in accumulated other comprehensive income that have not yet been recognized as components of net periodic benefit income are as follows (in thousands):

	October 28, 2018			October 29, 2017		
	Defined Benefit Plans	OPEB Plans	Total	Defined Benefit Plans	OPEB Plans	Total
Unrecognized net actuarial loss	**$ 10,083**	**$ 578**	**$ 10,661**	$ 11,468	$ 375	$ 11,843
Unrecognized prior service credit	**195**	**—**	**195**	252	—	252
Total	**$ 10,278**	**$ 578**	**$ 10,856**	$ 11,720	$ 375	$ 12,095

Unrecognized actuarial gains, net of income tax, of $0.9 million and $2.8 million during fiscal 2018 and 2017, respectively, are included in other comprehensive income (loss) in the consolidated statements of comprehensive income.

The changes in plan assets and benefit obligation recognized in other comprehensive income are as follows (in thousands):

	October 28, 2018		October 29, 2017		October 30, 2016	
	Defined Benefit Plans	OPEB Plans	Defined Benefit Plans	OPEB Plans	Defined Benefit Plans	OPEB Plans
Net actuarial gain (loss)	**$ 392**	**$ (203)**	$ 3,144	$ 396	$ (3,443)	$ (911)
Amortization of net actuarial loss	**991**	**—**	1,374	—	1,170	—
Amortization of prior service cost (credit)	**58**	**—**	(9)	—	(9)	—
New prior service cost	**—**	**—**	(276)	—	—	—
Total recognized in other comprehensive income (loss)	**$ 1,441**	**$ (203)**	$ 4,233	$ 396	$ (2,282)	$ (911)

The estimated amortization for the next fiscal year for amounts reclassified from accumulated other comprehensive income into the consolidated income statement is as follows (in thousands):

	October 28, 2018		
	Defined Benefit Plans	OPEB Plans	Total
Amortization of prior service credit	**$ (143)**	**$ —**	**$ (143)**
Amortization of net actuarial loss	**1,111**	**—**	**1,111**
Total estimated amortization	**$ 968**	**$ —**	**$ 968**

Actuarial gains and losses are amortized using the corridor method based on 10% of the greater of the projected benefit obligation or the market related value of assets over the average remaining service period of active employees.

We expect to contribute $1.2 million to the Defined Benefit Plans in fiscal 2019. We expect the following benefit payments to be made (in thousands):

Fiscal years ending	Defined Benefit Plans	OPEB Plans	Total
2019	$ 4,222	$ 875	$ 5,097
2020	3,954	798	4,752
2021	3,923	704	4,627
2022	3,847	600	4,447
2023	4,053	609	4,662
2024 - 2028	17,883	2,134	20,017

20. OPERATING SEGMENTS

Operating segments are defined as components of an enterprise that engage in business activities and by which discrete financial information is available and is evaluated on a regular basis by the chief operating decision maker to make decisions regarding the allocation of resources to the segment and assess the performance of the segment. For the transition period ended December 31, 2018, the Company began reporting results under new reportable segments to align with how the Company will manage its business, review operating performance and allocate resources following the merger with Ply Gem. We have revised our segment reporting to represent how we now manage our business, recasting prior periods to conform to the current segment presentation.

Subsequent to the Merger, we have three reportable segments: (i) Commercial; (ii) Siding; and (iii) Windows. The Commercial segment includes the operating results of the legacy NCI businesses - Engineered Building Systems; Metal Components; Insulated Metal Panels; and Metal Coil Coating, which operate primarily in the nonresidential construction market. The Siding and Windows segments, which result from the Merger, will include the operating results of the legacy Ply Gem operating segments. For the fiscal year ended October 28, 2018 there were no operations within the Siding and Windows segments.

We evaluate a segment's performance based primarily upon operating income before corporate expenses.

Corporate assets consist primarily of cash, investments, prepaid expenses, current and 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, strategic sourcing, marketing and corporate travel expenses. Additional unallocated amounts primarily include interest income, interest expense, loss on extinguishment of debt and other (expense) income.

The following table represents summary financial data attributable to these operating segments for the periods indicated (in thousands):

	Fiscal Year Ended		
	October 28, 2018	October 29, 2017	October 30, 2016
Operating income (loss):			
Commercial	**$ 230,365**	$ 189,547	$ 189,830
Corporate	**(104,445)**	(79,767)	(81,051)
Total operating income	**$ 125,920**	$ 109,780	$ 108,779
Unallocated other expense	**(42,825)**	(26,642)	(29,815)
Income before income taxes	**$ 83,095**	$ 83,138	$ 78,964
Depreciation and amortization:			
Commercial	**$ 40,536**	$ 40,488	$ 40,857
Corporate	**1,789**	830	1,067
Total depreciation and amortization expense	**$ 42,325**	$ 41,318	$ 41,924
Capital expenditures:			
Commercial	**$ 36,943**	$ 20,348	$ 18,509
Corporate	**10,884**	1,726	2,515
Total capital expenditures	**$ 47,827**	$ 22,074	$ 21,024
Property, plant and equipment, net:			
Commercial	**$ 217,260**	$ 217,344	$ 231,822
Corporate	**18,980**	9,651	10,390
Total property, plant and equipment, net	**$ 236,240**	$ 226,995	$ 242,212
Total assets:			
Commercial	**$ 1,024,433**	$ 937,149	$ 935,918
Corporate	**85,942**	93,963	89,478
Total assets	**$ 1,110,375**	$ 1,031,112	$ 1,025,396

The following table represents summary financial data attributable to various geographic regions for the periods indicated (in thousands):

	Fiscal Year Ended		
	October 28, 2018	October 29, 2017	October 30, 2016
Total sales:			
United States of America	**$ 1,874,129**	$ 1,666,645	$ 1,589,479
Canada	**99,306**	73,090	61,781
China	**4**	8,923	6,733
Mexico	**2,460**	4,910	4,060
All other	**24,678**	16,710	22,875
Total net sales	**$ 2,000,577**	$ 1,770,278	$ 1,684,928
Long-lived assets:			
United States of America	**$ 494,425**	$ 493,203	$ 523,134
Canada	**7,041**	8,180	9,247
China	**—**	448	170
Mexico	**10,594**	10,603	10,701
Total long-lived assets	**$ 512,060**	$ 512,434	$ 543,252

Sales are determined based on customers’ requested shipment location.

21. CONTINGENCIES

As a manufacturer of products primarily for use in nonresidential building construction, the Company is 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, the Company and/or its subsidiaries become involved in various legal proceedings or other contingent matters arising from claims, or potential claims. The Company insures against these risks to the extent deemed prudent by its management and to the extent insurance is available. Many of these insurance policies contain deductibles or self-insured retentions in amounts the Company deems prudent and for which the Company is responsible for payment. In determining the amount of self-insurance, it is the Company's 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.

22. QUARTERLY RESULTS (Unaudited)

Shown below are selected unaudited quarterly data (in thousands, except per share data):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
FISCAL YEAR 2018				
Sales	**$ 421,349**	**$ 457,069**	**$ 548,525**	**$ 573,634**
Gross profit	**$ 91,917**	**$ 104,083**	**$ 133,401**	**$ 133,281**
Net income (loss)	**$ 5,249**	**$ (5,684)**	**$ 35,986**	**$ 27,555**
Net income allocated to participating securities	**$ (38)**	**$ —**	**$ (221)**	**$ (138)**
Net income (loss) applicable to common shares[3]	**$ 5,211**	**$ (5,684)**	**$ 35,765**	**$ 27,417**
Income (loss) per common share:[1][2]				
Basic	**$ 0.08**	**$ (0.09)**	**$ 0.54**	**$ 0.41**
Diluted	**$ 0.08**	**$ (0.09)**	**$ 0.54**	**$ 0.41**
FISCAL YEAR 2017				
Sales	$ 391,703	$ 420,464	$ 469,385	$ 488,726
Gross profit	$ 83,951	$ 100,839	$ 114,969	$ 116,305
Net income	$ 2,039	$ 16,974	$ 18,221	$ 17,490
Net income allocated to participating securities	$ (8)	$ (115)	$ (102)	$ (78)
Net income applicable to common shares[3]	$ 2,031	$ 16,859	$ 18,119	$ 17,412
Income per common share:[1][2]				
Basic	$ 0.03	$ 0.24	$ 0.26	$ 0.25
Diluted	$ 0.03	$ 0.24	$ 0.25	$ 0.25

(1) The sum of the quarterly income per share amounts may not equal the annual amount reported, as per share amounts are computed independently for each quarter and for the full year based on the respective weighted average common shares outstanding.

(2) Excludes net income allocated to participating securities. The participating securities are treated as a separate class in computing earnings per share (see Note 8 — Earnings per Common Share).

(3) The quarterly income before income taxes were impacted by the following special income (expense) items:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
FISCAL YEAR 2018				
Loss on extinguishment of debt	**$ —**	**$ (21,875)**	**$ —**	**$ —**
(Loss) gain on disposition of business	**—**	**(6,686)**	**1,013**	**—**
Restructuring and impairment charges, net	**(1,094)**	**(488)**	**439**	**(769)**
Strategic development and acquisition related costs	**(727)**	**(1,134)**	**(3,642)**	**(11,661)**
Acceleration of CEO retirement benefits	**(4,600)**	**—**	**—**	**—**
Gain on insurance recovery	**—**	**—**	**4,741**	**—**
Discrete tax effects of U.S. tax reform	**323**	**—**	**—**	**—**
Total special income (expense) items in income before income taxes	**$ (6,098)**	**$ (30,183)**	**$ 2,551**	**$ (12,430)**
FISCAL YEAR 2017				
Goodwill impairment	$ —	$ —	$ —	$ (6,000)
Restructuring charges and impairment charges, net	(2,264)	(315)	(1,009)	(1,710)
Strategic development and acquisition related costs	(357)	(124)	(1,297)	(193)
Loss on sale of assets and asset recovery	—	(137)	—	—
Gain on insurance recovery	—	9,601	148	—
Unreimbursed business interruption costs	—	(191)	(235)	(28)
Total special income (expense) items in income before income taxes	$ (2,621)	$ 8,834	$ (2,393)	$ (7,931)

23. SUBSEQUENT EVENTS

Merger with Ply Gem

On July 17, 2018, we entered into an Agreement and Plan of Merger (the "Merger Agreement") with Ply Gem Parent, LLC ("Ply Gem"), and for certain limited purposes as set forth in the Merger Agreement, Clayton, Dubilier & Rice, LLC, pursuant to which Ply Gem would be merged with and into NCI, with NCI surviving the Merger and continuing its corporate existence (the "Merger"). On November 15, 2018, at a special meeting of shareholders of NCI, NCI's shareholders approved the Merger Agreement and the issuance of 58,709,067 shares of NCI common stock, par value $0.01 per share ("NCI Common Stock") in the aggregate, on a pro rata basis, to the holders of all of the equity interests in Ply Gem (the "Stock Issuance"), representing approximately 47% of the total number of shares of NCI Common Stock outstanding after closing. The Merger was consummated on November 16, 2018 and the total value of shares of NCI Common Stock issued pursuant to the Stock Issuance was approximately $713.9 million based on the number of shares issued multiplied by the NCI closing share price of $12.16 on November 16, 2018 (the "Acquisition date").

In connection with the Merger, on November 16, 2018, NCI assumed (i) the obligations of the company formerly known as Ply Gem Midco, Inc. ("Ply Gem Midco"), a subsidiary of Ply Gem immediately prior to the consummation of the Merger, as borrower under the Current Cash Flow Credit Agreement (as defined below), (ii) the obligations of Ply Gem Midco as parent borrower under the Current ABL Credit Agreement (as defined below) and (iii) the obligations of Ply Gem Midco as issuer under the Current Indenture (as defined below).

On April 12, 2018, Ply Gem Midco entered into a Cash Flow Credit Agreement (the "Current Cash Flow Credit Agreement"), by and among Ply Gem Midco, JPMorgan Chase Bank, N.A., as administrative agent and collateral agent (the "Current Cash Flow Agent"), and the several banks and other financial institutions from time to time party thereto. As of November 16, 2018, immediately prior to the Merger, the Cash Flow Credit Agreement provided for (i) a term loan facility (the "Current Term Loan Facility") in an original aggregate principal amount of $1,755.0 million and (ii) a cash flow-based revolving credit facility (the "Current Cash Flow Revolver" and together with the Current Term Loan Facility, the "Current Cash Flow Facilities") of up to $115.0 million.

On November 16, 2018, Ply Gem Midco entered into a Lender Joinder Agreement, by and among Ply Gem Midco, the additional commitment lender party thereto and the Cash Flow Agent, which amended the Current Cash Flow Credit Agreement in order to, among other things, increase the aggregate principal amount of the Current Term Loan Facility by $805.0 million (the "Incremental Term Loans"). Proceeds of the Incremental Term Loans were used to, among other things, (a) finance the Merger and to pay certain fees, premiums and expenses incurred in connection therewith, (b) repay in full amounts outstanding under the Pre-merger Term Loan Credit Agreement and the Pre-merger ABL Credit Agreement (each as defined below) and (c) repay $325.0 million of borrowings outstanding under the Current ABL Facility (as defined below). On November 16, 2018, in connection with the consummation of the Merger, NCI and Ply Gem Midco entered into a joinder agreement with respect to the Current Cash Flow Facilities, and NCI became the Borrower (as defined in the Current Cash Flow Credit Agreement) under the Current Cash Flow Facilities. The Current Term Loan Facility amortizes in nominal quarterly installments equal to one percent of the aggregate initial principal amount thereof per annum, with the remaining balance payable upon final maturity of the Current Term Loan Facility on April 12, 2025. There are no amortization payments under the Current Cash Flow Revolver, and all borrowings under the Current Cash Flow Revolver mature on April 12, 2023. At November 16, 2018, following consummation of the Merger, there was $2,555.6 million outstanding under the Current Term Loan Facility and there were no amounts drawn on the Current Cash Flow Revolver.

On April 12, 2018, Ply Gem Midco and certain subsidiaries of Ply Gem Midco entered into an Current ABL Credit Agreement (the "Current ABL Credit Agreement"), by and among Ply Gem Midco, the subsidiary borrowers from time to time party thereto, UBS AG, Stamford Branch, as administrative agent and collateral agent (the "ABL Agent"), and the several banks and other financial institutions from time to time party thereto, which provided for an asset-based revolving credit facility (the "Current ABL Facility") of up to $360.0 million, consisting of (i) $285.0 million available to U.S. borrowers (subject to U.S. borrowing base availability) (the "ABL U.S. Facility") and (ii) $75.0 million available to both U.S. borrowers and Canadian borrowers (subject to U.S. borrowing base and Canadian borrowing base availability) (the "ABL Canadian Facility"). On October 15, 2018, Ply Gem Midco entered into Amendment No. 2 to the Current ABL Credit Agreement, by and among Ply Gem Midco, the incremental lender party thereto and the ABL Agent, which amended the Current ABL Credit Agreement in order to, among other things, increase the aggregate commitments under the Current ABL Facility by $36.0 million to $396.0 million overall, and with the (x) ABL U.S. Facility being increased from $285.0 million to $313.5 million and (y) the ABL Canadian Facility being increased from $75.0 million to $82.5 million. On November 16, 2018, Ply Gem Midco entered into Amendment No. 4 to the Current ABL Credit Agreement, by and among Ply Gem Midco, the incremental lenders party thereto and the ABL Agent, which amended the Current ABL Credit Agreement in order to, among other things, increase the aggregate commitments under the Current ABL Facility by $215.0 million (the "Incremental ABL Commitments") to $611.0 million overall, and with the (x) ABL U.S. Facility being increased from $313.5 million to approximately $483.7 million and (y) the ABL Canadian Facility being increased from $82.5 million to approximately $127.3 million. On November 16, 2018, in connection with the consummation of the Merger, NCI and Ply Gem Midco entered into a joinder agreement with respect to the Current ABL Facility, and NCI became the Parent Borrower (as defined in the Current ABL Credit Agreement) under the Current ABL Facility. The Company and, at the Company's option, certain of the Company's subsidiaries are the borrowers under the Current ABL Facility. As of November 16, 2018, and following consummation of the Merger, (a) Ply Gem Industries, Inc., Atrium Windows and Doors, Inc., NCI Group, Inc. and Robertson-Ceco II Corporation were U.S. subsidiary borrowers under the Current ABL Facility, and (b) Gienow Canada Inc., Mitten Inc., North Star Manufacturing (London) Ltd. and Robertson Building Systems Limited were Canadian borrowers under the Current ABL Facility. All borrowings under the Current ABL Facility mature on April 12, 2023. At November 16, 2018, following consummation of the Merger, there were no amounts drawn and $24.7 million of letters of credit issued under the Current ABL Facility.

On April 12, 2018, Ply Gem Midco issued $645.0 million aggregate principal amount of 8.00% Senior Notes due 2026 (the "8.00% Senior Notes"). The 8.00% Senior Notes were issued pursuant to an Indenture, dated as of April 12, 2018 (as supplemented from time to time, the "Current Indenture"), by and among Ply Gem Midco, as issuer, the subsidiary guarantors from time to time party thereto and Wilmington Trust, National Association, as trustee. On November 16, 2018, in connection with the consummation of the Merger, the Company entered into a supplemental indenture and assumed the obligations of Ply Gem Midco as issuer under the Current Indenture and the 8.00% Senior Notes. The 8.00% Senior Notes bear interest at 8.00% per annum and will mature on April 15, 2026. Interest is payable semi-annually in arrears on April 15 and October 15.

On November 16, 2018, in connection with the incurrence by Ply Gem Midco of the Incremental Term Loans and the obtaining by Ply Gem Midco of the Incremental ABL Commitments, following consummation of the Merger, the Company (a) terminated all outstanding commitments and repaid all outstanding amounts under the Term Loan Credit Agreement, dated as of February 8, 2018 (the "Pre-merger Term Loan Credit Agreement"), by and among the Company, as borrower, the several banks and other financial institutions from time to time party thereto and Credit Suisse AG, Cayman Islands Branch, as administrative agent and collateral agent, and (b) terminated all outstanding commitments and repaid all outstanding amounts under the ABL Credit

Agreement, dated as of February 8, 2018 (the "Pre-merger ABL Credit Agreement"), by and among NCI Group, Inc. and Robertson-Ceco II Corporation, as borrowers, the Company, as a guarantor, the other borrowers from time to time party thereto, the several banks and other financial institutions from time to time party thereto and Wells Fargo Bank, National Association, as administrative agent and collateral agent. Outstanding letters of credit under the Pre-merger ABL Credit Agreement were cash collateralized. We estimate we will record an immaterial loss on extinguishment, primarily related to the Incremental Term Loans.

The Company incurred approximately $15.3 million of acquisition expenses during fiscal 2018 related to the Merger, primarily for various third-party consulting and due-diligence services, and investment bankers' fees, which are recorded in strategic development and acquisition related costs in the Company's consolidated statements of operations.

FORM **10-QT**

NCI BUILDING SYSTEMS INC - NCS

Filed: February 11, 2019 (period: December 31, 2018)

Quarterly transition reports filed under rule 13a-10 or 15d-10 of the Securities Exchange Act

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

FORM 10-Q

(Mark One)

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

or

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

For the transition period from October 29, 2018 to December 31, 2018

Commission file number: 1-14315

NCI BUILDING SYSTEMS, INC.
(Exact name of registrant as specified in its charter)

Delaware	76-0127701
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
5020 Weston Parkway, Suite 400, Cary, NC	27513
(Address of principal executive offices)	(Zip Code)

(888) 975-9436
(Registrant's telephone number, including area code)

Former Address: 10943 North Sam Houston Parkway West, Houston, TX 77064
Former Fiscal Year: Sunday closest to October 31
(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ No

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

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☐
		Emerging growth company	☐

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

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

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.

Common Stock, $.01 par value - 125,475,859 shares as of February 5, 2019.

Explanatory Note Regarding Change in Fiscal Year End

On November 16, 2018, the Board of Directors of NCI Building Systems, Inc., or the "Company", approved a change to the Company's fiscal year end from a 52/53 week year with the Company’s fiscal year end on the Sunday closest to October 31 to a fiscal year of the 12 month period of January 1 to December 31 of each calendar year. The Company elected to change its fiscal year end in connection with the Merger (as defined below) to align both companies’ fiscal year ends. In connection with this change, this Transition Report on Form 10-Q includes the financial information for the transition period from October 29, 2018 to December 31, 2018, or "transition period". References in this Transition Report on Form 10-Q to fiscal year 2018 or fiscal 2018 refer to the period from October 30, 2017 through October 28, 2018. References in this Transition Report on Form 10-Q to fiscal 2019 refer to the period from January 1, 2019 through December 31, 2019.

TABLE OF CONTENTS

		PAGE
	Part I — Financial Information	
Item 1.	Unaudited Consolidated Financial Statements	1
	Consolidated Statements of Operations for the Transition Period Ended December 31, 2018 and Three Months Ended January 28, 2018	1
	Consolidated Statements of Comprehensive Income (Loss) for the Transition Period Ended December 31, 2018 and Three Months Ended January 28, 2018	2
	Consolidated Balance Sheets as of December 31, 2018 and October 28, 2018	3
	Consolidated Statements of Cash Flows for the Transition Period Ended December 31, 2018 and Three Months Ended January 28, 2018	4
	Consolidated Statements of Stockholders' Equity for the Transition Period Ended December 31, 2018 and Three Months Ended January 28, 2018	5
	Notes to Unaudited Consolidated Financial Statements	6
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	32
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	47
Item 4.	Controls and Procedures	49

	Part II — Other Information	
Item 1.	Legal Proceedings	50
Item 1A.	Risk Factors	50
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	53
Item 6.	Exhibits	54

PART I — FINANCIAL INFORMATION

Item 1. Unaudited Consolidated Financial Statements.

NCI BUILDING SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)
(Unaudited)

	October 29, 2018 - December 31, 2018	Three Months Ended January 28, 2018
Sales	$ 559,870	$ 421,349
Cost of sales	475,780	329,432
Gross profit	84,090	91,917
Selling, general and administrative expenses	95,783	74,786
Intangible asset amortization	20,132	2,412
Restructuring and impairment charges, net	1,253	1,094
Strategic development and acquisition related costs	29,094	727
Loss on disposition of business	1,244	—
Income (loss) from operations	(63,416)	12,898
Interest income	68	33
Interest expense	(28,556)	(7,492)
Foreign exchange gain (loss)	(1,713)	471
Loss on extinguishment of debt	(3,284)	—
Other income, net	44	457
Income (loss) before income taxes	(96,857)	6,367
Provision (benefit) for income taxes	(20,667)	1,118
Net income (loss)	$ (76,190)	$ 5,249
Net income allocated to participating securities	—	(38)
Net income (loss) applicable to common shares	$ (76,190)	$ 5,211
Income (loss) per common share:		
Basic	$ (0.71)	$ 0.08
Diluted	$ (0.71)	$ 0.08
Weighted average number of common shares outstanding:		
Basic	107,813	66,434
Diluted	107,813	66,546

See accompanying notes to consolidated financial statements.

NCI BUILDING SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In thousands)
(Unaudited)

	October 29, 2018 - December 31, 2018	Three Months Ended January 28, 2018
Comprehensive income (loss):		
Net income (loss)	$ (76,190)	$ 5,249
Other comprehensive (loss) income, net of tax:		
Foreign exchange translation gains (losses) and other	(4,212)	237
Unrealized loss on derivative instruments	(549)	—
Minimum pension liability for actuarial gain	656	—
Other comprehensive income (loss)	(4,105)	237
Comprehensive income (loss)	$ (80,295)	$ 5,486

See accompanying notes to consolidated financial statements.

NCI BUILDING SYSTEMS, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)
(Unaudited)

	December 31, 2018	October 28, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	$ 143,847	$ 54,272
Restricted cash	3,760	245
Accounts receivable, less allowances of $10,270 and $6,249, respectively	438,505	233,297
Inventories, net	536,675	254,531
Income taxes receivable	1,027	1,012
Investments in debt and equity securities, at market	3,414	5,285
Prepaid expenses and other	69,291	34,821
Assets held for sale	7,272	7,272
Total current assets	1,203,791	590,735
Property, plant and equipment, less accumulated depreciation of $469,911 and $459,931, respectively	614,007	236,240
Goodwill	1,640,211	148,291
Intangible assets, net	1,669,901	127,529
Deferred income taxes	1,198	982
Other assets, net	12,079	6,598
Total assets	$ 5,141,187	$ 1,110,375
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 25,600	$ 4,150
Note payable	—	497
Payable pursuant to a tax receivable agreement	24,760	—
Accounts payable	220,857	170,663
Accrued compensation and benefits	72,630	65,136
Accrued interest	41,185	1,684
Accrued income taxes	—	11,685
Other accrued expenses	265,138	81,884
Total current liabilities	650,170	335,699
Long-term debt	3,085,163	403,076
Deferred income taxes	295,675	2,250
Other long-term liabilities	150,197	39,085
Total long-term liabilities	3,531,035	444,411
Stockholders' equity:		
Common stock, $.01 par value; 200,000,000, 125,583,159 and 125,472,260 shares authorized, issued and outstanding at December 31, 2018, respectively; and 100,000,000, 66,264,654 and 66,203,841 shares authorized, issued and outstanding at October 28, 2018, respectively	1,256	663
Additional paid-in capital	1,237,056	523,788
Accumulated deficit	(265,839)	(186,291)
Accumulated other comprehensive loss, net	(10,813)	(6,708)
Treasury stock, at cost (110,899 and 60,813 shares at December 31, 2018 and October 28, 2018, respectively)	(1,678)	(1,187)
Total stockholders' equity	959,982	330,265
Total liabilities and stockholders' equity	$ 5,141,187	$ 1,110,375

See accompanying notes to consolidated financial statements.

NCI BUILDING SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	October 29, 2018 - December 31, 2018	Three Months Ended January 28, 2018
Cash flows from operating activities:		
Net income (loss)	$ (76,190)	$ 5,249
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	30,936	10,358
Amortization of deferred financing costs	1,472	435
Loss on extinguishment of debt	3,284	—
Share-based compensation expense	4,457	5,870
Non-cash fair value premium on purchased inventory	21,617	—
Gains on asset sales, net	—	(320)
Provision for doubtful accounts	(786)	(20)
Benefit for deferred income taxes	(21,719)	(1,676)
Changes in operating assets and liabilities, net of effect of acquisitions and dispositions:		
Accounts receivable	141,668	30,858
Inventories	98	(2,237)
Income taxes	(11,107)	2,373
Prepaid expenses and other	18,749	(2,567)
Accounts payable	(88,493)	(31,205)
Accrued expenses	(13,963)	(23,183)
Other, net	1,076	(515)
Net cash provided by (used in) operating activities	11,099	(6,580)
Cash flows from investing activities:		
Acquisitions, net of cash acquired	87,078	—
Capital expenditures	(13,586)	(8,109)
Proceeds from sale of property, plant and equipment	—	2,249
Net cash provided by (used in) investing activities	73,492	(5,860)
Cash flows from financing activities:		
Proceeds from stock options exercised	—	1,040
Proceeds from ABL facility	—	43,000
Payments on ABL facilities	(325,000)	(33,000)
Proceeds from Incremental Term Loan	802,987	—
Payments on Term Loans	(419,330)	—
Payments on note payable	(497)	(441)
Payments of financing costs	(17,217)	(275)
Payments of debt extinguishment costs	(919)	—
Cash paid for settlement of appraisal shares	(3,531)	—
Payments related to tax withholding for share-based compensation	(4,128)	(4,610)
Payments on tax receivable agreement	(22,504)	—
Payments on contingent consideration	(700)	—
Purchases of treasury stock	—	(46,705)
Net cash provided by (used in) financing activities	9,161	(40,991)
Effect of exchange rate changes on cash and cash equivalents	(662)	237
Net increase (decrease) in cash, cash equivalents and restricted cash	93,090	(53,194)
Cash, cash equivalents and restricted cash at beginning of period	54,517	65,794
Cash, cash equivalents and restricted cash at end of period	$ 147,607	$ 12,600

See accompanying notes to consolidated financial statements.

NCI BUILDING SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands, except share data)
(Unaudited)

	Common Stock		Additional Paid-In	Retained Earnings	Accumulated Other Comprehensive	Treasury Stock		Stockholders'
	Shares	Amount	Capital	(Deficit)	Income (Loss)	Shares	Amount	Equity
Balance, October 28, 2018	66,264,654	$ 663	$ 523,788	$ (186,291)	$ (6,708)	(60,813)	$ (1,187)	$ 330,265
Treasury stock purchases	—	—	—	—	—	(347,040)	(4,128)	(4,128)
Retirement of treasury shares	(296,954)	(3)	(3,634)	—	—	296,954	3,637	—
Issuance of restricted stock	977,226	10	(10)	—	—	—	—	—
Issuance of common stock for the Ply Gem merger	58,638,233	586	712,455	—	—	—	—	713,041
Other comprehensive income (loss)	—	—	—	—	(4,105)	—	—	(4,105)
Share-based compensation	—	—	4,457	—	—	—	—	4,457
Cumulative effect of accounting change	—	—	—	(3,358)	—	—	—	(3,358)
Net loss	—	—	—	(76,190)	—	—	—	(76,190)
Balance, December 31, 2018	125,583,159	$ 1,256	$ 1,237,056	$ (265,839)	$ (10,813)	(110,899)	$ (1,678)	$ 959,982
Balance, October 29, 2017	68,677,684	$ 687	$ 562,277	$ (248,046)	$ (7,531)	(291,128)	$ (2,140)	$ 305,247
Treasury stock purchases	—	—	—	—	—	(2,916,930)	(51,315)	(51,315)
Retirement of treasury shares	(2,916,930)	(29)	(51,286)	—	—	2,916,930	51,315	—
Issuance of restricted stock	397,406	4	(4)	—	—	181,439	—	—
Stock options exercised	93,636	1	1,039	—	—	—	—	1,040
Foreign exchange translation gain and other, net of taxes	—	—	(23)	—	237	—	—	214
Share-based compensation	—	—	5,870	—	—	—	—	5,870
Cumulative effect of accounting change	—	—	1,351	(1,351)	—	—	—	—
Net income	—	—	—	5,249	—	—	—	5,249
Balance, January 28, 2018	66,251,796	$ 663	$ 519,224	$ (244,148)	$ (7,294)	(109,689)	$ (2,140)	$ 266,305

See accompanying notes to consolidated financial statements.

NCI BUILDING SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018
(Unaudited)

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited consolidated financial statements for NCI Building Systems, Inc. (together with its subsidiaries, unless otherwise indicated, the "Company," "NCI," "we," "us" or "our") have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required by generally accepted accounting principles ("GAAP") for complete financial statements. In the opinion of management, the unaudited consolidated financial statements included herein contain all adjustments, which consist of normal recurring adjustments, necessary to fairly present our financial position, results of operations and cash flows for the periods indicated. Operating results for the period from October 29, 2018 through December 31, 2018 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2019.

For additional information, refer to the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended October 28, 2018 filed with the Securities and Exchange Commission (the "SEC") on December 19, 2018.

Reporting Periods

On November 16, 2018, the Board of Directors approved a change to the Company's fiscal year end from a 52/53 week year with the Company's fiscal year end on the Sunday closest to October 31 to a calendar year of the 12 month period from January 1 to December 31. The Company elected to change its fiscal year end in connection with the Merger (as defined below) to align the Company's fiscal year end with Ply Gem's (as defined below). As a result of this change, this Transition Report on Form 10-Q includes the financial information for the transition period from October 29, 2018 to December 31, 2018, referred to herein as the "transition period". References in this Transition Report on Form 10-Q to fiscal year 2018 or fiscal 2018 refer to the period from October 30, 2017 through October 28, 2018. The results of operations for the first quarter of fiscal 2018 are presented as the comparable period. The Company did not recast the consolidated financial statements for the period from October 30, 2017 to December 31, 2017 because the financial reporting processes in place at that time included certain procedures that were completed only on a quarterly basis. Consequently, to recast this period would have been impractical and would not have been cost-justified.

From this point forward the Company's fiscal quarters are based on a four-four-five week calendar with periods ending on the Saturday of the last week in the quarter except that December 31st will always be the year end date. Therefore, the financial results of certain fiscal quarters may not be comparable to prior fiscal quarters.

Change in Operating Segments

For the transition period ended December 31, 2018, the Company began reporting results under three reportable segments: (i) Commercial; (ii) Siding; and (iii) Windows to align with how the Company manages its business, reviews operating performance and allocates resources following the Merger. The Commercial segment will include the aggregate operating results of the legacy NCI businesses, and the Siding and Windows segments will include the operating results of the legacy Ply Gem operating segments.

Restricted Cash

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the consolidated balance sheets that total the amounts shown in the consolidated statements of cash flows (in thousands):

	December 31, 2018	October 28, 2018
Cash and cash equivalents	$ 143,847	$ 54,272
Restricted cash[1]	3,760	245
Total cash, cash equivalents and restricted cash shown in the consolidated statements of cash flows	$ 147,607	$ 54,517

(1) Restricted cash at December 31, 2018 includes $3.4 million related to collateral for letters of credit.

Net Sales

The Company adopted ASU No. 2014-09, *Revenue from Contracts with Customers*, as of October 29, 2018 for the transition period ended December 31, 2018. ASU 2014-09 provides enhancements to the quality and consistency of how revenue is reported while also improving comparability in the financial statements of companies reporting using IFRS and GAAP. The core principle

of this update 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.

We enter into contracts that pertain to products, which are accounted for as separate performance obligations and are typically one year or less in duration. We do not exercise significant judgment in determining the timing for the satisfaction of performance obligations or the transaction price. Revenue is measured as the amount of consideration expected to be received in exchange for our products. We have elected to apply the practical expedient provided for in ASU No. 2014-09 and have not disclosed information regarding remaining performance obligations that have original expected durations of one year or less. Revenue is generally recognized when the product has shipped from our facility and control has transferred to the customer. For a portion of our business, when we process customer owned material, control is deemed to transfer to the customer as the processing is being completed.

Our revenues are adjusted for variable consideration, which includes customer volume rebates and prompt payment discounts. We measure variable consideration by estimating expected outcomes using analysis and inputs based upon anticipated performance, historical data, and current and forecasted information. Customer returns are recorded as a reduction to sales on an actual basis throughout the year and also include an estimate at the end of each reporting period for future customer returns related to sales recorded prior to the end of the period. The Company generally estimates customer returns based upon the time lag that historically occurs between the sale date and the return date while also factoring in any new business conditions that might impact the historical analysis such as new product introduction. Measurement of variable consideration is reviewed by management periodically and revenue is adjusted accordingly. We do not have significant financing components.

Shipping and handling activities performed by us are considered activities to fulfill the sales of our products. Amounts billed for shipping and handling are included in net sales, while costs incurred for shipping and handling are included in cost of sales.

In accordance with certain contractual arrangements, we receive payment from our customers in advance related to performance obligations that are to be satisfied in the future and recognize such payments as deferred revenue, primarily related to our weathertightness warranties (see Note 11 — *Warranty).*

The following table presents disaggregated revenue disclosure details of net sales by segment (in thousands):

	October 29, 2018 - December 31, 2018	Three Months Ended January 28, 2018
Commercial Net Sales Disaggregation:		
Metal building products	$ 198,483	$ 275,816
Insulated metal panels	52,044	97,513
Metal coil coating	35,995	48,020
Total	$ 286,522	$ 421,349
Siding Net Sales Disaggregation:		
Vinyl siding	$ 43,142	$ —
Metal	23,104	—
Injection molded	5,123	—
Stone	2,499	—
Other products	9,106	—
Total	$ 82,974	$ —
Windows Net Sales Disaggregation:		
Vinyl windows	$ 181,624	$ —
Aluminum windows	4,700	—
Other	4,050	—
Total	$ 190,374	$ —
Total Net Sales:	$ 559,870	$ 421,349

NOTE 2 — ACCOUNTING PRONOUNCEMENTS

Adopted Accounting Pronouncements

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. During 2016, the FASB also issued ASU 2016-08, *Revenue from Contracts with Customers: Principal versus Agent Considerations (Reporting Revenue Gross versus Net);* ASU 2016-10, *Revenue from Contracts with Customers: Identifying Performance Obligations and Licensing*; ASU 2016-11, *Rescission of SEC Guidance Because of Accounting Standards Updates 2014-09 and 2014-16 Pursuant to Staff Announcements at the March 3, 2016 EITF Meeting*; and ASU 2016-12, *Revenue from Contracts with Customers: Narrow-Scope Improvements and Practical Expedients;* and ASU 2016-20, *Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers* (collectively, the "new revenue standard"), all of which were issued to improve and clarify the guidance in ASU 2014-09. These ASUs are effective for our transition period ended December 31, 2018, using either a full or modified retrospective transition approach. We performed an assessment of the differences between the new revenue standard and current accounting practices. As part of our implementation process, we identified significant revenue streams and evaluated a sample of contracts within each significant revenue stream in order to determine the effect of the standard on our revenue recognition practices. We completed this evaluation and have established new policies, procedures, and internal controls in our adoption of the new revenue standard. We adopted this guidance on a modified retrospective basis, pursuant to which we recorded a $2.6 million adjustment to increase the opening balance of accumulated deficit as of October 29, 2018 (the first day of our transition period ending December 31, 2018) for the impact of applying the new revenue standard. The adjustment related to changes in the timing of revenue recognition for our weathertightness warranties in our Commercial segment. Additional disaggregated revenue disclosures are included in Note 1 — *Summary of Significant Accounting Policies*.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*, which provides guidance on eight cash flow classification issues with the objective of reducing differences in practice. We adopted this guidance on a retrospective basis. The application of ASU 2016-15 did not have a material impact on our consolidated financial statements.

In October 2016, the FASB issued ASU 2016-16, *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other than Inventory*, which eliminates the exception that prohibits the recognition of current and deferred income tax effects for intra-entity transfers of assets other than inventory until the asset has been sold to an outside party. We adopted this guidance on a modified retrospective basis, pursuant to which we recorded a $0.7 million adjustment to increase the opening balance of accumulated deficit as of October 29, 2018 (the first day of our transition period ended December 31, 2018) for the impact of applying the new standard.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)*, which clarifies how entities should present restricted cash and restricted cash equivalents in the statement of cash flows. Entities will no longer present transfers between cash and cash equivalents and restricted cash and restricted cash equivalents in the statement of cash flows. An entity with a material balance of restricted cash and restricted cash equivalents must disclose information about the nature of the restrictions. We adopted this guidance on a retrospective basis in the transition period ended December 31, 2018. The adoption of this guidance resulted in restricted cash activity previously included in financing activities on our consolidated statement of cash flows to be included as part of the beginning and ending balances of cash and cash equivalents and restricted cash in our consolidated statements of cash flows.

In March 2017, the FASB issued ASU 2017-07, *Compensation—Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, which amends the requirements related to the income statement presentation of the components of net periodic benefit cost for employer sponsored defined benefit pension and other postretirement benefit plans. Under the new guidance, an entity must disaggregate and present the service cost component of net periodic benefit cost in the same income statement line items as other employee compensation costs arising from services rendered during the period, and only the service cost component will be eligible for capitalization. Other components of net periodic benefit cost will be presented separately from the line items that include the service cost. We adopted this guidance in the transition period ended December 31, 2018 on a retrospective basis to adopt the requirement for separate presentation of the income statement service cost and other components, and on a prospective transition method to adopt the requirement to limit the capitalization of benefit cost to the service component. The adoption of ASU 2017-07 did not have a material impact on our consolidated financial statements.

In May 2017, the FASB issued ASU 2017-09, *Compensation—Stock Compensation (Topic 718): Scope of Modification Accounting*, which provides clarity on the accounting for modifications of stock-based awards. We adopted this guidance on a prospective basis in the transition period ended December 31, 2018 for share-based payment awards modified on or after the adoption date. The adoption of ASU 2017-09 did not have a material impact on our consolidated financial statements.

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases*, which will require lessees to record most leases on the balance sheet and modifies the classification criteria and accounting for sales-type leases and direct financing leases for lessors. ASU 2016-02 will be effective for our fiscal year ending December 31, 2019, including interim periods within that fiscal year. ASU 2016-02, as amended by ASU 2018-11, *Leases: Targeted Improvements,* requires entities to use a modified retrospective approach, either, for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements, or under an alternative transition option, for leases existing at, or entered into after, the adoption date. While we are evaluating the impact that the adoption of this guidance will have on our consolidated financial statements, we currently believe that most of our operating leases will be reflected on the consolidated balance sheet upon adoption. We have selected a lease accounting tool to assist in the accounting under the new leasing standard and are now finalizing implementation of the tool, the required transition adjustments and the associated internal control over financial reporting.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.* This ASU requires an entity to measure all expected credit losses for financial assets, including trade receivables, held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Entities will now incorporate forward-looking information based on expected losses to estimate credit losses. ASU 2016-13 will be effective for our fiscal year ending December 31, 2020, including interim periods within that fiscal year. We are evaluating the impact that the adoption of this ASU will have on our consolidated financial position, result of operations and cash flows.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement,* which modifies disclosure requirements for fair value measurements under ASC 820, *Fair Value Measurement.* We will be required to adopt this guidance retrospectively in the annual and interim periods for our fiscal year ending December 31, 2020, with early adoption permitted. We are evaluating the impact of adopting this guidance.

In August 2018, the FASB issued ASU 2018-14, *Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20): Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans*, which removes disclosures no longer considered cost beneficial, clarifies the specific requirements of disclosures and adds disclosure requirements identified as relevant. We will be required to adopt this guidance for our fiscal year ending December 31, 2020, with early adoption permitted. Certain provisions are applied prospectively while others are applied retrospectively. We are evaluating the impact of adopting this guidance.

In August 2018, the FASB issued ASU 2018-15, *Intangibles—Goodwill and Other—Internal-Use Software—General (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract*, which aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The accounting for the service element of a hosting arrangement that is a service contract is not affected by these amendments. We will be required to adopt this guidance in the annual and interim periods for our fiscal year ending December 31, 2020, with early adoption permitted. The amendments in this ASU may be applied either retrospectively or prospectively. We are evaluating the impact ASU 2018-15 will have on our consolidated financial statements.

Additionally, there were various other accounting standards and interpretations issued that the Company has not yet been required to adopt, none of which is expected to have a material impact on the Company's consolidated financial statements and the notes thereto going forward.

NOTE 3 — ACQUISITIONS

On July 17, 2018, the Company entered into an Agreement and Plan of Merger (the "Merger Agreement") with Ply Gem Parent, LLC ("Ply Gem"), and for certain limited purposes as set forth in the Merger Agreement, Clayton, Dubilier & Rice, LLC ("CD&R"), pursuant to which, at the closing of the merger, Ply Gem would be merged with and into NCI, with NCI continuing its existence as a corporation organized under the laws of the State of Delaware (the "Merger"). On November 15, 2018, at a special meeting of NCI shareholders, NCI's shareholders approved, among other items, the Merger Agreement and the issuance in the Merger of 58,709,067 shares of NCI common stock, par value $0.01 per share ("NCI Common Stock") in the aggregate, on a pro rata basis, to the holders of all of the equity interests in Ply Gem (the "Stock Issuance"), representing approximately 47% of the total number of shares of NCI Common Stock outstanding following the consummation of the Merger on November 16, 2018 (the "Closing Date"). The total value of shares of NCI Common Stock issued pursuant to the Stock Issuance was approximately $713.9 million based on the number of shares issued multiplied by the NCI Common Stock closing share price of $12.16 on the Closing Date. There are approximately 70,834 shares of NCI Common Stock of the original 58,709,067 that have not yet been issued pending holder identification and have been accrued as purchase consideration within other current liabilities in the consolidated balance sheet at December 31, 2018. For accounting and legal purposes, NCI was the accounting and legal acquirer of Ply Gem as of the Closing Date and Ply Gem's results have been included within NCI from the Closing Date.

Ply Gem is a leading manufacturer of exterior building products in North America, operating in two segments: Siding and Windows. These two segments produce a comprehensive product line of vinyl siding, designer accents, cellular PVC trim, vinyl fencing, vinyl railing, stone veneer, roofing, and vinyl windows and doors used in both the new construction market and the home repair and remodeling market in the United States and Canada. Vinyl building products have the leading share of sales volume in siding and windows in the United States. Ply Gem also manufactures vinyl and aluminum soffit and siding accessories, aluminum trim coil, wood windows, aluminum windows, vinyl and aluminum-clad windows and steel and fiberglass doors, enabling us to bundle complementary and color-matched products and accessories with our core products.

Ply Gem strategically fits into NCI's existing footprint and broadens its service offering to existing and new customers within the building product industry. The Company accounted for the Merger as an acquisition in accordance with the provisions of Accounting Standards Codification 805, *Business Combinations*, which results in a new valuation for the assets and liabilities of Ply Gem based upon fair values as of the Closing Date.

In connection with the Merger, on November 16, 2018, NCI assumed (i) the obligations of the company formerly known as Ply Gem Midco, Inc. ("Ply Gem Midco"), a subsidiary of Ply Gem immediately prior to the consummation of the Merger, as borrower under the Current Cash Flow Credit Agreement (as defined below), (ii) the obligations of Ply Gem Midco as parent borrower under the Current ABL Credit Agreement (as defined below) and (iii) the obligations of Ply Gem Midco as issuer under the Current Indenture (as defined below).

On April 12, 2018, Ply Gem Midco entered into a Cash Flow Credit Agreement (the "Current Cash Flow Credit Agreement"), by and among Ply Gem Midco, JP Morgan Chase Bank, N.A., as administrative agent and collateral agent (the "Cash Flow Agent"), and the several banks and other financial institutions from time to time party thereto. As of November 16, 2018, immediately prior to consummation of the Merger, the Current Cash Flow Credit Agreement provided for (i) a term loan facility (the "Current Term Loan Facility") in an original aggregate principal amount of $1,755.0 million and (ii) a cash flow-based revolving credit facility (the "Current Cash Flow Revolver" and together with the Current Term Loan Facility, the "Current Cash Flow Facilities") of up to $115.0 million. On November 16, 2018, Ply Gem Midco entered into a Lender Joinder Agreement, by and among Ply Gem Midco, the additional commitment lender party thereto and the Cash Flow Agent, which amended the Current Cash Flow Credit Agreement in order to, among other things, increase the aggregate principal amount of the Current Term Loan Facility by $805.0 million (the "Incremental Term Loans"). Proceeds of the Incremental Term Loans were used to, among other things, (a) finance the Merger and to pay certain fees, premiums and expenses incurred in connection therewith, (b) repay in full amounts outstanding under the Pre-merger Term Loan Credit Agreement and the Pre-merger ABL Credit Agreement (each as defined below) and (c) repay $325.0 million of borrowings outstanding under the Current ABL Facility (as defined below). On November 16, 2018, in connection with the consummation of the Merger, NCI and Ply Gem Midco entered into a joinder agreement with respect to the Current Cash Flow Facilities, and NCI became the Borrower (as defined in the Current Cash Flow Credit Agreement) under the Current Cash Flow Facilities. The Current Term Loan Facility amortizes in nominal quarterly installments equal to one percent of the aggregate initial principal amount thereof per annum, with the remaining balance payable upon final maturity of the Current Term Loan Facility on April 12, 2025. There are no amortization payments under the Current Cash Flow Revolver, and all borrowings under the Current Cash Flow Revolver mature on April 12, 2023. At November 16, 2018, following consummation of the Merger, there was $2,555.6 million outstanding under the Current Term Loan Facility and there were no amounts drawn on the Current Cash Flow Revolver.

On April 12, 2018, Ply Gem Midco and certain subsidiaries of Ply Gem Midco entered into an ABL Credit Agreement (the "Current ABL Credit Agreement"), by and among Ply Gem Midco, the subsidiary borrowers from time to time party thereto, UBS AG, Stamford Branch, as administrative agent and collateral agent (the "ABL Agent"), and the several banks and other financial institutions from time to time party thereto, which provided for an asset-based revolving credit facility (the "Current ABL Facility")

of up to $360.0 million, consisting of (i) $285.0 million available to U.S. borrowers (subject to U.S. borrowing base availability) (the "ABL U.S. Facility") and (ii) $75.0 million available to both U.S. borrowers and Canadian borrowers (subject to U.S. borrowing base and Canadian borrowing base availability) (the "ABL Canadian Facility"). On October 15, 2018, Ply Gem Midco entered into Amendment No. 2 to the Current ABL Credit Agreement, by and among Ply Gem Midco, the incremental lender party thereto and the ABL Agent, which amended the Current ABL Credit Agreement in order to, among other things, increase the aggregate commitments under the Current ABL Facility by $36.0 million to $396.0 million overall, and with the (x) ABL U.S. Facility being increased from $285.0 million to $313.5 million and (y) the ABL Canadian Facility being increased from $75.0 million to $82.5 million. On November 16, 2018, Ply Gem Midco entered into Amendment No. 4 to the Current ABL Credit Agreement, by and among Ply Gem Midco, the incremental lenders party thereto and the ABL Agent, which amended the Current ABL Credit Agreement in order to, among other things, increase the aggregate commitments under the Current ABL Facility by $215.0 million (the "Incremental ABL Commitments") to $611.0 million overall, and with the (x) ABL U.S. Facility being increased from $313.5 million to approximately $483.7 million and (y) the ABL Canadian Facility being increased from $82.5 million to approximately $127.3 million. On November 16, 2018, in connection with the consummation of the Merger, NCI and Ply Gem Midco entered into a joinder agreement with respect to the Current ABL Facility, and NCI became the Parent Borrower (as defined in the Current ABL Credit Agreement) under the Current ABL Facility. The Company and, at the Company's option, certain of the Company's subsidiaries are the borrowers under the Current ABL Facility. As of November 16, 2018, and following consummation of the Merger, (a) Ply Gem Industries, Inc., Atrium Windows and Doors, Inc., NCI Group, Inc. and Robertson-Ceco II Corporation were U.S. subsidiary borrowers under the Current ABL Facility, and (b) Gienow Canada Inc., Mitten Inc., North Star Manufacturing (London) Ltd. and Robertson Building Systems Limited were Canadian borrowers under the Current ABL Facility. All borrowings under the Current ABL Facility mature on April 12, 2023. At November 16, 2018, following consummation of the Merger, there were no amounts drawn and $24.7 million of letters of credit issued under the Current ABL Facility.

On April 12, 2018, Ply Gem Midco issued $645.0 million aggregate principal amount of 8.00% Senior Notes due 2026 (the "8.00% Senior Notes"). The 8.00% Senior Notes were issued pursuant to an Indenture, dated as of April 12, 2018 (as supplemented from time to time, the "Current Indenture"), by and among Ply Gem Midco, as issuer, the subsidiary guarantors from time to time party thereto and Wilmington Trust, National Association, as trustee. On November 16, 2018, in connection with the consummation of the Merger, the Company entered into a supplemental indenture and assumed the obligations of Ply Gem Midco as issuer under the Current Indenture and the 8.00% Senior Notes. The 8.00% Senior Notes bear interest at 8.00% per annum and will mature on April 15, 2026. Interest is payable semi-annually in arrears on April 15 and October 15.

On November 16, 2018, in connection with the incurrence by Ply Gem Midco of the Incremental Term Loans and the obtaining by Ply Gem Midco of the Incremental ABL Commitments, following consummation of the Merger, the Company (a) terminated all outstanding commitments and repaid all outstanding amounts under the Term Loan Credit Agreement, dated as of February 8, 2018 (the "Pre-merger Term Loan Credit Agreement"), by and among the Company, as borrower, the several banks and other financial institutions from time to time party thereto and Credit Suisse AG, Cayman Islands Branch, as administrative agent and collateral agent, and (b) terminated all outstanding commitments and repaid all outstanding amounts under the ABL Credit Agreement, dated as of February 8, 2018 (the "Pre-merger ABL Credit Agreement"), by and among NCI Group, Inc. and Robertson-Ceco II Corporation, as borrowers, the Company, as a guarantor, the other borrowers from time to time party thereto, the several banks and other financial institutions from time to time party thereto and Wells Fargo Bank, National Association, as administrative agent and collateral agent. Outstanding letters of credit under the Pre-merger ABL Credit Agreement were cash collateralized.

In connection with the termination and repayment of the Pre-merger Term Loan Credit Agreement and the Pre-merger ABL Credit Agreement, the Company also terminated (i) the Term Loan Guarantee and Collateral Agreement, dated as of February 8, 2018, made by the Company and certain of its subsidiaries, in favor of Credit Suisse AG, Cayman Islands Branch, as collateral agent, (ii) the ABL Guarantee and Collateral Agreement, dated as of February 8, 2018, made by the Company and certain of its subsidiaries, in favor of Wells Fargo Bank, National Association, as collateral agent, and (iii) the Intercreditor Agreement, dated as of February 8, 2018, between Credit Suisse AG, Cayman Islands Branch and Wells Fargo Bank, National Association, and acknowledged by the Company and certain of its subsidiaries.

Purchase Price Allocation

The Company's total purchase consideration in the Merger was equal to $728.9 million and is comprised of the Stock Issuance of $713.9 million and a cash payment of $15.0 million by the Company to settle certain third party fees and expenses incurred by Ply Gem. The Company determined the fair values of the tangible and intangible assets acquired and the liabilities assumed in the Merger, and recorded goodwill based on the excess of fair value of the acquisition consideration over such fair values, as follows (in thousands):

Assets acquired:	
Cash	$ 102,121
Accounts receivable	345,605
Inventories	303,756
Prepaid expenses and other current assets	52,795
Property, plant and equipment	377,383
Intangible assets (trade names/customer relationships)	1,565,000
Goodwill	1,494,053
Other assets	3,262
Total assets acquired	4,243,975
Liabilities assumed:	
Accounts payable	139,955
Tax receivable agreement liability	47,355
Other accrued expenses (inclusive of $27.5 million for current warranty liabilities)	245,031
Debt (inclusive of current portion)	2,655,159
Other long-term liabilities (accrued long-term warranty)	76,337
Deferred income taxes	316,156
Other long-term liabilities	35,037
Total liabilities assumed	3,515,030
Net assets acquired	$ 728,945

There was $854.6 million of goodwill allocated to the Siding segment and $639.4 million allocated to the Windows segment and none of the goodwill is expected to be deductible for tax purposes. The goodwill is attributable to the workforce of the acquired business and the synergies expected to be realized.

The final acquisition accounting allocation for the Merger remains subject to further adjustments. The specific accounts subject to ongoing acquisition accounting adjustments include various income tax assets and liabilities, accounts receivable, inventories, prepaid expenses and other current assets, goodwill, intangibles, accounts payable, accrued expenses, accrued warranties and other liabilities. Therefore, the measurement period remains open as of December 31, 2018, and the preliminary acquisition accounting allocation detailed above is subject to further adjustment. The Company anticipates completing these acquisition accounting adjustments during the third quarter of fiscal 2019.

For the transition period ended December 31, 2018, Ply Gem contributed net sales of approximately $273.3 million and a net loss of $43.6 million from the Closing Date, which has been included within the Company's consolidated statement of operations. If the Ply Gem acquisition would have occurred at the beginning of the transition period ended December 31, 2018, the Company's consolidated net sales would have been $753.3 million for the transition period ended December 31, 2018 with a net loss of $47.0 million, basic loss per common share of $(0.37), and diluted loss per common share of $(0.37). If the Merger would have occurred at the beginning of the quarter ended January 28, 2018, the Company's consolidated net sales would have been $1,137.5 million for the three months ended January 28, 2018 with a net loss of $80.7 million, basic loss per common share of $(0.64), and diluted loss per common share of $(0.64). The unaudited supplemental pro forma financial information was prepared based on the historical information of NCI, Ply Gem, Atrium and Silver Line. The pro forma adjustments include adjustments to depreciation and amortization expense based on the acquisition date fair values of Ply Gem's property, plant and equipment and intangible assets, net; incremental interest expense associated with the new financing structure post Merger; an increase in cost of sales following the Merger resulting from a step up in value of inventory acquired from Ply Gem; share consideration issued in connection with the Merger; and the inclusion of certain acquisition, compensation and financing-related costs related to the Merger.

The Company incurred approximately $29.1 million of acquisition expenses related to the Merger during the transition period ended December 31, 2018, primarily for various third-party consulting and due-diligence services, and financial advisors' fees, which are recorded in strategic development and acquisition related costs in the Company's consolidated statements of operations.

NOTE 4 — GOODWILL

The changes in the goodwill balances during the transition period ended December 31, 2018 relate to the Merger (see Note 3 — *Acquisitions* for more information on the Merger) and currency translation. The Company's goodwill balance and changes in the carrying amount of goodwill by segment follows (in thousands):

	Commercial	Siding	Windows	Total
Balance, October 28, 2018	$ 148,291	$ —	—	$ 148,291
Goodwill recognized from Merger	—	854,606	639,447	1,494,053
Currency translation	—	(1,220)	(913)	(2,133)
Balance, December 31, 2018	$ 148,291	$ 853,386	$ 638,534	$ 1,640,211

NOTE 5 — RESTRUCTURING

The Company developed plans in the fourth quarter of the fiscal year ended November 1, 2015 ("fiscal 2015") primarily to improve selling, general and administrative ("SG&A") and manufacturing cost efficiency and to optimize our combined manufacturing footprint given the Company's acquisitions, dispositions and restructuring efforts. Under these plans, during the transition period ended December 31, 2018 and the three months ended January 28, 2018, we incurred restructuring charges of $1.3 million and $1.1 million, respectively, in the Commercial segment.

The following table summarizes the costs and charges associated with the restructuring plans during the transition period ended December 31, 2018, as well as the cost incurred to date (since inception), which are recorded in restructuring and impairment charges in the Company's consolidated statements of operations (in thousands):

	October 29, 2018 - December 31, 2018	Cost Incurred To Date (since inception)
General severance	$ 1,253	$ 12,487
Plant closing severance	—	3,310
Asset impairments	—	7,140
Gain on sale of facility	—	(2,049)
Other restructuring costs	—	1,415
Total restructuring costs	$ 1,253	$ 22,303

The following table summarizes our severance liability and cash payments made pursuant to the restructuring plans from inception through December 31, 2018 (in thousands):

	General Severance	Plant Closing Severance	Total
Balance at November 2, 2014	$ —	$ —	$ —
Costs incurred	3,887	1,575	5,462
Cash payments	(2,941)	(1,575)	(4,516)
Accrued severance[(1)]	739	—	739
Balance at November 1, 2015	$ 1,685	$ —	$ 1,685
Costs incurred[(1)]	2,725	165	2,890
Cash payments	(3,928)	(165)	(4,093)
Balance at October 30, 2016	$ 482	$ —	$ 482
Costs incurred	2,350	1,539	3,889
Cash payments	(2,549)	(1,539)	(4,088)
Balance at October 29, 2017	$ 283	$ —	$ 283
Costs incurred	2,272	31	2,303
Cash payments	(2,134)	(31)	(2,165)
Balance at October 28, 2018	$ 421	$ —	$ 421
Costs incurred	1,253	—	1,253
Cash payments	(1,674)	—	(1,674)
Balance at December 31, 2018	$ —	$ —	$ —

(1) During the second and fourth quarters of fiscal 2015, we entered into transition and separation agreements with certain executive officers. Each terminated executive officer was entitled to severance benefit payments issuable in two installments. The termination benefits were measured initially at the separation dates based on the fair value of the liability as of the termination date and were recognized ratably over the future service period. Costs incurred during fiscal 2016 exclude $0.7 million of amortization expense associated with these termination benefits.

The Company is substantially complete with the fiscal 2015 restructuring plans.

NOTE 6 — INVENTORIES

The components of inventory are as follows (in thousands):

	December 31, 2018	October 28, 2018
Raw materials	$ 311,183	$ 205,902
Work in process and finished goods	225,492	48,629
	$ 536,675	$ 254,531

During the transition period ended December 31, 2018, the Company incurred approximately $21.6 million in additional cost of goods sold related to the fair value write-up of the Ply Gem inventory as of November 16, 2018.

NOTE 7 — INTANGIBLES

The table that follows presents the major components of intangible assets as of December 31, 2018 and October 28, 2018 (in thousands):

	Range of Life (Years)	Cost	Accumulated Amortization	Net Carrying Value
As of December 31, 2018				
Amortized intangible assets:				
Trademarks/Trade names	8 – 15	$ 226,967	$ (15,483)	$ 211,484
Customer lists and relationships	9 – 20	1,503,410	(58,448)	1,444,962
Indefinite-lived intangible assets:				
Trade names		13,455	—	13,455
Total intangible assets		$ 1,743,832	$ (73,931)	$ 1,669,901

	Range of Life (Years)	Cost	Accumulated Amortization	Net Carrying Value
As of October 28, 2018				
Amortized intangible assets:				
Trademarks/Trade names	15	$ 29,167	$ (12,657)	$ 16,510
Customer lists and relationships	12 – 20	136,210	(38,646)	97,564
Indefinite-lived intangible assets:				
Trade names		13,455	—	13,455
Total intangible assets		$ 178,832	$ (51,303)	$ 127,529

NOTE 8 — ASSETS HELD FOR SALE

We record assets held for sale at the lower of the carrying value or fair value less costs to sell. The following criteria are used to determine if property is held for sale: (i) management has the authority and commits to a plan to sell the property; (ii) the property is available for immediate sale in its present condition; (iii) there is an active program to locate a buyer and the plan to sell the property has been initiated; (iv) the sale of the property is probable within one year; (v) the property is being actively marketed at a reasonable sale price relative to its current fair value; and (vi) it is unlikely that the plan to sell will be withdrawn or that significant changes to the plan will be made.

In determining the fair value of the assets less cost to sell, we consider factors including current sales prices for comparable assets in the area, recent market analysis studies, appraisals and any recent legitimate offers. If the estimated fair value less cost to sell of an asset is less than its current carrying value, the asset is written down to its estimated fair value less cost to sell. The total carrying value of assets held for sale was $7.3 million as of December 31, 2018 and October 28, 2018, respectively. All of these assets continued to be actively marketed for sale or were under contract as of December 31, 2018.

Due to uncertainties in the estimation process, actual results could differ from the estimates used in our historical analysis. Our assumptions about property sales prices require significant judgment because the current market is highly sensitive to changes in economic conditions. We determined the estimated fair values of assets held for sale based on current market conditions and assumptions made by management, which may differ from actual results and may result in impairments if market conditions deteriorate. Certain assets held for sale are valued at fair value and are measured at fair value on a nonrecurring basis. Assets held for sale are reported at fair value, if, on an individual basis, the fair value of the asset is less than carrying value. The fair value of assets held for sale is estimated using Level 3 inputs, such as broker quotes for like-kind assets or other market indications of a potential selling value that approximates fair value. Assets held for sale, reported at fair value, less costs to sell, totaled $5.0 million as of December 31, 2018.

NOTE 9 — SHARE-BASED COMPENSATION

Our 2003 Long-Term Stock Incentive Plan, as amended (the “Incentive Plan”), is an equity-based compensation plan that allows us to grant a variety of types of awards, including stock options, restricted stock awards, stock appreciation rights, cash awards, phantom stock awards, restricted stock unit awards and long-term incentive awards with performance conditions (“Performance Share Awards”). Awards are generally granted once per year, with the amounts and types of awards determined by

the Compensation Committee of our Board of Directors (the "Committee"). In connection with the Merger, on November 16, 2018 awards were granted to certain senior executives and key employees (the "Founders Awards"), which included stock options, restricted stock units ("RSUs") and performance share units ("PSUs"). A portion of the Founders Awards was not granted under the Incentive Plan but was instead granted pursuant to a separate equity-based compensation plan, the Long-Term Incentive Plan consisting of award agreements for select Founders Awards. However, these awards were subject to the same terms and provisions as awards of the same type granted under the Incentive Plan.

As of December 31, 2018, and for all periods presented, the Founders Awards and our share-based awards under the Incentive Plan have consisted of restricted stock grants, RSUs, PSUs and stock option grants, none of which can be settled through cash payments, and Performance Share Awards, which are settled in cash. Both our stock options and restricted stock awards are subject only to vesting requirements based on continued employment at the end of a specified time period and typically vest in annual increments over three to five years or earlier upon death, disability or a change of control. Restricted stock awards do not vest upon attainment of a specified retirement age, as provided by the agreements governing such awards. The vesting of our Performance Share Awards is described below.

As a general rule, option awards terminate on the earlier of (i) 10 years from the date of grant, (ii) 60 days after termination of employment or service for a reason other than death, disability or retirement, or (iii) 180 days year after death, disability or retirement. Awards are non-transferable except by disposition on death or to certain family members, trusts and other family entities as the Committee may approve. Awards may be paid in cash, shares of our Common Stock or a combination, in lump sum or installments and currently or by deferred payment, all as determined by the Committee.

Our time-based restricted stock awards are typically subject to graded vesting over a service period, which is three or five years. Our performance-based and market-based restricted stock awards are typically subject to cliff vesting at the end of the service period, which is typically three years. Our share-based compensation arrangements are equity classified and we recognize compensation cost for these awards on a straight-line basis over the requisite service period for each award grant. In the case of performance-based awards, expense is recognized based upon management's assessment of the probability that such performance conditions will be achieved. Certain of our awards provide for accelerated vesting upon a change of control or upon termination without cause or for good reason. We recognize compensation cost for such awards over the period from grant date to the date the employee first becomes eligible for retirement.

Stock option awards

During the transition period ended December 31, 2018, we granted 3.1 million stock options in connection with the Founders Awards. The options will vest 20% per year on the first through fifth anniversaries of the award. The grant date fair value of options granted during the transition period ended December 31, 2018 was $5.19 per share. We did not grant stock options during the three months ended January 28, 2018.

No options were exercised during the transition period ended December 31, 2018.

Restricted stock units and performance share units

Founders Awards granted to our senior executives and certain key employees include RSUs and PSUs. The RSUs vest upon continued employment 20% per year on the first through fifth anniversary of the award. Vesting of the PSUs is contingent upon continued employment and the achievement of synergies captured from the Merger. At the end of the performance period, the number of actual shares to be awarded varies between 0% and 200% of target amounts. The PSUs vest pro rata if an executive's employment terminates after 50% of the service period has passed and prior to the end of the performance period due to death, disability, or termination by NCI without cause or by the executive for good reason. If an executive's employment terminates for any other reason prior to the end of the performance period, all outstanding unvested PSUs, whether earned or unearned, are forfeited and cancelled. If a change in control of NCI occurs, and the plan is not accepted by the successor entity, prior to the end of the performance period, the PSU payout is calculated and paid assuming that the maximum benefit had been achieved. If the plan is accepted, awards will continue to vest as RSUs with a double trigger acceleration upon termination by NCI without cause or by the executive for good reason. If an executive's employment terminates due to death or disability while any of the restricted stock is unvested, then all of the unvested restricted stock shall become vested. If an executive's employment is terminated by NCI without cause or by the executive for good reason, the unvested restricted stock is forfeited. If a change in control of NCI occurs, and the plan is not accepted by the successor entity, prior to the end of the performance period, the restricted stock fully vests. If the plan is accepted, awards will continue to vest with a double trigger acceleration upon termination by NCI without cause or by the executive for good reason. The fair value of the awards is based on the Company's stock price as of the date of grant. During the transition period ended December 31, 2018, we granted 1.8 million RSUs and 0.6 million (at "target" levels of achievement) PSUs with a total aggregate fair value of $29.1 million in connection with the Founders Awards.

Annual awards to our key employees generally have a three-year performance period. Long-term incentive awards are granted in December 2018 included 100% RSUs. The fair value of RSUs is based on the Company's stock price as of the date of grant. During the transition period ended December 31, 2018, we granted awards to key employees with equity fair values of $2.1 million. We did not grant awards with cash value to key employees during the transition period ended December 31, 2018. During the three months ended January 28, 2018, we granted time-based restricted stock units with a fair value of $6.7 million, representing 0.3 million shares.

Our Board of Directors approved the treatment of existing awards as if a change in control had occurred, per the respective agreements governing each award. As such, on November 16, 2018, upon consummation of the Merger, certain awards granted in fiscal 2016 and earlier vested, resulting in the issuance of 0.5 million shares, net of shares withheld. Certain other PSUs that were issued in fiscal 2017 and fiscal 2018 converted to RSUs at 100% and continue to vest in accordance with the original schedule. On December 15, 2018, the RSUs which remained subsequent to the change in control vested in accordance with the original schedule resulting in the issuance of 0.2 million shares, net of shares withheld for taxes.

During the transition period ended December 31, 2018 we recorded share-based compensation expense for all awards of $4.5 million, which included $1.3 million of awards of the Company's former CEO that were accelerated due to the Merger. During the three months ended January 28, 2018, we recorded share-based compensation expense for all awards of $5.9 million, which included accelerated awards of $3.6 million due to the retirement of the Company's former CEO.

NOTE 10 — EARNINGS PER COMMON SHARE

Basic earnings per common share is computed by dividing net income allocated to common shares by the weighted average number of common shares outstanding. Diluted earnings per common share, if applicable, considers the dilutive effect of common stock equivalents. The reconciliation of the numerator and denominator used for the computation of basic and diluted earnings per common share is as follows (in thousands, except per share data):

	October 29, 2018 - December 31, 2018	Three Months Ended January 28, 2018
Numerator for Basic and Diluted Earnings Per Common Share		
Net income (loss) applicable to common shares	$ (76,190)	$ 5,211
Denominator for Basic and Diluted Income Per Common Share		
Weighted average basic number of common shares outstanding	107,813	66,434
Common stock equivalents:		
Employee stock options	—	71
PSUs and Performance Share Awards	—	41
Weighted average diluted number of common shares outstanding	107,813	66,546
Basic income (loss) per common share	$ (0.71)	$ 0.08
Diluted income (loss) per common share	$ (0.71)	$ 0.08
Incentive Plan securities excluded from dilution(1)	2,053	1

(1) Represents securities not included in the computation of diluted earnings per common share because their effect would have been anti-dilutive.

We calculate earnings per share using the "two-class" method, whereby unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents are "participating securities" and, therefore, these participating securities are treated as a separate class in computing earnings per share. The calculation of earnings per share presented here excludes the income attributable to unvested restricted stock units related to our Incentive Plan from the numerator and excludes the dilutive impact of those shares from the denominator. Awards subject to the achievement of performance conditions or market conditions for which such conditions had been met at the end of any of the fiscal periods presented are included in the computation of diluted earnings per common share if their effect was dilutive.

NOTE 11 — WARRANTY

The Company sells a number of products and offers a number of warranties. The specific terms and conditions of these warranties vary depending on the product sold. Upon the sale of a weathertightness warranty, we record the resulting revenue as deferred revenue, which is included in other accrued expenses and other long-term liabilities on our consolidated balance sheets depending on when the revenues are expected to be recognized. Factors that affect the Company's warranty liabilities include the

number of units sold, historical and anticipated rates of warranty claims, cost per claim and new product introduction. The Company assesses the adequacy of the recorded warranty claims and adjusts the amounts as necessary.

The following table represents the rollforward of our accrued warranty obligation and deferred warranty revenue activity for the transition period ended December 31, 2018 and three months ended January 28, 2018 (in thousands):

	October 29, 2018 - December 31, 2018	Three Months Ended January 28, 2018
Beginning balance	$ 30,659	$ 32,418
Acquisition - Ply Gem	103,842	—
Warranties sold	3,194	747
Revenue recognized	(442)	(724)
Costs incurred and other	(2,738)	(36)
Ending balance	$ 134,515	$ 32,405
Less: current portion	34,112	7,072
Total, less current portion	$ 100,403	$ 25,333

The Company records the current warranty obligation within other accrued expenses and the long-term warranty obligation within other long-term liabilities within the Company's consolidated balance sheets at December 31, 2018 and October 28, 2018.

NOTE 12 — DEFINED BENEFIT PLANS

RCC Pension Plan — With the acquisition of Robertson-Ceco II Corporation ("RCC") on April 7, 2006, we assumed a defined benefit plan (the "RCC Pension Plan"). Benefits under the RCC Pension Plan are primarily based on years of service and the employee's compensation. The RCC Pension Plan is frozen and, therefore, employees do not accrue additional service benefits. Plan assets of the RCC Pension Plan are invested in broadly diversified portfolios of government obligations, mutual funds, stocks, bonds, fixed income securities and master limited partnerships.

CENTRIA Benefit Plans — As a result of the CENTRIA Acquisition on January 16, 2015, we assumed noncontributory defined benefit plans covering certain hourly employees (the "CENTRIA Benefit Plans") which are closed to new participants. Benefits under the CENTRIA Benefit Plans are calculated based on fixed amounts for each year of service rendered, although benefits accruals for one of the plans previously ceased. Plan assets of the CENTRIA Benefit Plans are invested in broadly diversified portfolios of domestic and international equity mutual funds, bonds, mortgages and other funds. CENTRIA also sponsors postretirement medical and life insurance plans that cover certain of its employees and their spouses (the "OPEB Plans").

In addition to the CENTRIA Benefit Plans, CENTRIA contributes to a multi-employer plan, the Steelworkers Pension Trust. The minimum required annual contribution to this plan is $0.3 million. The current contract expires on June 1, 2019. If we were to withdraw our participation from this multi-employer plan, CENTRIA may be required to pay a withdrawal liability representing an amount based on the underfunded status of the plan. The plan is not significant to the Company's consolidated financial statements.

Ply Gem Pension Plans — As a result of the Merger on November 16, 2018, we assumed the Ply Gem Group Pension Plan (the "Ply Gem Plan") and the MW Manufacturers, Inc Retirement Plan (the "MW Plan"). The Ply Gem Plan was frozen during 1998, and no further increases in benefits for participants may occur as a result of increases in service years or compensation. The MW Plan was frozen for salaried participants during 2004 and non-salaried participants during 2005. No additional participants may enter the plan, but increases in benefits for participants as a result of increase in service years or compensation will occur.

We refer to the RCC Pension Plan, the CENTRIA Benefit Plans, the Ply Gem Plan and the MW Plan collectively as the "Defined Benefit Plans" in this Note.

The following table sets forth the components of the net periodic benefit cost, before tax, and funding contributions, for the periods indicated (in thousands):

	October 29, 2018 - December 31, 2018			Three Months Ended January 28, 2018		
	Defined Benefit Plans	OPEB Plans	Total	Defined Benefit Plans	OPEB Plans	Total
Service cost	$ —	$ 5	$ 5	$ 22	$ 7	$ 29
Interest cost	469	41	510	494	62	556
Expected return on assets	(580)	—	(580)	(729)	—	(729)
Amortization of prior service credit	(2)	—	(2)	15	—	15
Amortization of net actuarial loss	356	—	356	248	—	248
Net periodic benefit cost	$ 243	$ 46	$ 289	$ 50	$ 69	$ 119

We expect to contribute $2.3 million to the Defined Benefit Plans in the year ending December 31, 2019. Our policy is to fund the CENTRIA Benefit Plans as required by minimum funding standards of the Internal Revenue Code. The contributions to the OPEB Plans by retirees vary from none to 25% of the total premiums paid.

In accordance with ASC Topic 805, *Business Combinations*, we have remeasured the projected benefit obligation and fair value of the plan assets of the Ply Gem Plan and MW Plan. The difference between these two amounts was recorded as an assumed liability. We have used the December 31, 2018 actuarial reports to estimate the fair value of the projected benefit obligation and plan assets. The recognition of the net pension asset or liability in the allocation of the purchase price eliminates any previously unrecognized gain or loss and prior service cost. Actuarial assumptions below are based on the December 31, 2018 actuarial report. The following disclosures are for Ply Gem Plan and MW Plan only and are presented to address the above referenced changes due to the Merger.

The following table sets forth the funded status of the combined Ply Gem plans and the amounts recognized in the consolidated balance sheet (in thousands):

	December 31, 2018
Fair value of assets	$ 30,804
Benefit obligation	43,711
Funded status	$ (12,907)

Actuarial Assumptions — Ply Gem Plan and MW Plan assets consist of cash and cash equivalents, fixed income mutual funds, equity mutual funds, as well as other investments. The discount rate for the projected benefit obligation was chosen based upon rates of returns available for high-quality fixed-income securities as of the plans' measurement date. The Company reviewed several bond indices, comparative data, and the plans' anticipated cash flows to determine a single discount rate which would approximate the rate in which the obligation could be effectively settled. The expected long-term rate of return on assets is based on the historical rate of return on the plans. The weighted average rate assumptions used in determining pension costs and the projected benefit obligation for the period indicated are as follows:

	December 31, 2018
Discount rate for projected benefit obligation	4.25%
Discount rate for pension costs	3.50%
Expected long-term average return on plan assets	7.00%

The combined Ply Gem plans weighted-average asset allocations at December 31, 2018 by asset category are as follows:

Asset Category	Target Allocation	Actual Allocation	Weighted Average Expected Long-Term Rate of Return
U.S. large cap funds	25%	21%	3%
U.S. mid cap funds	5%	7%	1%
U.S. small cap funds	3%	3%	1%
International equity	15%	15%	1%
Fixed income	45%	48%	1%
Other investments	7%	6%	—%
Total	100%	100%	7%

Benefit Plan Payments — The following table shows expected benefit payments for the next five fiscal years and the aggregate five years thereafter from the combined Ply Gem plans. These benefit payments consist of qualified defined benefit plan payments that are made from the respective plan trusts and do not represent an immediate cash outflow to the Company. We expect the following benefit payments to be made, which reflect expected future service, as appropriate (in thousands):

Fiscal Year	Expected Benefit Payments
2019	$ 2,475
2020	2,538
2021	2,582
2022	2,650
2023	2,720
2024-2028	14,105

Other Ply Gem Retirement Plan — The Company also has an unfunded nonqualified Supplemental Executive Retirement Plan for certain employees. The projected benefit obligation relating to this unfunded plan totaled approximately $0.3 million at December 31, 2018. The Company has recorded this obligation in other long term liabilities in the consolidated balance sheets as of December 31, 2018. Pension expense for the combined Ply Gem plans was approximately $0.1 million for the November 16, 2018 to December 31, 2018 period.

NOTE 13 — LONG-TERM DEBT AND NOTE PAYABLE

Debt is comprised of the following (in thousands):

	December 31, 2018	October 28, 2018
Asset-based revolving credit facility due April 2023	$ —	$ —
Asset-based revolving credit facility due February 2023	—	—
Term loan facility due April 2025	2,549,207	—
Term loan facility due February 2025	—	412,925
Cash flow revolver due April 2023	—	—
8.00% senior notes due April 2026	645,000	—
Less: unamortized discounts and unamortized deferred financing costs[1]	(83,444)	(5,699)
Total long-term debt, net of unamortized discounts and unamortized deferred financing costs	3,110,763	407,226
Less: current portion of long-term debt	25,600	4,150
Total long-term debt, less current portion	$ 3,085,163	$ 403,076

(1) Includes the unamortized deferred financing costs associated with the term loan facilities and senior notes. The unamortized deferred financing costs associated with the asset-based revolving credit facilities of $3.1 million and $1.1 million as of December 31, 2018 and October 28, 2018, respectively, are classified in other assets on the consolidated balance sheets.

Recent Debt Transactions

In connection with the Merger, on November 16, 2018, NCI assumed (i) the obligations of Ply Gem Midco, a subsidiary of Ply Gem immediately prior to the consummation of the Merger, as borrower under the Current Cash Flow Credit Agreement, (ii) the obligations of Ply Gem Midco as parent borrower under the Current ABL Credit Agreement and (iii) the obligations of Ply Gem Midco as issuer under the Current Indenture.

February 2018 Debt Redemption and Refinancing

On February 8, 2018, the Company entered into the Pre-merger Term Loan Credit Agreement and the Pre-merger ABL Credit Agreement, the proceeds of which, together, were used to redeem the 8.25% senior notes due 2023 (the "8.25% Senior Notes") and to refinance the Company's then-existing term loan credit facility and the Company's then-existing asset-based revolving credit facility.

Term Loan Credit Agreement due February 2025

On February 8, 2018, the Company entered into the Pre-merger Term Loan Credit Agreement which provided for a term loan credit facility in an original aggregate principal amount of $415.0 million (the "Pre-merger Term Loan Credit Facility"). Proceeds from borrowings under the Pre-merger Term Loan Credit Facility were used, together with cash on hand, (i) to refinance the then existing term loan credit agreement, (ii) to redeem and repay the 8.25% Senior Notes and (iii) to pay any fees, premiums and expenses incurred in connection with the refinancing. On November 16, 2018, the Company repaid the remaining $412.9 million aggregate principal amount of the term loans outstanding under the Pre-merger Term Loan Credit Facility for approximately $413.7 million, reflecting remaining principal and interest, using proceeds from the incremental term loan facility entered into in connection with the Merger.

Term Loan Facility due April 2025 and Cash Flow Revolver due April 2023

On April 12, 2018, Ply Gem Midco entered into the Current Cash Flow Credit Agreement, which provides for (i) a term loan facility (the "Current Term Loan Facility") in an original aggregate principal amount of $1,755.0 million, issued with a discount of 0.5%, and (ii) a cash flow-based revolving credit facility (the "Current Cash Flow Revolver" and together with the Term Loan Facility, the "Current Cash Flow Facilities") of up to $115.0 million. The Current Term Loan Facility amortizes in nominal quarterly installments equal to one percent of the aggregate initial principal amount thereof per annum, with the remaining balance payable upon final maturity of the Current Term Loan Facility on April 12, 2025. There are no amortization payments under the Current Cash Flow Revolver, and all borrowings under the Current Cash Flow Revolver mature on April 12, 2023.

On November 16, 2018, the Company entered into an incremental term loan facility in connection with the Merger, which increased the aggregate principal amount of the Current Term Loan Facility by $805.0 million. The proceeds of this incremental term loan facility were used to, among other things, (a) finance the Merger and to pay certain fees, premiums and expenses incurred in connection therewith, (b) repay in full amounts outstanding under the Pre-merger Term Loan Credit Agreement and the Pre-merger ABL Credit Agreement and (c) repay $325.0 million of borrowings outstanding under the ABL Facility. On November 16, 2018, in connection with the consummation of the Merger, NCI and Ply Gem Midco entered into a joinder agreement with respect to the Current Cash Flow Facilities, and NCI became the Borrower (as defined in the Current Cash Flow Credit Agreement) under the Current Cash Flow Facilities.

The Current Term Loan Facility bears annual interest at a floating rate measured by reference to, at the Company's option, either (i) an adjusted LIBOR rate (subject to a floor of 0.00%) plus an applicable margin of 3.75% per annum or (ii) an alternate base rate plus an applicable margin of 2.75% per annum. At December 31, 2018, the interest rates on the Current Term Loan Facility were follows:

	Rate
Interest rate	6.18%
Effective interest rate	6.88%

Loans outstanding under the Current Cash Flow Revolver bear annual interest at a floating rate measured by reference to, at the Company's option, either (i) an adjusted LIBOR rate (subject to a floor of 0.00%) plus an applicable margin ranging from 2.50% to 3.00% per annum depending on the Company's secured leverage ratio or (ii) an alternate base rate plus an applicable margin ranging from 1.50% to 2.00% per annum depending on the Company's secured leverage ratio. Additionally, unused commitments under the Current Cash Flow Revolver are subject to a fee ranging from 0.25% to 0.50% per annum depending on the Company's secured leverage ratio.

The Current Term Loan Facility may be prepaid at the Company's option at any time, subject to minimum principal amount requirements. Prepayments of the Current Term Loan Facility in connection with a repricing transaction (as defined in the Current Cash Flow Credit Agreement) on or prior to April 12, 2019 are subject to a 1.00% prepayment premium. Prepayments may otherwise be made without premium or penalty (other than customary breakage costs). The Current Cash Flow Revolver may be prepaid at the Company's option at any time without premium or penalty (other than customary breakage costs), subject to minimum principal amount requirements.

Subject to certain exceptions, the Current Term Loan Facility is subject to mandatory prepayments 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 Cash Flow Credit Agreement), subject to reduction to 25% and 0% if specified secured leverage ratio targets are met to the extent that the amount of such excess cash flow exceeds $10.0 million. The annual excess cash flow assessment will begin with the Company's 2019 fiscal year.

The obligations under the Current Cash Flow Credit Agreement are guaranteed by each direct and indirect wholly-owned U.S. restricted subsidiary of the Company, subject to certain exceptions, and are secured by:

- a perfected security interest in substantially all tangible and intangible assets of the Company and each subsidiary guarantor (other than ABL Priority Collateral (as defined below)), including the capital stock of each direct material wholly-owned U.S. restricted subsidiary owned by the Company and each subsidiary guarantor, and 65% of the capital stock of any non-U.S. subsidiary held directly by the Company or any subsidiary guarantor, subject to certain exceptions (the "Cash Flow Priority Collateral"), which security interest will be senior to the security interest in the foregoing assets securing the Current ABL Facility; and
- a perfected security interest in the ABL Priority Collateral, which security interest will be junior to the security interest in the ABL Priority Collateral securing the Current ABL Facility.

The Current Cash Flow Revolver includes a financial covenant set at a maximum secured leverage ratio of 7.75:1.00, which will apply if the outstanding amount of loans and drawings under letters of credit which have not then been reimbursed exceeds a specified threshold at the end of any fiscal quarter.

ABL Credit Agreement due February 2023

On February 8, 2018, the subsidiaries of the Company, NCI Group, Inc. and Robertson-Ceco II Corporation, and the Company as a guarantor, entered into the Pre-merger ABL Credit Agreement. The Pre-merger ABL Credit Agreement provided for an asset-based revolving credit facility (the "Pre-merger ABL Credit Facility") which allowed aggregate maximum borrowings by the ABL borrowers of up to $150.0 million, letters of credit of up to $30.0 million and up to $20.0 million for swingline borrowings. Borrowing availability was determined by a monthly borrowing base collateral calculation that is based on specified percentages of the value of accounts receivable, eligible credit card receivables and eligible inventory, less certain reserves and subject to certain other adjustments. Availability was reduced by issuance of letters of credit as well as any borrowings. All borrowings under the Pre-merger ABL Credit Facility would have matured on February 8, 2023. This facility was terminated in connection with the Merger and replaced with the Current ABL Facility defined below).

ABL Facility due April 2023

On April 12, 2018, Ply Gem Midco entered into the Current ABL Credit Agreement, which provides for an asset-based revolving credit facility (the "Current ABL Facility") of up to $360.0 million, consisting of (i) $285.0 million available to U.S. borrowers (subject to U.S. borrowing base availability) (the "ABL U.S. Facility") and (ii) $75.0 million available to both U.S. borrowers and Canadian borrowers (subject to U.S. borrowing base and Canadian borrowing base availability) (the "ABL Canadian Facility"). The Company and, at their option, certain of their subsidiaries are the borrowers under the Current ABL Facility. All borrowings under the Current ABL Facility mature on April 12, 2023.

On October 15, 2018, Ply Gem Midco entered into an incremental asset-based revolving credit facility of $36.0 million, which upsized the Current ABL Facility to $396.0 million in the aggregate, and with (x) the ABL U.S. Facility being increased from $285.0 million to $313.5 million and (y) the ABL Canadian Facility being increased from $75.0 million to $82.5 million.

On November 16, 2018, Ply Gem Midco entered into an incremental asset-based revolving credit facility of $215.0 million in connection with the Merger, which upsized the Current ABL Facility to $611.0 million in the aggregate, and with (x) the ABL U.S. Facility being increased from $313.5 million to approximately $483.7 million and (y) the ABL Canadian Facility being increased from $82.5 million to approximately $127.3 million. On November 16, 2018, in connection with the consummation of the Merger, NCI and Ply Gem Midco entered into a joinder agreement with respect to the Current ABL Facility, and NCI became the Parent Borrower (as defined in the ABL Credit Agreement) under the Current ABL Facility.

Borrowing availability under the Current ABL Facility is determined by a monthly borrowing base collateral calculation that is based on specified percentages of the value of eligible inventory, eligible accounts receivable and eligible credit card receivables, less certain reserves and subject to certain other adjustments as set forth in the Current ABL Credit Agreement. Availability is reduced by issuance of letters of credit as well as any borrowings. As of December 31, 2018, the Company had the following in relation to the Current ABL Facility (in thousands):

	December 31, 2018
Excess availability	$ 491,367
Revolving loans outstanding	—
Letters of credit outstanding	33,930

Loans outstanding under the Current ABL Facility bear interest at a floating rate measured by reference to, at the Company's option, either (i) an adjusted LIBOR rate (subject to a LIBOR floor of 0.00%) plus an applicable margin ranging from 1.25% to 1.75% per annum depending on the average daily excess availability under the Current ABL Facility or (ii) an alternate base rate plus an applicable margin ranging from 0.25% to 0.75% per annum depending on the average daily excess availability under the ABL Facility. Additionally, unused commitments under the ABL Facility are subject to a 0.25% per annum fee. At December 31, 2018, the weighted average interest rate on the Current ABL Facility was 3.92%.

The obligations under the Current ABL Credit Agreement are guaranteed by each direct and indirect wholly-owned U.S. restricted subsidiary of the Company, subject to certain exceptions, and are secured by:

- a perfected security interest in all present and after-acquired inventory, accounts receivable, deposit accounts, securities accounts, and any cash or other assets in such accounts and other related assets owned by the Company and the U.S. subsidiary guarantors and the proceeds of any of the foregoing, except to the extent such proceeds constitute Cash Flow Priority Collateral, and subject to certain exceptions (the "ABL Priority Collateral"), which security interest is senior to the security interest in the foregoing assets securing the Current Cash Flow Facilities; and
- a perfected security interest in the Cash Flow Priority Collateral, which security interest will be junior to the security interest in the Cash Flow Collateral securing the Current Cash Flow Facilities.

Additionally, the obligations of the Canadian borrowers under the Current ABL Credit Agreement are guaranteed by each direct and indirect wholly-owned Canadian restricted subsidiary of the Canadian borrowers, subject to certain exceptions, and are secured by substantially all assets of the Canadian borrowers and the Canadian subsidiary guarantors, subject to certain exceptions.

The Current ABL Credit Agreement includes a minimum fixed charge coverage ratio of 1.00:1.00, which is tested only when specified availability is less than 10.0% of the lesser of (x) the then applicable borrowing base and (y) the then aggregate effective commitments under the Current ABL Facility, and continuing until such time as specified availability has been in excess of such threshold for a period of 20 consecutive calendar days.

8.00% Senior Notes due April 2026

On April 12, 2018, Ply Gem Midco issued $645.0 million at a discount of 2.25% in aggregate principal amount of 8.00% Senior Notes due April 2026 (the "8.00% Senior Notes"). The 8.00% Senior Notes bear interest at 8.00% per annum and will mature on April 15, 2026. Interest is payable semi-annually in arrears on April 15 and October 15. The effective interest rate for the 8.00% Senior Notes was 9.22% as of December 31, 2018, after considering each of the different interest expense components of this instrument, including the coupon payment and the deferred debt issuance costs.

On November 16, 2018, in connection with the consummation of the Merger, NCI entered into a supplemental indenture and assumed the obligations of Ply Gem Midco as issuer under the Current Indenture.

The 8.00% Senior Notes are guaranteed on a senior unsecured basis by each of the Company's wholly-owned domestic subsidiaries that guarantee the Company's obligations under the Current Cash Flow Facilities or the Current ABL Facility (including by reason of being a borrower under the Current ABL Facility on a joint and several basis with the Company or a subsidiary guarantor). The 8.00% Senior Notes are unsecured senior indebtedness and rank equally in right of payment with the Current Cash Flow Facilities and Current ABL Facility. The 8.00% Senior Notes are effectively subordinated to all of the Company's secured debt, including the Current Cash Flow Facilities and Current ABL Facility, and are senior in right of payment to all subordinated obligations of the Company.

The Company may redeem the 8.00% Senior Notes in whole or in part at any time as set forth below:

- prior to April 15, 2021, the Company may redeem the 8.00% Senior Notes at a price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to but not including the redemption date, plus the applicable make-whole premium;

- prior to April 15, 2021, the Company may redeem up to 40.0% of the original aggregate principal amount of the 8.00% Senior Notes with proceeds of certain equity offerings, at a redemption price of 108%, plus accrued and unpaid interest, if any, to but not including the redemption date; and
- on or after April 15, 2021, the Company may redeem the 8.00% Senior Notes at specified redemption prices starting at 104% and declining ratably to 100.0% by April 15, 2023, plus accrued and unpaid interest, if any, to but not including the redemption date.

Redemption of 8.25% Senior Notes

On January 16, 2015, the Company issued $250.0 million in aggregate principal amount of the 8.25% Senior Notes. On February 8, 2018, the Company redeemed the outstanding $250.0 million aggregate principal amount of the 8.25% Senior Notes for approximately $265.5 million using the proceeds from borrowings under the Pre-merger Term Loan Credit Facility.

Loss on Extinguishment of Debt

As a result of the Merger, during the transition period ended December 31, 2018, the Company incurred a $3.3 million pretax loss on the extinguishment of the Pre-merger Term Loan Credit Facility and the Pre-merger ABL Credit Agreement, of which approximately $2.4 million represented unamortized debt issuance costs on the Pre-merger Term Loan Credit Facility.

Debt Covenants

The Company's debt agreements contain a number of covenants that, among other things, limit or restrict the ability of the Company and its subsidiaries to incur additional indebtedness; make dividends and other restricted payments; incur additional liens; consolidate, merge, sell or otherwise dispose of all or substantially all assets; make investments; transfer or sell assets; enter into restrictive agreements; change the nature of the business; and enter into certain transactions with affiliates. As of December 31, 2018, the Company was in compliance with all covenants that were in effect on such date.

Insurance Note Payable

As of October 28, 2018, the Company had an outstanding note payable in the amount of $0.5 million related to financed insurance premiums. Insurance premium financings are generally secured by the unearned premiums under such policies. The Company had no notes payables outstanding at December 31, 2018.

NOTE 14 — CD&R INVESTOR GROUP

On August 14, 2009, the Company entered into an Investment Agreement (as amended, the "Investment Agreement"), by and between the Company and Clayton, Dubilier & Rice Fund VIII, L.P., a Cayman Islands exempted limited partnership ("CD&R Fund VIII"). In connection with the Investment Agreement and the Stockholders Agreement dated October 20, 2009 (the "Old Stockholders Agreement"), CD&R Fund VIII and CD&R Friends & Family Fund VIII, L.P., a Cayman Islands exempted limited partnership ("CD&R FF Fund" and, together with CD&R Fund VIII, the "CD&R Fund VIII Investor Group") purchased convertible preferred stock, which was converted into shares of our common stock on May 14, 2013.

On December 11, 2017, the CD&R Fund VIII Investor Group completed a registered underwritten offering of 7,150,000 shares of NCI Common Stock at a price to the public of $19.36 per share (the "2017 Secondary Offering"). Pursuant to the underwriting agreement, at the CD&R Fund VIII Investor Group request, the Company purchased 1.15 million of the 7.15 million shares of the NCI Common Stock from the underwriters in the 2017 Secondary Offering at a price per share equal to the price at which the underwriters purchased the shares from the CD&R Fund VIII Investor Group. The total amount the Company spent on these repurchases was $22.3 million.

Ply Gem Holdings was acquired by CD&R Fund X and Atrium Intermediate Holdings, LLC, GGC BP Holdings, LLC and AIC Finance Partnership, L.P. (collectively, the "Golden Gate Investor Group") and merged with Atrium on April 12, 2018 (the "Ply Gem-Atrium Merger").

Pursuant to the terms of the Merger Agreement, on November 16, 2018, the Company entered into (i) a stockholders agreement (the "New Stockholders Agreement") between the Company, and each of the CD&R Fund VIII Investor Group, CD&R Pisces Holdings, L.P., a Cayman Islands exempted limited partnership ("CD&R Pisces", and together with the CD&R Fund VIII Investor Group, the "CD&R Investor Group"), the Golden Gate Investor Group, and together with the CD&R Investor Group, the "Investors"), pursuant to which the Company granted to the Investors certain governance, preemptive and subscription rights and (ii) a registration rights agreement (the "New Registration Rights Agreement") between the Company and each of the Investors, pursuant to which the Company granted the Investors customary demand and piggyback registration rights, including rights to demand registrations and underwritten shelf registration statement offerings with respect to the shares of NCI Common Stock that are held by the Investors following the consummation of the Merger.

Pursuant to the terms of the New Stockholders Agreement, the Company and the CD&R Fund VIII Investor Group terminated the Old Stockholders Agreement. Pursuant to the terms of the New Registration Rights Agreement, the Company and the CD&R

Fund VIII Investor Group terminated the Registration Rights Agreement, dated as of October 20, 2009 (the "Old Registration Rights Agreement"), by and among the Company and the CD&R Fund VIII Investor Group.

As of December 31, 2018, the CD&R Investor Group owned approximately 49.4% of the outstanding shares of NCI Common Stock. At October 28, 2018, the CD&R Fund VIII Investor Group owned approximately 34.4% of the outstanding shares of NCI Common Stock.

NOTE 15 — STOCK REPURCHASE PROGRAM

On September 8, 2016, the Company announced that its Board of Directors authorized a stock repurchase program for the repurchase of up to an aggregate of $50.0 million of the Company's outstanding Common Stock. On October 10, 2017 and March 7, 2018, the Company announced that its Board of Directors authorized new stock repurchase programs for the repurchase of up to an aggregate of $50.0 million and $50.0 million, respectively, of the Company's outstanding Common Stock. Under these repurchase programs, the Company is authorized to repurchase shares, if at all, at times and in amounts that it deems appropriate in accordance with all applicable securities laws and regulations. Shares repurchased pursuant to the repurchase programs are usually retired. There is no time limit on the duration of the programs.

During the transition period ended December 31, 2018, there were no repurchases under the stock repurchase programs. During the three months ended January 28, 2018, the Company repurchased approximately 2.7 million shares for $46.7 million under the stock repurchase programs, which included 1.15 million shares for $22.3 million purchased pursuant to the CD&R Fund VIII Investor Group's 2017 Secondary Offering (see Note 14 — *CD&R Investor Group*). As of December 31, 2018, approximately $55.6 million remained available for stock repurchases under the programs. The timing and method of any repurchases, which will depend on a variety of factors, including market conditions, are subject to results of operations, financial conditions, cash requirements and other factors, and may be suspended or discontinued at any time.

During the transition period ended December 31, 2018 and the three months ended January 28, 2018, the Company withheld 0.3 million and 0.2 million shares, respectively, of stock to satisfy minimum tax withholding obligations arising in connection with the vesting of stock awards, which are included in treasury stock purchases in the consolidated statements of stockholders' equity.

The Company cancelled 0.3 million shares during the transition period ended December 31, 2018, resulting in a $3.6 million decrease in both additional paid in capital and treasury stock. During the three months ended January 28, 2018, the Company cancelled 2.7 million shares repurchased under the stock repurchase programs, resulting in a $46.7 million decrease in both additional paid in capital and treasury stock during the quarter.

NOTE 16 — FAIR VALUE OF FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, restricted cash, trade accounts receivable, accounts payable and notes payable approximate fair value as of December 31, 2018 and October 28, 2018, respectively, because of their relatively short maturities. The carrying amounts of the indebtedness under the Current ABL Facility and Current Cash Flow Revolver approximate fair value as the interest rates are variable and reflective of market rates. At December 31, 2018, there was no outstanding indebtedness under the Current ABL Facility and Current Cash Flow Revolver. The fair values of the remaining financial instruments not currently recognized at fair value on our consolidated balance sheets at the respective period ends were (in thousands):

	December 31, 2018		October 28, 2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Term Loan Facilities	$ 2,549,207	$ 2,319,778	$ 412,925	$ 412,409
8.00% Senior Notes	645,000	599,850	—	—

The fair values of the term loan facility was based on recent trading activities of comparable market instruments, which are level 2 inputs and the fair value of the 8.00% senior notes was based on quoted prices in active markets for the identical liabilities, which are level 1 inputs.

Fair Value Measurements

ASC Subtopic 820-10, *Fair Value Measurements and Disclosures*, requires us to use valuation techniques to measure fair value that maximize the use of observable inputs and minimize the use of unobservable inputs. These inputs are prioritized as follows:

Level 1: Observable inputs such as quoted prices for identical assets or liabilities in active markets.

Level 2: Other inputs that are observable directly or indirectly, such as quoted prices for similar assets or liabilities or market-corroborated inputs.

Level 3: Unobservable inputs for which there is little or no market data and which require us to develop our own assumptions about how market participants would price the assets or liabilities.

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used as of December 31, 2018 and October 28, 2018.

Money market: Money market funds have original maturities of three months or less. The original cost of these assets approximates fair value due to their short-term maturity.

Mutual funds: Mutual funds are valued at the closing price reported in the active market in which the mutual fund is traded.

Assets held for sale: Assets held for sale are valued based on current market conditions, prices of similar assets in similar condition and expected proceeds from the sale of the assets, representative of Level 3 inputs.

Deferred compensation plan liability: Deferred compensation plan liability is comprised of phantom investments in the deferred compensation plan and is valued at the closing price reported in the active markets in which the money market and mutual funds are traded.

The following tables summarize information regarding our financial assets and liabilities that are measured at fair value on a recurring basis as of December 31, 2018 and October 28, 2018, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value (in thousands):

	December 31, 2018			
	Level 1	Level 2	Level 3	Total
Assets:				
Short-term investments in deferred compensation plan:				
Money market	$ 4	$ —	$ —	$ 4
Mutual funds – Growth	960	—	—	960
Mutual funds – Blend	1,537	—	—	1,537
Mutual funds – Foreign blend	717	—	—	717
Mutual funds – Fixed income	—	553	—	553
Total short-term investments in deferred compensation plan	3,218	553	—	3,771
Total assets	$ 3,218	$ 553	$ —	$ 3,771
Liabilities:				
Deferred compensation plan liability	$ —	$ 3,139	$ —	$ 3,139
Total liabilities	$ —	$ 3,139	$ —	$ 3,139

	October 28, 2018			
	Level 1	Level 2	Level 3	Total
Assets:				
Short-term investments in deferred compensation plan:				
Money market	$ 369	$ —	$ —	$ 369
Mutual funds – Growth	1,118	—	—	1,118
Mutual funds – Blend	2,045	—	—	2,045
Mutual funds – Foreign blend	812	—	—	812
Mutual funds – Fixed income	—	941	—	941
Total short-term investments in deferred compensation plan	4,344	941	—	5,285
Total assets	$ 4,344	$ 941	$ —	$ 5,285
Liabilities:				
Deferred compensation plan liability	$ —	$ 4,639	$ —	$ 4,639
Total liabilities	$ —	$ 4,639	$ —	$ 4,639

NOTE 17 — INCOME TAXES

The reconciliation of income tax computed at the statutory tax rate to the effective income tax rate is as follows (in thousands):

	October 29, 2018 - December 31, 2018	Three Months Ended January 28, 2018
Income tax provision (benefit) at the federal statutory rate	$ (20,340)	$ 1,485
State income taxes	(2,945)	212
Domestic production activities deduction	—	(98)
Non-deductible expenses	485	42
Tax credits	—	(35)
China valuation allowance	—	11
Revaluation of U.S. deferred income tax due to statutory rate reduction	—	(1,045)
One-time repatriation tax on foreign earnings	—	723
Transaction costs	1,543	—
Other	590	(177)
Provision (benefit) for income taxes	$ (20,667)	$ 1,118

The increase in the effective tax rate for the transition period ended December 31, 2018 is a result of the net impact of the Tax Cuts and Jobs Act ("U.S. Tax Reform") which was enacted by the United States on December 22, 2017. U.S. Tax Reform incorporates significant changes to U.S. corporate income tax laws including, among other things, a reduction in the federal statutory corporate income tax rate from 35% to 21%, an exemption for dividends received from certain foreign subsidiaries, a one-time repatriation tax on deemed repatriated earnings from foreign subsidiaries, immediate expensing of certain depreciable tangible assets, limitations on the deduction for net interest expense and certain executive compensation and the repeal of the Domestic Production Activities Deduction. The Company's statutory federal corporate income tax rate for three months ended January 28, 2018 was 23.3%.

Valuation allowance

As of December 31, 2018, the Company remains in a valuation allowance position, in the amount of $19.5 million, against its deferred tax assets for certain state and Canadian jurisdictions for its Ply Gem entities as it is currently deemed "more likely than not" that the benefit of such net tax assets will not be utilized as the Company continues to be in a three-year cumulative loss position for these states and Canadian jurisdictions. The Company will continue to monitor the positive and negative factors for these jurisdictions and make further changes to the valuation allowances as necessary. As a result of the Merger (see Note 3 — *Acquisitions* for more information on the Merger), net operating losses may be subject to limitation under Section 382.

Unrecognized tax benefits

Despite the Company's belief that its tax return positions are consistent with applicable tax laws, the Company believes that certain positions could be challenged by taxing authorities. The Company's tax reserves reflect the difference between the tax benefit claimed on tax returns and the amount recognized in the consolidated financial statements. These reserves have been established based on management's assessment as to potential exposure attributable to permanent differences and interest and penalties applicable to both permanent and temporary differences. The tax reserves are reviewed periodically and adjusted in light of changing facts and circumstances, such as progress of tax audits, lapse of applicable statutes of limitations and changes in tax law. The Company is currently under examination by various taxing authorities. During the transition period ended December 31, 2018, the tax reserves increased by approximately $0.1 million after excluding the reserves from the Ply Gem Merger. The increase is due to interest expense related to unrecognized tax benefits and new uncertain tax positions partially offset by lapsing statutes of limitations.

The liability for unrecognized tax benefits as of December 31, 2018 was approximately $5.0 million and is recorded in other long-term liabilities in the accompanying consolidated balance sheet. The corresponding amount of gross unrecognized tax benefit was approximately $16.5 million. The difference between the total unrecognized tax benefits and the amount of the liability for unrecognized tax benefits represents unrecognized tax benefits that have been netted against deferred tax assets related to net operating losses in accordance with ASC 740 in addition to accrued penalties and interest.

Tax receivable agreement ("TRA") liability

The TRA liability generally provides for the payment by Ply Gem to a third party entity of 85% of the amount of cash savings, if any, in the U.S. federal, state and local income tax that Ply Gem actually realizes in periods ending after Ply Gem's initial public offering as a result of (i) net operating loss carryovers ("NOLs") from periods ending before January 1, 2013, (ii) deductible expenses attributable to the initial public offering and (iii) deductions related to imputed interest. This liability carried over to NCI in connection with the consummation of the Merger on November 16, 2018. Ply Gem's future taxable income estimate was used to determine the cumulative NOLs that are expected to be utilized and the TRA liability was accordingly adjusted using the 85% TRA rate as Ply Gem retains the benefit of 15% of the tax savings. As of December 31, 2018, the Company had a $24.8 million current liability for the amount due pursuant to the Tax Receivable Agreement. During December 2018, the Company made a $22.5 million payment to the Tax Receivable Entity in settlement of the NOL usage on the 2017 tax returns.

NOTE 18 — SEGMENT INFORMATION

Operating segments are defined as components of an enterprise that engage in business activities and by which discrete financial information is available and is evaluated on a regular basis by the chief operating decision maker to make decisions regarding the allocation of resources to the segment and assess the performance of the segment. For the transition period ended December 31, 2018, the Company began reporting results under three reportable segments: Commercial, Siding and Windows. The Company's prior reportable segments, Engineered Building Systems, Metal Components, Insulated Metal Panels, and Metal Coil Coating, are now collectively in the Commercial segment. Prior periods for all periods presented have been recast to conform to the current segment presentation. The Siding segment will include the operating results of the legacy Ply Gem operating segment of Siding, Fencing, and Stone, and the Windows segment will include the operating results of the legacy Ply Gem operating segment of Windows and Doors.

These 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.

Corporate assets consist primarily of cash, investments, prepaid expenses, current and deferred taxes and property, plant and equipment associated with our headquarters in Cary, North Carolina and office 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, acquisition costs, and other expenses related to executive, legal, finance, tax, treasury, human resources, information technology and strategic sourcing, and corporate travel expenses. Additional unallocated amounts primarily include non-operating items such as interest income, interest expense, loss on extinguishment of debt and other (expense) income.

The following table represents summary financial data attributable to the segments for the periods indicated (in thousands):

	October 29, 2018 - December 31, 2018	Three Months Ended January 28, 2018
Net sales:		
Commercial	$ 286,522	$ 421,349
Siding	82,974	—
Windows	190,374	—
Total net sales	$ 559,870	$ 421,349
Operating income (loss):		
Commercial	$ 11,784	$ 37,799
Siding	(15,979)	—
Windows	(8,023)	—
Corporate	(51,198)	(24,901)
Total operating income (loss)	(63,416)	12,898
Unallocated other expense, net	(33,441)	(6,531)
Income (loss) before income taxes	$ (96,857)	$ 6,367

	December 31, 2018	October 28, 2018
Total assets:		
Commercial	$ 951,046	$ 1,024,433
Siding	2,061,562	—
Windows	1,851,125	—
Corporate	277,454	85,942
Total assets	$ 5,141,187	$ 1,110,375

NOTE 19 — CONTINGENCIES

As a manufacturer of products primarily for use in building construction, the Company is 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, the Company and/or its subsidiaries become involved in various legal proceedings or other contingent matters arising from claims or potential claims. The Company insures against these risks to the extent deemed prudent by its management and to the extent insurance is available. Many of these insurance policies contain deductibles or self-insured retentions in amounts the Company deems prudent and for which the Company is responsible for payment. In determining the amount of self-insurance, it is the Company's policy to self-insure those losses that are predictable, measurable and recurring in nature. The Company regularly reviews the status of ongoing 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.

Environmental

The Company is subject to United States and Canadian federal, state, provincial and local laws and regulations relating to pollution and the protection of the environment, including those governing emissions to air, discharges to water, use, storage, treatment, disposal and transport of hazardous waste and other materials, investigation and remediation of contaminated sites, and protection of worker health and safety. From time to time, the Company's facilities are subject to investigation by governmental authorities. In addition, the Company has been identified as one of many potentially responsible parties for contamination present at certain offsite locations to which it or its predecessors are alleged to have sent hazardous materials for recycling or disposal. The Company may be held liable, or incur fines or penalties, in connection with such requirements or liabilities for, among other things, releases of hazardous substances occurring on or emanating from current or formerly owned or operated properties or any associated offsite disposal location, or for known or newly-discovered contamination at any of the Company's properties from activities conducted by it or previous occupants. The amount of any liability, fine or penalty may be material, and certain environmental laws impose strict, and under certain circumstances joint and several, liability for the cost of addressing releases of hazardous substances upon certain classes of persons, including site owners or operators and persons that disposed or arranged for the disposal of hazardous substances at contaminated sites.

One of the Company's subsidiaries entered into an Administrative Order on Consent (the "Consent Order"), effective September 12, 2011, with the United States Environmental Protection Agency ("EPA"), under the Resource Conservation and Recovery Act ("RCRA"), with respect to its Rocky Mount, Virginia property. During 2011, as part of the Consent Order, the Company provided the EPA, among other things, a RCRA Facility Investigation Workplan (the "Workplan"). In 2012, the EPA approved the Workplan, which the Company is currently implementing. Current estimates of remaining costs for predicted assessment, remediation and monitoring activities as of December 31, 2018 are $5.0 million. The Company has recorded approximately $0.3 million of this environmental liability within current liabilities at December 31, 2018 and approximately $4.7 million within other long-term liabilities in the Company's consolidated balance sheets at December 31, 2018. The Company may incur costs that exceed its recorded environmental liability. The Company will adjust its environmental remediation liability in future periods, if necessary, as further information develops or circumstances change.

The EPA is investigating groundwater contamination at a Superfund site in York, Nebraska referred to as the "PCE/TCE Northeast Contamination Site". A subsidiary of the Company has been named a potentially responsible party ("PRP") with respect to the PCE/TCE Northeast Contamination Site. As a PRP, the Company could have liability for investigation and remediation costs associated with the contamination. Given the current status of this matter, the Company has recorded a liability of $5.0 million within other long-term liabilities in its consolidated balance sheets as of December 31, 2018.

The Company is a party to various acquisition and other agreements pursuant to which third parties agreed to indemnify the Company for certain costs relating to environmental liabilities. For example, the Company may be able to recover some of its Rocky Mount, Virginia investigation and remediation costs from U.S. Industries, Inc. and may be able to recover a portion of costs incurred in connection with the York, Nebraska contamination matter from Novelis Corporation as successor to Alcan Aluminum Corporation, the former owner of the York, Nebraska location. The Company's ability to seek indemnification from parties that have agreed to indemnify it may be limited. There can be no assurance that the Company would receive any funds from these parties, and any related environmental liabilities or costs could have a material adverse effect on our financial condition and results of operations.

Based on current information, the Company is not aware of any environmental compliance obligations, claims or investigations that will have a material adverse effect on its results of operations, cash flows or financial position except as otherwise disclosed in the Company's consolidated financial statements. However, there can be no guarantee that previously known or newly-discovered matters will not result in material costs or liabilities.

Litigation

As a result of the Merger, the Company has increased the quantity of litigation claims, as discussed below. The Company believes it has valid defenses to the outstanding claims discussed below and will vigorously defend all such claims; however, litigation is subject to many uncertainties and there cannot be any assurance that the Company will ultimately prevail or, in the event of an unfavorable outcome or settlement of litigation, that the ultimate liability would not be material and would not have a material adverse effect on the business, results of operations, cash flows or financial position of the Company.

Certain shareholders holding approximately 1,172,009 shares of Ply Gem Holdings, Inc. common stock (the "Shares") exercised appraisal rights to demand appraisal of their Shares in connection with the Ply Gem-Atrium Merger. By exercising appraisal rights, these shareholders seek an appraisal for, and to be paid the "fair value" in cash of, their Shares (as determined by the Court of Chancery of the State of Delaware) instead of receiving the merger consideration of $21.64 in cash, without interest, per share (the "Merger Consideration") paid pursuant to the Ply Gem-Atrium Merger Agreement. During July 2018, Ply Gem Holdings paid $41.4 million in connection with this appraisal rights matter in order to reduce the interest accruing on the claim. On December 6, 2018, the Company settled the appraisal action for $3.5 million to avoid the substantial burden, expense, inconvenience and distraction of continued litigation and this amount has been recognized as a financing activity within the Company's consolidated statement of cash flows.

In November 2018, Aurora Plastics, LLC ("Aurora") initiated an arbitration demand against Atrium Windows and Doors, Inc., Atrium Extrusion Systems, Inc., and North Star Manufacturing (London) Ltd. (collectively, "Atrium") pursuant to a Third Amended and Restated Vinyl Compound and Supply Agreement dated as of December 22, 2016. Aurora alleges that Atrium's breach of the Agreement has resulted in damages in excess of $48.0 million. Arbitration of the matter is currently expected to occur in 2019.

On November 14, 2018, an individual stockholder, Gary D. Voigt, filed a putative class action complaint in the Delaware Court of Chancery against CD&R, CD&R Fund VIII, and certain directors of the Company. Voigt purports to assert claims on behalf of himself, on behalf of a class of other similarly situated stockholders of the Company, and derivatively on behalf of the Company, the nominal defendant. The complaint asserts claims for breach of fiduciary duty and unjust enrichment against CD&R Fund VIII and CD&R, and for breach of fiduciary duty against the director defendants in connection with the Merger. Voigt seeks damages in an amount to be determined at trial. The Company intends to vigorously defend the litigation.

Other contingencies

The Company is subject to other contingencies, including legal proceedings and claims arising out of its operations and businesses that cover a wide range of matters, including, among others, environmental, contract, employment, intellectual property, securities, personal injury, property damage, product liability, warranty, and modification, adjustment or replacement of component parts or units sold, which may include product recalls. Product liability, environmental and other legal proceedings also include matters with respect to businesses previously owned. The Company has used various substances in products and manufacturing operations, which have been or may be deemed to be hazardous or dangerous, and the extent of its potential liability, if any, under environmental, product liability and workers' compensation statutes, rules, regulations and case law is unclear. Further, due to the lack of adequate information and the potential impact of present regulations and any future regulations, there are certain circumstances in which no range of potential exposure may be reasonably estimated. Also, it is not possible to ascertain the ultimate legal and financial liability with respect to certain contingent liabilities, including lawsuits, and therefore no such estimate has been made as of December 31, 2018.

NOTE 20 — SUBSEQUENT EVENT

Unit Purchase Agreement with Environmental Materials, LLC

On January 17, 2019, the Company announced that it entered into a Unit Purchase Agreement on January 12, 2019 with Environmental Materials, LLC ("Environmental Stoneworks") and certain of its affiliates to purchase 100% of the outstanding limited liability company interests of Environmental Stoneworks. Under the terms of the Unit Purchase Agreement, NCI will pay $186.0 million for the interests and plans to finance the transaction through a combination of cash on hand and borrowings under its existing revolving credit facilities. The purchase price is subject to certain customary post-closing adjustments including debt and working capital. During calendar year 2017, Environmental Stoneworks generated approximately $160.0 million in revenues. The transaction closing is subject to a number of customary conditions, including, among others, the termination or expiration of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended. The transaction is expected to close during the first quarter of 2019.

NCI BUILDING SYSTEMS, INC.

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

The following information should be read in conjunction with the unaudited consolidated financial statements included herein under "Item 1. Unaudited Consolidated Financial Statements" and the audited consolidated financial statements and the notes thereto and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our Annual Report on Form 10-K for the fiscal year ended October 28, 2018.

FORWARD LOOKING STATEMENTS

This Transition 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," "expect," "forecast," "goal," "intend," "may," "objective," "plan," "potential," "predict," "projection," "should," "will" or other similar words. We have 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;
- downturns in the residential new construction and repair and remodeling end markets, or the economy or the availability of consumer credit;
- volatility in the United States ("U.S.") economy and abroad, generally, and in the credit markets;
- inability to successfully develop new products or improve existing products;
- the effects of manufacturing or assembly realignments;
- changes in laws or regulations;
- the effects of certain external domestic or international factors that we may not be able to control, including war, civil conflict, terrorism, natural disasters and public health issues;
- our ability to obtain financing on acceptable terms;
- recognition of goodwill or asset impairment charges;
- commodity price volatility and/or limited availability of raw materials, including steel, PVC resin and aluminum;
- retention and replacement of key personnel;
- increases in union organizing activity and work stoppages at our facilities or the facilities of our suppliers;
- our ability to employ, train and retain qualified personnel at a competitive cost;
- enforcement and obsolescence of our intellectual property rights;
- changes in foreign currency exchange and interest rates;
- costs and liabilities related to compliance with environmental laws and environmental clean-ups;
- changes in building codes and standards;
- potential product liability claims, including class action claims and warranties, relating to products we manufacture;
- competitive activity and pricing pressure in our industry;

- the credit risk of our customers;
- the dependence on a core group of significant customers in our Windows and Siding segments;
- operational problems or disruptions at any of our facilities, including natural disasters;
- volatility of the Company's stock price;
- our ability to make strategic acquisitions accretive to earnings;
- our ability to carry out our restructuring plans and to fully realize the expected cost savings;
- significant changes in factors and assumptions used to measure certain of Ply Gem's defined benefit plan obligations and the effect of actual investment returns on pension assets;
- volatility in transportation, energy and freight prices;
- the adoption of climate change legislation;
- limitations on our net operating losses and payments under the tax receivable agreement;
- breaches of our information system security measures;
- damage to our major information management systems;
- necessary maintenance or replacements to our enterprise resource planning technologies;
- potential personal injury, property damage or product liability claims or other types of litigation;
- compliance with certain laws related to our international business operations;
- the effect of tariffs on steel imports;
- the cost and difficulty associated with integrating and combining the businesses of NCI and Ply Gem;
- potential write-downs or write-offs, restructuring and impairment or other charges required in connection with the Merger;
- potential claims arising from the operations of our various businesses arising from periods prior to the dates they were acquired;
- substantial governance and other rights held by the Investors;
- the effect on our common stock price caused by transactions engaged in by the Investors, our directors or executives;
- our substantial indebtedness and our ability to incur substantially more indebtedness;
- limitations that our debt agreements place on our ability to engage in certain business and financial transactions;
- the effect of increased interest rates on our ability to service our debt;
- downgrades of our credit ratings; and
- other risks detailed under the caption "Risk Factors" in this Transition Report on Form 10-Q, and in Part I, Item 1A in our Annual Report on Form 10-K for the fiscal year ended October 28, 2018 (the "2018 10-K") and other filings we make with the SEC.

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 the 2018 Form 10-K and other risks described in documents subsequently filed by the Company from time to time with the SEC. 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.

OVERVIEW

NCI Building Systems, Inc. (together with its subsidiaries, unless the context requires otherwise, the "Company," "NCI," "we," "us" or "our") is one of North America's largest integrated manufacturers and marketers of external building products for

the commercial, residential, and repair & remodel construction industries. We design, engineer, manufacture and market external building products through our three operating segments, Commercial, Siding, and Windows.

In our Commercial segment, 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 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. Our Commercial segment also provides metal coil coating services for commercial and construction applications, servicing both internal and external customers. We sell our products for both new construction and repair and retrofit applications.

In our Siding segment, our principal products include vinyl siding and skirting, steel siding, vinyl and aluminum soffit, aluminum trim coil, aluminum gutter coil, aluminum gutters, aluminum and steel roofing accessories, cellular PVC trim and mouldings, J-channels, wide crown molding, window and door trim, F-channels, H-molds, fascia, undersill trims, outside/inside corner posts, rain removal systems, injection molded designer accents such as shakes, shingles, scallops, shutters, vents and mounts, vinyl fence, vinyl railing, engineered slate and cedar shake roofing, and stone veneer in the United States and Canada. The breadth of our product lines and our multiple brand and price point strategy enable us to target multiple distribution channels (wholesale and specialty distributors, retailers and manufactured housing) and end users (new construction and home repair and remodeling).

In our Windows segment, our principal products include vinyl, aluminum-clad vinyl, aluminum, wood and clad-wood windows and patio doors and steel, wood, and fiberglass entry doors that serve both the new construction and the home repair and remodeling sectors in the United States and Canada. We continue introducing new products to the portfolio which allow us to enter or further penetrate new distribution channels and customers. The breadth of our product lines and our multiple price point strategy enable us to target multiple distribution channels (wholesale and specialty distributors, retailers and manufactured housing) and end user markets (new construction and home repair and remodeling).

We assess performance across our operating segments by analyzing and evaluating, among other indicators, gross profit and operating income, as well as whether 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.

Reporting Periods

On November 16, 2018, the Board of Directors of NCI Building Systems, Inc., or the "Company", approved a change to the Company's fiscal year end from a 52/53 week year with the Company's fiscal year end on the Sunday closest to October 31 to a calendar year of the 12 month period from January 1 to December 31. The Company elected to change its fiscal year end in connection with the Merger to align both Companies' fiscal year ends. In connection with this change, this Transition Report on Form 10-Q includes the financial information for the transition period from October 29, 2018 to December 31, 2018, or "transition period". References in this Transition Report on Form 10-Q to "fiscal year 2018" or "fiscal 2018" refer to the period from October 30, 2017 through October 28, 2018. The results of operations of the first quarter of fiscal 2018 are presented as the comparable period. The Company did not recast the consolidated financial statements for the period from October 30, 2017 to December 31, 2017 because the financial reporting processes in place at that time included certain procedures that were completed only on a quarterly basis. Consequently, to recast this period would have been impractical and would not have been cost-justified.

From this point forward the Company's fiscal quarters are based on a four-four-five week calendar with periods ending on the Saturday of the last week in the quarter except for December 31st which will always be the year end date. Therefore, the financial results of certain fiscal quarters may not be comparable to prior fiscal quarters.

Merger with Ply Gem

At the Special Shareholder Meeting on November 15, 2018, NCI's shareholders approved (i) the Merger Agreement and (ii) the Stock Issuance. NCI's shareholders also approved the three additional proposals described in the Company's proxy statement relating to the Special Shareholder Meeting. The Merger was consummated on November 16, 2018 in accordance with the Merger Agreement.

Pursuant to the terms of the Merger Agreement, on November 16, 2018, the Company entered into (i) the New Stockholders Agreement between the Company and each of the Investors, pursuant to which the Company granted to the Investors certain governance, preemptive and subscription rights and (ii) the New Registration Rights Agreement with the Investors, pursuant to which the Company granted the Investors customary demand and piggyback registration rights, including rights to demand registrations and underwritten shelf registration statement offerings with respect to the shares of NCI Common Stock that are held by the Investors following the consummation of the Merger. Pursuant to the terms of the New Stockholders Agreement, the Company and the CD&R Fund VIII Investor Group terminated the Old Stockholders Agreement. Pursuant to the terms of the New Registration Rights Agreement, the Company and the CD&R Fund VIII Investor Group terminated the Old Registration Rights Agreement.

In connection with the Merger, on November 16, 2018, NCI assumed (i) the obligations of Ply Gem Midco, a subsidiary of Ply Gem immediately prior to the consummation of the Merger, as borrower under the Current Cash Flow Credit Agreement, (ii) the obligations of Ply Gem Midco as parent borrower under the Current ABL Credit Agreement and (iii) the obligations of Ply Gem Midco as issuer under the Current Indenture.

On April 12, 2018, Ply Gem Midco entered into a Cash Flow Credit Agreement (the "Current Cash Flow Credit Agreement"), by and among Ply Gem Midco, JP Morgan Chase Bank, N.A., as administrative agent and collateral agent (the "Cash Flow Agent"), and the several banks and other financial institutions from time to time party thereto. As of November 16, 2018, immediately prior to the consummation of the Merger, the Current Cash Flow Credit Agreement provided for (i) a term loan facility (the "Current Term Loan Facility") in an original aggregate principal amount of $1,755.0 million and (ii) a cash flow-based revolving credit facility (the "Current Cash Flow Revolver" and together with the Current Term Loan Facility, the "Current Cash Flow Facilities") of up to $115.0 million. On November 16, 2018, Ply Gem Midco entered into a Lender Joinder Agreement, by and among Ply Gem Midco, the additional commitment lender party thereto and the Cash Flow Agent, which amended the Current Cash Flow Credit Agreement in order to, among other things, increase the aggregate principal amount of the Current Term Loan Facility by $805.0 million (the "Incremental Term Loans"). Proceeds of the Incremental Term Loans were used to, among other things, (a) finance the Merger and to pay certain fees, premiums and expenses incurred in connection therewith, (b) repay in full amounts outstanding under the Pre-merger Term Loan Credit Agreement and the Pre-merger ABL Credit Agreement (each as defined below) and (c) repay $325.0 million of borrowings outstanding under the Current ABL Facility (as defined below). On November 16, 2018, in connection with the consummation of the Merger, NCI and Ply Gem Midco entered into a joinder agreement with respect to the Current Cash Flow Facilities, and NCI became the Borrower (as defined in the Current Cash Flow Credit Agreement) under the Current Cash Flow Facilities. The Current Term Loan Facility amortizes in nominal quarterly installments equal to one percent of the aggregate initial principal amount thereof per annum, with the remaining balance payable upon final maturity of the Current Term Loan Facility on April 12, 2025. There are no amortization payments under the Current Cash Flow Revolver, and all borrowings under the Current Cash Flow Revolver mature on April 12, 2023. At November 16, 2018, following consummation of the Merger, there was $2,555.6 million outstanding under the Current Term Loan Facility and there were no amounts drawn on the Current Cash Flow Revolver.

On April 12, 2018, Ply Gem Midco and certain subsidiaries of Ply Gem Midco entered into an ABL Credit Agreement (the "Current ABL Credit Agreement"), by and among Ply Gem Midco, the subsidiary borrowers from time to time party thereto, UBS AG, Stamford Branch, as administrative agent and collateral agent (the "ABL Agent"), and the several banks and other financial institutions from time to time party thereto, which provided for an asset-based revolving credit facility (the "Current ABL Facility") of up to $360.0 million, consisting of (i) $285.0 million available to U.S. borrowers (subject to U.S. borrowing base availability) (the "ABL U.S. Facility") and (ii) $75.0 million available to both U.S. borrowers and Canadian borrowers (subject to U.S. borrowing base and Canadian borrowing base availability) (the "ABL Canadian Facility"). On October 15, 2018, Ply Gem Midco entered into Amendment No. 2 to the Current ABL Credit Agreement, by and among Ply Gem Midco, the incremental lender party thereto and the ABL Agent, which amended the Current ABL Credit Agreement in order to, among other things, increase the aggregate commitments under the Current ABL Facility by $36.0 million to $396.0 million overall, and with the (x) ABL U.S. Facility being increased from $285.0 million to $313.5 million and (y) the ABL Canadian Facility being increased from $75.0 million to $82.5 million. On November 16, 2018, Ply Gem Midco entered into Amendment No. 4 to the Current ABL Credit Agreement, by and among Ply Gem Midco, the incremental lenders party thereto and the ABL Agent, which amended the Current ABL Credit Agreement in order to, among other things, increase the aggregate commitments under the Current ABL Facility by $215.0 million (the "Incremental ABL Commitments") to $611.0 million overall, and with the (x) ABL U.S. Facility being increased from $313.5 million to approximately $483.7 million and (y) the ABL Canadian Facility being increased from $82.5 million to approximately $127.3 million. On November 16, 2018, in connection with the consummation of the Merger, NCI and Ply Gem Midco entered into a joinder agreement with respect to the Current ABL Facility, and NCI became the Parent Borrower (as defined in the Current ABL Credit Agreement) under the Current ABL Facility. The Company and, at the Company's option, certain of the Company's subsidiaries are the borrowers under the Current ABL Facility. As of November 16, 2018, and following consummation of the Merger, (a) Ply Gem Industries, Inc., Atrium Windows and Doors, Inc., NCI Group, Inc. and Robertson-Ceco II Corporation were U.S. subsidiary borrowers under the Current ABL Facility, and (b) Gienow Canada Inc., Mitten Inc., North Star Manufacturing (London) Ltd. and Robertson Building Systems Limited were Canadian borrowers under the Current ABL Facility. All borrowings under the Current ABL Facility mature on April 12, 2023. At November 16, 2018, following consummation of the Merger, there were no amounts drawn and $24.7 million of letters of credit issued under the Current ABL Facility.

On April 12, 2018, Ply Gem Midco issued $645.0 million aggregate principal amount of 8.00% Senior Notes due 2026 (the "8.00% Senior Notes"). The 8.00% Senior Notes were issued pursuant to an Indenture, dated as of April 12, 2018 (as supplemented from time to time, the "Current Indenture"), by and among Ply Gem Midco, as issuer, the subsidiary guarantors from time to time party thereto and Wilmington Trust, National Association, as trustee. On November 16, 2018, in connection with the consummation of the Merger, the Company entered into a supplemental indenture and assumed the obligations of Ply Gem Midco as issuer under the Current Indenture and the 8.00% Senior Notes. The 8.00% Senior Notes bear interest at 8.00% per annum and will mature on April 15, 2026. Interest is payable semi-annually in arrears on April 15 and October 15.

On November 16, 2018, in connection with the incurrence by Ply Gem Midco of the Incremental Term Loans and the obtaining by Ply Gem Midco of the Incremental ABL Commitments, following consummation of the Merger, the Company (a) terminated all outstanding commitments and repaid all outstanding amounts under the Term Loan Credit Agreement, dated as of February 8, 2018 (the "Pre-merger Term Loan Credit Agreement"), by and among the Company, as borrower, the several banks and other financial institutions from time to time party thereto and Credit Suisse AG, Cayman Islands Branch, as administrative agent and collateral agent, and (b) terminated all outstanding commitments and repaid all outstanding amounts under the ABL Credit Agreement, dated as of February 8, 2018 (the "Pre-merger ABL Credit Agreement"), by and among NCI Group, Inc. and Robertson-Ceco II Corporation, as borrowers, the Company, as a guarantor, the other borrowers from time to time party thereto, the several banks and other financial institutions from time to time party thereto and Wells Fargo Bank, National Association, as administrative agent and collateral agent. Outstanding letters of credit under the Pre-merger ABL Credit Agreement were cash collateralized.

In connection with the termination and repayment of the Pre-merger Term Loan Credit Agreement and the Pre-merger ABL Credit Agreement, the Company also terminated (i) the Term Loan Guarantee and Collateral Agreement, dated as of February 8, 2018, made by the Company and certain of its subsidiaries, in favor of Credit Suisse AG, Cayman Islands Branch, as collateral agent, (ii) the ABL Guarantee and Collateral Agreement, dated as of February 8, 2018, made by the Company and certain of its subsidiaries, in favor of Wells Fargo Bank, National Association, as collateral agent, and (iii) the Intercreditor Agreement, dated as of February 8, 2018, between Credit Suisse AG, Cayman Islands Branch and Wells Fargo Bank, National Association, and acknowledged by the Company and certain of its subsidiaries.

The Company incurred approximately $29.1 million of acquisition expenses during the transition period ended December 31, 2018 related to the Merger, primarily for various third-party consulting and due-diligence services, and financial advisors' fees, which are recorded in strategic development and acquisition related costs in the Company's consolidated statements of operations.

Our consolidated results of operations for the transition period ended December 31, 2018 include the results of operations of Ply Gem for the period from November 16, 2018 through December 31, 2018.

Change in Operating Segments

For the transition period ended December 31, 2018, the Company began reporting results under three reportable segments: (i) Commercial, (ii) Siding, and (iii) Windows to align with how the Company manages its business, reviews operating performance and allocates resources following the Merger. The Commercial segment will include the aggregate operating results of the legacy NCI businesses, and the Siding and Windows segments will include the operating results of the legacy Ply Gem operating segments. Prior periods have been recasted to conform to the current segment presentation.

Transition Period Ended December 31, 2018

Consolidated sales increased by approximately 32.9% from the three months ended January 28, 2018. The year-over-year improvement was primarily driven by the addition of Ply Gem sales for the period from the Closing Date through December 31, 2018.

The Company's gross margin in the current period was 15.0% as compared to 21.8% in the first quarter of fiscal 2018. The lower gross margin was primarily caused by the Company incurring approximately $21.6 million in additional cost of goods sold related to the fair value write-up of the Ply Gem inventory on the Acquisition Date. Excluding the impact from the acquisition of Ply Gem, the Company's gross margin would have been 18.9%, 290 basis points lower than the 21.8% for three months ended January 28, 2018 primarily as a result of tonnage volume in the Commercial segment.

RESULTS OF OPERATIONS

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) Commercial, (ii) Siding, and (iii) Windows. Our operating segments operate in the commercial and residential new construction, and repair & remodel construction markets. Sales and earnings are influenced by general economic conditions, the level of residential and nonresidential construction activity, commodity costs, such as steel, aluminum, and PVC, other input costs such as labor and freight, and the availability and terms of financing available for construction. The operating segments follow the same accounting policies used for our consolidated financial statements.

Corporate assets consist primarily of cash, investments, prepaid expenses, current and deferred taxes and property, plant and equipment associated with our headquarters in Cary, North Carolina and office 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, acquisition costs and other expenses related to executive, legal, finance, tax, treasury, human resources, information technology and strategic sourcing, and corporate travel expenses. Additional unallocated amounts primarily include

non-operating items such as interest income, interest expense, loss on extinguishment of debt and other (expense) income. See Note 18 — *Segment Information* in the notes to the unaudited consolidated financial statements for more information on our segments.

We have revised our segment reporting to represent how we now manage our business, recasting prior periods to conform to the current segment presentation. The following table represents sales and operating income (loss) attributable to these operating segments for the periods indicated (in thousands):

	October 29, 2018 - December 31, 2018	Three Months Ended January 28, 2018
Net sales:		
Commercial	$ 286,522	$ 421,349
Siding	82,974	—
Windows	190,374	—
Total net sales	$ 559,870	$ 421,349
Operating income (loss):		
Commercial	$ 11,784	$ 37,799
Siding	(15,979)	—
Windows	(8,023)	—
Corporate	(51,198)	(24,901)
Total operating income (loss)	(63,416)	12,898
Unallocated other expense, net	(33,441)	(6,531)
Income (loss) before income taxes	$ (96,857)	$ 6,367

Following the Merger completed on November 16, 2018, the Company determined that it would have three reportable segments: (i) Commercial, (ii) Siding and (iii) Windows. These reportable segments were derived out of the legacy segments for NCI Buildings Systems Inc.- Engineered Building Systems; Metal Components; Insulated Metal Panels; and Metal Coil Coating which under the post-Merger segment structure will be contained within the Commercial segment. The legacy segments for Ply Gem Holdings, Siding, Fencing, and Stone will be within the Siding segment under the post-Merger segment structure while Windows and Doors will be within the Windows segment.

For the transition period ended December 31, 2018, the Commercial segment will contain operating segment results for the period from October 29, 2018 to December 31, 2018 with a comparison to the three months ended January 28, 2018. The Siding and Windows segments will contain operating segment results for the period from November 16, 2018 to December 31, 2018 with no comparative information included as these operating segments did not exist within NCI for the three months ended January 28, 2018.

TRANSITION PERIOD ENDED DECEMBER 31, 2018 COMPARED TO THREE MONTHS ENDED JANUARY 28, 2018

Commercial

(Amounts in thousands)	October 29, 2018 - December 31, 2018		Three Months Ended January 28, 2018	
Statement of operations data:				
Net sales	$ 286,522	100.0%	$ 421,349	100.0%
Gross profit	54,090	18.9%	91,917	21.8%
SG&A expense (including acquisition costs)	39,455	13.8%	51,706	12.3%
Amortization of intangible assets	1,607	0.6%	2,412	0.6%
Loss on disposition of business	1,244	0.4%	—	—%
Operating income	11,784	4.1%	37,799	9.0%

Net sales decreased $134.8 million, or 32.0%, for the transition period ended December 31, 2018, compared to the three months ended January 28, 2018. The decrease is primarily the result of fewer shipping days versus the comparative period. During the transition period ended December 31, 2018 we continued to benefit from the pass through of higher material input costs, offset by lower tonnage volumes across all of our brands. The decrease in volume is attributed to a combination of an acceleration of shipments near the end of October 2018, as well as lower order rates in our metal building products divisions during the second half of 2018.

Gross profit decreased $37.8 million, or 41.2%, for the transition period ended December 31, 2018, compared to the three months ended January 28, 2018. This dollar decrease is the result of fewer shipping days versus the comparable period and lower tonnage volumes discussed above. As a percent of net sales, gross profit decreased 290 basis points due to lower manufacturing efficiencies and leverage of fixed cost structure as a result of the decreased tonnage volume. Additionally, uneven flow through our plants from holiday downtime and inclement weather resulted in unfavorable margins relative to the three months ended January 28, 2018.

Selling, general, and administrative expenses ("SG&A") decreased $12.3 million, or 23.7%, for the transition period ended December 31, 2018, compared to the three months ended January 28, 2018 primarily due to fewer days in the transition period versus the comparative period and cost reduction actions taken by management, offset by higher incentive compensation, higher stock-based compensation and project-related expenses in support of Commercial segment initiatives. As a percent of net sales, SG&A increased by 150 basis points as a result of the aforementioned items.

Amortization expense for the transition period ended December 31, 2018 was $1.6 million or 0.6% of net sales. The amortization expense as a percentage of net sales is consistent with the comparable period.

Siding

(Amounts in thousands)	October 29, 2018 - December 31, 2018		Three Months Ended January 28, 2018	
Statement of operations data:				
Net sales	$ 82,974	100.0 %	$ —	—%
Gross profit	1,651	2.0 %	—	—%
SG&A expense (including acquisition costs)	7,453	9.0 %	—	—%
Amortization of intangible assets	10,178	12.3 %	—	—%
Operating loss	(15,979)	(19.3)%	—	—%

Net sales for the transition period ended December 31, 2018 were $83.0 million. Our net sales for the U.S. and Canadian markets were approximately $77.0 million and $6.0 million, respectively, for the transition period ended December 31, 2018. Our building products are typically installed on a new construction home 90 to 120 days after the start of the home, therefore, there is a lag between the timing of the single-family housing start date and the time in which our products are installed on a home. From an industry perspective, we evaluate the new construction environment by reviewing the U.S. Census Bureau single family housing start statistics to assess the performance of the new construction market for a normal quarterly period. Due to the Merger which was consummated on November 16, 2018, we evaluated estimated annual housing start projections for November 2018 determining that single family housing start estimates decreased 4.6% from 864 in October 2018 to 824 in November 2018 illustrating a softening in overall economic conditions specifically for new construction. For new construction, we also examine where these single-family housing starts occur geographically as the Northeast and Midwest are significant vinyl siding concentrated areas relative to the South and the West. In addition to new construction, we also evaluate the repair and remodeling market to assess market conditions by evaluating the Leading Indicator of Remodeling Activity ("LIRA"). For the fourth quarter of 2018, LIRA reflected that the trailing 12 months of remodeling activity decreased from 6.7% for the third quarter of 2018 to 5.1% indicating a slight economic slowdown in the repair and remodeling market as well. Finally, we assess our performance relative to our competitors and the overall siding industry by evaluating the marketing indicators produced by the Vinyl Siding Institute, a third party which summarizes vinyl siding unit sales for the industry. As of December 31, 2018, our U.S. market position in vinyl siding was 36.6% while our share of the Canadian vinyl siding market was 33.5%. Overall, our Siding segment is heavily weighted to the repair and remodeling market with approximately 65% of our net sales being attributed to repair and remodeling with the remaining 35% attributed to the new construction market.

Gross profit for the transition period ended December 31, 2018 was $1.7 million. Gross profit was negatively impacted by $14.4 million by the non-cash inventory fair value step-up associated with the Merger which increased costs of goods sold during the transition period ended December 31, 2018. Excluding the impact of this inventory step-up, our gross profit would have been $16.1 million for the transition period. We will incur an additional $14.4 million of negative gross profit related to the Merger during the Company's first fiscal quarter ending March 30, 2019 associated with this non-cash inventory fair value step-up. Historically, our gross profit is impacted significantly by raw material costs specifically PVC resin and aluminum. We have typically attempted to pass along increases in raw material input costs to our customers but normally there is a lag period of approximately 90-120 days between the impact of higher raw material costs and customer pricing actions. In addition to raw material costs, we closely monitor freight costs which due to industry driver and lane shortages and fuel costs have been trending higher than recent years.

As a percentage of net sales, our gross profit percentage was 19.3% excluding this fair value step-up. Our net sales and profitability are normally lower during the first and fourth quarters due to inclement weather in the winter months which reduces building activity in both the new construction and repair and remodeling markets.

Selling, general, and administrative expenses were $7.5 million for the transition period ended December 31, 2018. Included within SG&A expenses are sales and marketing expenses, research and development costs, and legal and professional fees and non-manufacturing personnel costs. As a percentage of net sales, SG&A expenses were 9.0% for the transition period ended December 31, 2018.

Amortization expense for the transition period ended December 31, 2018 was $10.2 million or 12.3% of net sales. The amortization expense is directly attributed to the Merger and the fair values assigned to our intangible assets including trade names and customer lists which both have finite amortization periods.

Windows

(Amounts in thousands)	October 29, 2018 - December 31, 2018			Three Months Ended January 28, 2018	
Statement of operations data:					
Net sales	$	190,374	100.0 %	—	—%
Gross profit		28,349	14.9 %	—	—%
SG&A expense (including acquisition costs)		28,024	14.7 %	—	—%
Amortization of intangible assets		8,347	4.4 %	—	—%
Operating loss		(8,023)	(4.2)%	—	—%

Net sales for the transition period ended December 31, 2018 were $190.4 million. Net sales for the transition period included net sales of $40.1 million and $38.8 million for Silver Line and Atrium, respectively. Ply Gem's acquisition of a portfolio of products sold under the Silver Line and American Craftsman brands, certain manufacturing plants and associated distribution and support services (the "Silver Line acquisition") was completed on October 14, 2018 while the Atrium acquisition was completed on April 12, 2018 with both entities' net sales included for the Company within the Windows segment from the Closing Date in the transition period ended December 31, 2018. Excluding these 2018 acquisitions, our net sales would have been $111.5 million for the transition period. We evaluate our net sales performance within the Windows segment by evaluating our net sales for the new construction market and the repair and remodeling market. Due to the Merger which was consummated on November 16, 2018, we evaluated estimated annual housing start projections for November 2018 determining that single family housing start estimates decreased 4.6% from 864 in October 2018 to 824 in November 2018 illustrating a softening in overall economic conditions specifically for new construction. In addition to new construction, we also evaluate the repair and remodeling market to assess market conditions by evaluating LIRA. For the fourth quarter of 2018, LIRA reflected that the 12 trailing months of remodeling activity decreased from 6.7% for the third quarter of 2018 to 5.1% indicating a slight economic slowdown in the repair and remodeling market. Overall, our Windows segment is weighted to the new construction market with approximately 55% of our net sales attributed to new construction with the remaining 45% attributed to the repair and remodeling market. Our building products are typically installed on a new construction home 90 to 120 days after the start of the home, therefore, there is a lag between the timing of the single-family housing start date and the time in which our products are installed on a home.

Gross profit for the transition period ended December 31, 2018 was $28.3 million. Gross profit was negatively impacted $7.2 million by the non-cash inventory fair value step-up associated with the Merger which increased costs of goods sold during the transition period ended December 31, 2018. Gross profit for the transition period ended December 31, 2018 includes Silver Line gross profit of $3.5 million and Atrium gross profit of $10.8 million. The Silver Line acquisition was completed on October 14, 2018 while the Ply Gem-Atrium Merger was completed on April 12, 2018 with both entities' gross profit included for the Company within the Windows segment from the Closing Date in the transition period ended December 31, 2018. Excluding the impact of this inventory step-up and the Silver Line and Atrium gross profit, our gross profit would have been $21.2 million for the transition period. We will not incur any additional negative gross profit during the Company's first fiscal quarter ending March 30, 2019 associated with this non-cash inventory fair value step-up for the Merger as the related inventory has been sold and reflected within our cost of goods sold. Historically, our gross profit is impacted significantly by raw material costs specifically PVC resin, aluminum, and glass. We have typically attempted to pass along increases in raw material input costs to our customers but normally there is a lag period of approximately 90-120 days between the impact of higher raw material costs and customer pricing actions. In addition to raw material costs, we closely monitor freight costs which due to industry driver and lane shortages and fuel costs have been trending higher than recent years.

As a percentage of net sales, our gross profit percentage was 19.0% excluding this fair value step-up. Our net sales and profitability are normally lower during the first and fourth quarters due to inclement weather in the winter months which reduces building activity in both the new construction and repair and remodeling markets.

Selling, general, and administrative expenses were $28.0 million for the transition period ended December 31, 2018. SG&A expenses for the transition period ended December 31, 2018 includes $7.6 million and $4.2 million of Silver Line and Atrium SG&A expenses, respectively. Excluding the impact of Silver Line and Atrium, SG&A expenses would have been $16.1 million. Included within SG&A expenses are sales and marketing expenses, research and development costs, and legal and professional

fees and non-manufacturing personnel costs. As a percentage of net sales, SG&A expenses were 14.5% for the transition period ended December 31, 2018 excluding the impact of Silver Line and Atrium.

Amortization expense for the transition period ended December 31, 2018 was $8.3 million or 7.5% of net sales excluding Silver Line and Atrium. The amortization expense is directly attributed to the Merger and the fair values assigned to our intangible assets including trade names and customer lists which both have finite amortization periods.

Unallocated Operating Earnings, Interest, and Provision (Benefit) for Income Taxes

(Amounts in thousands)	October 29, 2018 - December 31, 2018	Three Months Ended January 28, 2018
Statement of operations data:		
SG&A expense	$ (24,153)	$ (24,647)
Acquisition related expenses	(27,045)	(254)
Operating loss	(51,198)	(24,901)
Interest expense	(28,556)	(7,492)
Interest income	68	33
Currency transaction gain (loss)	(1,713)	471
Other income, net	44	457
Loss on debt extinguishment	(3,284)	—
Income tax provision (benefit)	(20,667)	1,118

Unallocated operating losses include items that are not directly attributed to or allocated to our reporting segments. Such items include legal costs, corporate payroll, and unallocated finance and accounting expenses. The unallocated operating loss for the transition period ended December 31, 2018 increased by $26.3 million or 105.6% compared to the three months ended January 28, 2018 due primarily to the addition of the Ply Gem corporate cost center and $27.0 million of costs associated with the Merger.

Consolidated interest expense increased to $28.6 million for the transition period ended December 31, 2018 compared to $7.5 million for the three months ended January 28, 2018. The 281.2% interest expense increase is primarily due to debt obligations assumed in the Merger. Following the consummation of the Merger, our consolidated debt balance increased to $3.1 billion at December 31, 2018 as compared to $407.2 million at October 28, 2018.

Consolidated foreign exchange gain (loss) for the transition period ended December 31, 2018 was a $1.7 million loss, compared to a gain of $0.5 million for the three months ended January 28, 2018, due to exchange rate fluctuations in the Mexican peso and Canadian dollar relative to the U.S. dollar.

Loss on debt extinguishment during the transition period ended December 31, 2018 was a $3.3 million pretax loss due to the extinguishment of the Term Loan Credit Facility due February 2025 in connection with the Merger on November 16, 2018.

Consolidated provision (benefit) for income taxes was a benefit of $20.7 million for the transition period ended December 31, 2018, compared to an expense of $1.1 million for the three months ended January 28, 2018. The effective tax rate for the transition period ended December 31, 2018 was 21.3% compared to 17.6% for the three months ended January 28, 2018. The change in the effective tax rate was primarily driven by the continuing effects associated with the enactment of the U.S. Tax Cuts and Jobs Act and the inclusion of Ply Gem operations in the transition period.

LIQUIDITY AND CAPITAL RESOURCES

General

Our cash, cash equivalents and restricted cash increased from $54.5 million as of October 28, 2018 to $147.6 million as of December 31, 2018. The following table summarizes our consolidated cash flows for the transition period ended December 31, 2018 and three months ended January 28, 2018, respectively (in thousands):

	October 29, 2018 - December 31, 2018	Three Months Ended January 28, 2018
Net cash provided by (used in) operating activities	$ 11,099	$ (6,580)
Net cash provided by (used in) investing activities	73,492	(5,860)
Net cash provided by (used in) financing activities	9,161	(40,991)
Effect of exchange rate changes on cash and cash equivalents	(662)	237
Net increase (decrease) in cash, cash equivalents and restricted cash	93,090	(53,194)
Cash, cash equivalents and restricted cash at beginning of period	54,517	65,794
Cash, cash equivalents and restricted cash at end of period	$ 147,607	$ 12,600

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, when needed, to meet cyclical and seasonal increases in working capital needs. These needs generally rise during periods of increased economic activity or due to higher levels of inventory and accounts receivable. During economic slowdowns, working capital needs generally decrease as a result of the reduction of inventories and accounts receivable. Working capital needs also fluctuate based on raw material prices.

Net cash provided by operating activities was $11.1 million during the transition period ended December 31, 2018 compared to net cash used in operating activities of $6.6 million in the three months ended January 28, 2018. The improved cash flow from operations is due to the inclusion of current period operations from Ply Gem subsequent to the Merger on November 16, 2018 and normal seasonal trends in the timing of working capital.

Net cash provided by accounts receivable was $141.7 million for the transition period ended December 31, 2018, compared to $30.9 million for the three months ended January 28, 2018. There was $88.5 million provided by the Ply Gem business during the transition period which drove a large part of this change period over period. Our days sales outstanding as of December 31, 2018 and January 28, 2018 were 39.3 days and 38.2 days, respectively.

For the transition period ended December 31, 2018, the change in cash flows relating to inventory was an increase of $0.1 million compared to a decrease of $2.2 million for the three months ended January 28, 2018. There was $2.0 million provided by the Ply Gem business during the transition period which drove a large part of this change period over period. Our days inventory on-hand improved to 54.1 days as of December 31, 2018 as compared to 55.5 days as of January 28, 2018.

Net cash used in accounts payable for the transition period ended December 31, 2018 was $88.5 million compared to net cash used by accounts payable of $31.2 million for the three months ended January 28, 2018. Our vendor payments can significantly fluctuate based on the timing of disbursements, inventory purchases and vendor payment terms. Additionally, there was $39.5 million used in accounts payable for the Ply Gem during the transition period which drove a large part of this change period over period. Our days payable outstanding as of December 31, 2018 decreased to 24.0 days from 32.5 days as of January 28, 2018.

Investing Activities

Net cash provided by investing activities increased to $73.5 million during the transition period ended December 31, 2018 compared to $5.9 million used in investing activities during the three months ended January 28, 2018. In the transition period ended December 31, 2018, we used $13.6 million for capital expenditures. We also had $87.1 million of net cash received from the acquisition of Ply Gem during the transition period ended December 31, 2018. We used $8.1 million for capital expenditures in the three months ended January 28, 2018. These cash outflows were partially offset by $2.2 million in proceeds from the sale of one of our facilities.

Financing Activities

Net cash provided by financing activities was $9.2 million during the transition period ended December 31, 2018 compared to $41.0 million used in the three months ended January 28, 2018. During the transition period ended December 31, 2018, we repaid $325.0 million on the Current ABL Facility, used $4.1 million for the purchases of shares related to restricted stock that were withheld to satisfy minimum tax withholding obligations arising in connection with the vesting of restricted stock awards and units. Net cash used in the repayment of the Pre-merger Term Loan Credit Agreement and refinancing of long-term debt in connection with the Merger, including payments of financing costs was $366.4 million. We also made a $22.5 million payment

on the tax receivable agreement and a $3.5 million payment for settlements of our appraisal share liability. Finally, we made a $0.7 million payment for contingent consideration that was originally accrued in purchase accounting in 2015 in connection with Ply Gem's acquisition of Canyon Stone.

During the three months ended January 28, 2018, we borrowed $43.0 million under our then-existing ABL facility and repaid $33.0 million of that amount, used $51.3 million to repurchase shares of our outstanding common stock under programs approved by the Board of Directors in September 2016 and October 2017 and for the purchases of shares related to restricted stock that were withheld to satisfy minimum tax withholding obligations arising in connection with the vesting of restricted stock awards and units. We also received $1.0 million in cash proceeds from the exercises of stock options.

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

Debt

Our outstanding indebtedness will mature in 2023 (Current ABL Facility and Current Cash Flow Revolver), 2025 (Current Term Loan Facility), and 2026 (8.00% Senior Notes). We may not be successful in refinancing, extending the maturity or otherwise amending the terms of such indebtedness because of market conditions, disruptions in the debt markets, our financial performance or other reasons. Furthermore, the terms of any refinancing, extension or amendment may not be as favorable as the current terms of our indebtedness. If we are not successful in refinancing our indebtedness or extending its maturity, we and our subsidiaries could face substantial liquidity problems and may be forced to reduce or delay capital expenditures, sell assets, seek additional capital or restructure our indebtedness. Following consummation of the Merger, the Current Term Loan Facility provides for an aggregate principal amount of $2,560.0 million.

The Current ABL Credit Agreement provides for an asset-based revolving credit facility which allows aggregate maximum borrowings by the ABL borrowers of up to $611.0 million. As set forth in the Current ABL Credit Agreement, extensions of credit under the Current ABL Facility are subject to a monthly borrowing base calculation that is based on specified percentages of the value of eligible inventory, eligible accounts receivable and eligible credit card receivables, less certain reserves and subject to certain other adjustments. Availability under the Current ABL Facility will be reduced by issuance of letters of credit as well as any borrowings outstanding thereunder.

As of December 31, 2018, we had an aggregate principal amount of $3,194.2 million of outstanding indebtedness, comprising $2,549.2 million of borrowings under our Current Term Loan Facility and $645.0 million of 8.00% Senior Notes outstanding. We had no revolving loans outstanding under the Current ABL Facility or the Current Cash Flow Revolver. Our excess availability under the Current ABL Facility was $491.4 million as of December 31, 2018. In addition, standby letters of credit totaling approximately $33.9 million were outstanding but undrawn under the ABL Facility.

For additional information, see Note 13 — *Long-Term Debt and Note Payable* in the notes to the unaudited consolidated financial statements.

Equity Investment

On August 14, 2009, the Company entered into the Investment Agreement. In connection with the Investment Agreement and the Old Stockholders Agreement, the CD&R Fund VIII Investor Group purchased convertible preferred stock, which was converted into shares of our common stock on May 14, 2013.

On December 11, 2017, the CD&R Fund VIII Investor Group completed a registered underwritten offering of 7,150,000 shares of the Company's Common Stock at a price to the public of $19.36 per share (the "2017 Secondary Offering"). Pursuant to the underwriting agreement, at the CD&R Funds request, the Company purchased 1.15 million of the 7.15 million shares of the Common Stock from the underwriters in the 2017 Secondary Offering at a price per share equal to the price at which the underwriters purchased the shares from the CD&R Fund VIII Investor Group. The total amount the Company spent on these repurchases was $22.3 million.

Pursuant to the terms of the Merger Agreement, on November 16, 2018, the Company entered into (i) the New Stockholders Agreement between the Company and each of the Investors, pursuant to which the Company granted the Investors certain governance, preemptive and subscription rights and (ii) the New Registration Rights Agreement between the Company and each of the Investors, pursuant to which the Company granted the Investors customary demand and piggyback registration rights, including rights to demand registrations and underwritten shelf registration statement offerings with respect to the shares of NCI Common Stock that are held by the Investors following the consummation of the Merger.

Pursuant to the terms of the New Stockholders Agreement, the Company and the CD&R Fund VIII Investor Group terminated the Old Stockholders Agreement. Pursuant to the terms of the New Registration Rights Agreement, the Company and the CD&R Fund VIII Investor Group terminated the Old Registration Rights Agreement.

As of December 31, 2018, the CD&R Investor Group owned approximately 49.4% of the outstanding shares of our common stock. At October 28, 2018, the CD&R Fund VIII Investor Group owned approximately 34.4% of the outstanding shares of our common stock.

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-term and long-term liquidity requirements, including payment of operating expenses and repayment of debt, we rely primarily on cash from operations. Beyond cash generated from operations, $491.4 million is available with our Current ABL Facility at December 31, 2018, $115.0 million is available with our Current Cash Flow Revolver and we have a cash balance of $143.8 million as of December 31, 2018.

We expect to contribute $2.3 million to the Defined Benefit Plans in the year ending December 31, 2019.

We expect that cash generated from operations and our availability under the ABL Credit Facility will be sufficient to provide us the ability to fund our operations and to provide the increased working capital necessary to support our strategy and fund planned capital expenditures of approximately 2% of net sales for fiscal 2019 and expansion when needed.

Our corporate strategy seeks potential acquisitions that would provide additional synergies in our Commercial, Siding and Windows 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.

From time to time, we have used available funds to repurchase shares of our common stock under our stock repurchase programs. On October 10, 2017 and March 7, 2018, the Company announced that its Board of Directors authorized new stock repurchase programs for the repurchase of up to an aggregate of $50.0 million and $50.0 million, respectively, of the Company's outstanding Common Stock. Under these repurchase programs, the Company is authorized to repurchase shares, if at all, at times and in amounts that we deem appropriate in accordance with all applicable securities laws and regulations. Shares repurchased are usually retired. There is no time limit on the duration of the program. During the transition period ended December 31, 2018, there were no repurchases under the stock repurchase programs. As of December 31, 2018, approximately $55.6 million remained available for stock repurchases, all under the programs announced on October 10, 2017 and March 7, 2018. In addition to the common stock repurchased during the transition period ended December 31, 2018, we also withheld 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.

The Company may from time to time take steps to reduce the Company's debt or otherwise improve the Company's financial position. These actions could include prepayments, opportunistic refinancing of debt and raising additional capital. The amount of prepayments or the amount of debt that may be refinanced, if any, will depend on market conditions, the Company's cash position, compliance with debt covenants and other considerations.

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 operating income (loss) as operating income (loss) adjusted for items broadly consisting of selected items which management does not consider representative of our ongoing operations. 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 term loan and asset-based lending credit agreements 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.

The following tables reconcile adjusted net income (loss) per diluted common share to net income (loss) per diluted common share and adjusted net income (loss) applicable to common shares to net income applicable to common shares for the periods indicated. Certain amounts in these tables have been subject to rounding adjustments. Accordingly, amounts shown as totals may not be the arithmetic aggregation of the individual amounts that comprise or precede them (in thousands, except per share data):

	October 29, 2018 - December 31, 2018	Three Months Ended January 28, 2018
Net income (loss) per diluted common share, GAAP basis	$ (0.71)	$ 0.08
Restructuring and impairment charges, net	0.01	0.02
Strategic development and acquisition related costs	0.27	0.01
Loss on disposition of business	0.01	—
Loss on extinguishment of debt	0.03	—
Acceleration of CEO retirement benefits	0.01	0.07
Non cash loss (gain) on foreign currency transactions	0.02	(0.01)
Non cash charge of purchase price allocated to inventories	0.20	—
Litigation settlement	0.03	—
Other, net	0.00	(0.01)
Tax effect of applicable non-GAAP adjustments(1)	(0.14)	(0.02)
Adjusted net income (loss) per diluted common share	$ (0.26)	$ 0.14

	October 29, 2018 - December 31, 2018	Three Months Ended January 28, 2018
Net income (loss) applicable to common shares, GAAP basis	$ (76,190)	$ 5,211
Restructuring and impairment charges, net	1,253	1,094
Strategic development and acquisition related costs	29,094	727
Loss on disposition of business	1,244	—
Loss on extinguishment of debt	3,284	—
Acceleration of CEO retirement benefits	1,300	4,600
Non cash loss (gain) on foreign currency transactions	1,713	(471)
Non cash charge of purchase price allocated to inventories	21,617	—
Litigation settlement	3,235	—
Other, net	290	(323)
Tax effect of applicable non-GAAP adjustments(1)	(15,152)	(1,645)
Adjusted net income (loss) applicable to common shares	$ (28,312)	$ 9,193

(1) The Company calculated the tax effect of non-GAAP adjustments by applying the applicable combined federal and state statutory tax rate for the period to each applicable non-GAAP item.

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

	October 29, 2018 - December 31, 2018	Three Months Ended January 28, 2018
Operating income (loss), GAAP	$ (63,416)	$ 12,898
Restructuring and impairment	1,253	1,094
Strategic development and acquisition related costs	29,094	727
Loss on disposition of business	1,244	—
Acceleration of CEO retirement benefits	1,300	4,600
Non cash charge of purchase price allocated to inventories	21,617	—
Litigation settlement	3,235	—
Other, net	290	—
Adjusted operating income (loss)	(5,383)	19,319
Other income and expense	44	457
Depreciation and amortization	30,936	10,358
Share-based compensation expense	3,157	2,270
Adjusted EBITDA	$ 28,754	$ 32,404

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 December 31, 2018, we were not involved in any material unconsolidated SPE transactions.

CONTRACTUAL OBLIGATIONS

In general, purchase orders issued in the normal course of business can be terminated in whole or in part for any reason without liability until the product is received.

In connection with the Merger, on November 16, 2018, NCI assumed (i) the obligations of Ply Gem Midco, a subsidiary of Ply Gem immediately prior to the consummation of the Merger, as borrower under the Current Cash Flow Credit Agreement, (ii) the obligations of Ply Gem Midco as parent borrower under the Current ABL Credit Agreement and (iii) the obligations of Ply Gem Midco as issuer under the Current Indenture.

The following table shows our debt contractual obligations as of December 31, 2018 (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[(1)]	$ 3,194,207	$ 25,620	$ 51,240	$ 51,240	$ 3,066,107
Interest payments on debt[(2)]	1,341,696	208,425	412,104	405,776	315,391
Purchase obligations[(3)]	132,460	132,460	—	—	—
Total	$ 4,668,363	$ 366,505	$ 463,344	$ 457,016	$ 3,381,498

(1) Reflects amounts outstanding under the Current Term Loan Facility and the 8.00% Senior Notes.

(2) Interest payments were calculated based on the variable rate in effect at December 31, 2018 for the Current Term Loan Facility, at 8.00% on the 8.00% Senior Notes, and with an exclusion of any interest on the ABL Facility given that there no amounts outstanding at December 31, 2018.

(3) Purchase obligations are defined as purchase agreements that are enforceable and legally binding and that specify all significant terms, including quantity, price and the approximate timing of the transaction. These obligations are related primarily to inventory purchases under two 2019 contracts that were finalized during 2018.

There have been no other material changes in our future contractual obligations since the end of fiscal 2018 other than the addition of future lease obligations established through the Merger. We estimate the new minimum future lease obligations from Ply Gem will be in excess of $100.0 million. For more information on our contractual obligations, see Part II, Item 7 of our Annual Report on Form 10-K for the fiscal year ended October 28, 2018.

See Note 13 — *Long-Term Debt and Note Payable* in the notes to the unaudited consolidated financial statements for more information on the material terms of our Current Cash Flow Facilities, 8.00% Senior Notes, and Current ABL Facility.

CRITICAL ACCOUNTING POLICIES

Critical accounting policies are those that are most important to the portrayal of our financial position and results of operations. These policies require our most subjective judgments, often employing the use of estimates about the effect of matters that are inherently uncertain. Our most critical accounting policies include those that pertain to revenue recognition, insurance accruals, share-based compensation, income taxes, accounting for acquisitions, intangible assets and goodwill, allowance for doubtful accounts, inventory valuation, property, plant and equipment valuation and contingencies, which are described in Item 7 of our Annual Report on Form 10-K for the fiscal year ended October 28, 2018.

RECENT ACCOUNTING PRONOUNCEMENTS

See Note 2 — *Accounting Pronouncements* in the notes to the unaudited consolidated financial statements for information on recent accounting pronouncements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Commercial Business

We are subject to market risk exposure related to volatility in the price of steel. For the transition period ended December 31, 2018, material costs (predominantly steel costs) constituted approximately 64% of our Commercial segment 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 (Galvalume® is a registered trademark of BIEC International, Inc.). 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, 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. 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.

Siding and Windows Businesses

We are subject to significant market risk with respect to the pricing of our principal raw materials, which include PVC resin, aluminum and glass. If prices of these raw materials were to increase dramatically, we may not be able to pass such increases on to our customers and, as a result, gross margins could decline significantly. We manage the exposure to commodity pricing risk by increasing our selling prices for corresponding material cost increases, continuing to diversify our product mix, strategic buying programs and vendor partnering. The average market price for PVC resin was estimated to have increased approximately 2.7% for the three months ended December 31, 2018 compared to the three months ended December 31, 2017.

Other Commodity Risks

In addition to market risk exposure related to the volatility in the price of steel, aluminum, PVC resin, and glass, 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 December 31, 2018, all of our contracts for the purchase of natural gas and aluminum 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 Current Cash Flow Facilities and Current ABL Facility, which provides for borrowings of up to $2,675.0 million on the Current Cash Flow Facilities and up to $611.0 million on the Current ABL Facility. These instruments bear interest at an agreed upon percentage point spread from either the prime interest rate or LIBOR. Assuming the Current Cash Flow Revolver is fully drawn, each quarter point increase or decrease in the interest rate would change our interest expense by approximately $6.7 million per year for the Current Cash Flow Facilities. Assuming the Current ABL Facility is fully drawn, each quarter point increase or decrease in the interest rate would change our interest expense by approximately $1.5 million per year. The fair value of our term loan credit facilities at December 31, 2018 and October 28, 2018 was approximately $2,319.8 million and $412.4 million, respectively, compared to a face value of approximately $2,549.2 million and $412.9 million, respectively. At December 31, 2018, we were not party to any interest rate swaps or caps to manage our interest rate risk. In the future, we may enter into interest rate swaps or interest rate caps, involving exchange of floating for fixed rate interest payments, to reduce our exposure to interest rate volatility.

See Note 13 — *Long-Term Debt and Note Payable* in the notes to the unaudited consolidated financial statements for information on the material terms of our long-term debt.

Labor Force Risk

Our manufacturing process is highly engineered but involves manual assembly, fabrication, and manufacturing processes. We believe that our success depends upon our ability to employ, train, and retain qualified personnel with the ability to design, utilize and enhance these processes and our products. In addition, our ability to expand our operations depends in part on our ability to minimize labor inefficiencies and increase our labor force to meet the U.S. housing market demand. A significant increase

in the wages paid by competing employers could result in a reduction of our labor force, increases in the wage rates that we must pay, or both. If either of these events were to occur, our cost structure could increase, our margins could decrease and any growth potential could be impaired. Historically, the Company has believed that the lag period between breaking ground on a new housing start and the utilization of our products on the exterior of a home is between 90 to 120 days.

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 gain (loss) was $(0.1) million and $0.2 million for the transition period ended December 31, 2018 and three months ended January 28, 2018, respectively.

The functional currency for our Canada 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 (loss) in stockholders' equity. The net foreign currency exchange gain (loss) included in net income (loss) for the transition period ended December 31, 2018 and three months ended January 28, 2018 was $(1.6) million and $0.3 million, respectively. Net foreign currency translation adjustment, net of tax, and included in other comprehensive income (loss) for the transition period ended December 31, 2018 and three months ended January 28, 2018 was $(4.2) million and $0.2 million, respectively.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2018. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding the required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Management believes that our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives and based on the evaluation of our disclosure controls and procedures as of December 31, 2018, our chief executive officer and chief financial officer concluded that, as of such date, our disclosure controls and procedures were effective at such reasonable assurance level.

Internal Control over Financial Reporting

During the transition period ended December 31, 2018 we merged with Ply Gem and are in the process of integrating Ply Gem into our overall internal control over financial reporting framework. Except as described herein, there has been no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the transition period ended December 31, 2018 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings.

See Part I, Item 1, “Unaudited Consolidated Financial Statements”, Note 19, which is incorporated herein by reference.

Item 1A. Risk Factors.

In addition to the other information set forth in this Transition Report on Form 10-Q, you should carefully consider the factors discussed under “Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended October 28, 2018. The risks disclosed in our previous Annual Report on Form 10-K and information provided elsewhere in this report, could materially affect our business, financial condition or results of operations. Additional risks and uncertainties not currently known or we currently deem to be immaterial may materially adversely affect our business, financial condition or results of operations. We are providing the following information regarding risk factors directly attributable to the Ply Gem business which, beginning November 16, 2018, is included in our consolidated results of operations. Except for such additional information, we believe there have been no material changes in our risk factors from those disclosed in our Annual Report on Form 10-K for the fiscal year ended October 28, 2018.

Risks related to the Ply Gem business

On the Closing Date, the businesses and operations of Ply Gem became a part of our operations and will be reflected in our financial results from that day forward. The businesses of Ply Gem and NCI are subject to substantially similar risks and uncertainties and, as a result, our Windows and Siding segments businesses are and will be subject to many of the risks discussed under “Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended October 28, 2018. In addition, the historical Ply Gem business is subject to the following additional risks:

Downturns or negative trends in the residential new construction and repair and remodeling end markets, or the U.S. and Canadian economies or the availability of consumer credit, could adversely impact our end users and lower the demand for, and pricing of, our products, which in turn could cause our net sales and net income to decrease.

The performance of our Windows and Siding segments is dependent to a significant extent upon the levels of residential new construction and repair and remodeling spending, which declined significantly beginning in 2007 and continued through 2011 with recovery commencing in 2012. Housing starts in 2018 remained below historical averages, despite the recovery the last few years, and are affected by such factors as interest rates, inflation, consumer confidence, unemployment and the availability of consumer credit.

The performance of our Windows and Siding segments is also dependent upon consumers having the ability to finance home repair and remodeling projects and/or the purchase of new homes. The ability of consumers to finance these purchases is affected by such factors as new and existing home prices, homeowners’ equity values, interest rates and home foreclosures, which in turn could result in a tightening of lending standards by financial institutions and reduce the ability of some consumers to finance home purchases or repair and remodeling expenditures. Trends such as declining home values, increased home foreclosures and tightening of credit standards by lending institutions, negatively impacted the home repair and remodeling and the new construction sectors during the recession which began in 2008. Despite the recent abatement of these negative market factors, any recurrence or worsening of these items may adversely affect the net sales and net income of our Windows and Siding segments.

Operational problems or disruptions at any of our facilities may cause significant lost production and increased lead times, which could have a negative impact on the efficiency of our production and profitability.

Our manufacturing processes could be affected by operational problems that could impair our production capability. Disruptions at any of our facilities could be caused by maintenance outages; prolonged power failures or reductions; a breakdown, failure or substandard performance of any equipment; disruptions in the transportation infrastructure, including railroad tracks, bridges, tunnels or roads; fires, floods, hurricanes, earthquakes or other catastrophic disasters; an act of terrorism; or other operational problems. Any prolonged disruption in operations at any of our facilities could cause a significant loss in production. As a result, we could incur significantly higher costs and longer lead times associated with distributing our products to customers during the time that it takes for us to reopen or replace a damaged facility, which could cause our customers to purchase from our competitors either temporarily or permanently. If any of these events were to occur, it could adversely affect our business, financial condition, cash flows and results of operations.

Manufacturing or assembly realignments may result in a decrease in our short-term earnings, until the expected cost reductions are achieved, due to the costs of implementation.

We continually review our manufacturing and assembly operations and sourcing capabilities. Effects of periodic manufacturing realignment, cost savings programs, and labor ramp-up costs could result in a decrease in our short-term earnings until the expected cost reductions are achieved and/or production volumes stabilize. Such programs may include the consolidation and integration of facilities, functions, systems and procedures. Such actions may not be accomplished as quickly as anticipated and the expected cost reductions may not be achieved or sustained.

Because our Windows and Siding segments depend on a core group of significant customers, our sales, cash flows from operations and results of operations may decline if our key customers reduce the amount of products that they purchase from us.

On a combined basis, the top ten customers for our Windows and Siding segments accounted for a significant portion of combined net sales for these segments for the year ended December 31, 2018. ABC Supply Co., Inc., distributes products within both our Windows and Siding segments, and is the largest Ply Gem customer. We expect a small number of customers to continue to account for a substantial portion of the Windows and Siding segments net sales for the foreseeable future.

The loss of, or a significant adverse change in our relationships with our largest customers, or loss of market position of any major customer, could cause a material decrease in net sales. The loss of, or a reduction in orders from, any significant customers, losses arising from customers' disputes regarding shipments, fees, merchandise condition or performance or related matters, or an inability to collect accounts receivable from any major customer could adversely impact our net income and cash flow. In addition, revenue from customers that have accounted for significant revenue in past periods, individually or as a group, may not continue, or if continued, may not reach or exceed historical levels in any period.

Increases in union organizing activity and work stoppages at our facilities or the facilities of our suppliers could delay or impede production, reduce sales of products and increase costs.

Our financial performance is affected by the cost of labor. We are subject to the risk that strikes or other types of conflicts with personnel may arise or that we may become a subject of union organizing activity. Furthermore, some of our direct and indirect suppliers have unionized work forces. Strikes, work stoppages or slowdowns experienced by these suppliers could result in slowdowns or closures of facilities where components of our products are manufactured. Any interruption in the production or delivery of our products could reduce sales of products and increase costs.

We may be subject to claims arising from the operations of our various businesses arising from periods prior to the dates they were acquired. Our ability to seek indemnification from the former owners of these businesses may be limited, in which case, we would be liable for these claims.

We may be subject to claims or liabilities arising from the ownership or operation of Ply Gem or Ply Gem's subsidiaries for the periods prior to acquisition of them, including environmental liabilities. These claims or liabilities could be significant. Our ability to seek indemnification from the former owners of its subsidiaries for these claims or liabilities is limited by various factors, including the specific limitations contained in the respective acquisition agreements and the financial ability of the former owners to satisfy such claims or liabilities. If we are unable to enforce any indemnification rights we may have against the former owners or if the former owners are unable to satisfy their obligations for any reason, including because of their current financial position, or if we do not have any right to indemnification, we could be held liable for the costs or obligations associated with such claims or liabilities, which could adversely affect our operating performance.

Significant changes in factors and assumptions used to measure certain of Ply Gem's defined benefit plan obligations that we assumed in connection with Merger, actual investment returns on pension assets and other factors could negatively impact our operating results and cash flows.

As a result of the Merger on November 16, 2018, we assumed the Ply Gem Group Pension Plan (the "Ply Gem Plan") and the MW Manufacturers, Inc Retirement Plan (the "MW Plan"). The recognition of costs and liabilities associated with the Ply Gem Plan and the MW Plan for financial reporting purposes is affected by assumptions made by management and used by actuaries to calculate the benefit obligations and the expenses recognized for these plans. The inputs used in developing the required estimates are calculated using a number of assumptions, which represent management's best estimate of the future obligations of these plans. The assumptions that have the most significant impact on reported results are the discount rate, the estimated long-term return on plan assets for the funded plans, retirement rates, and mortality rates. These assumptions are generally updated annually.

The historical Ply Gem Plan and the MW Plan were underfunded by $12.9 million as of December 31, 2018. In recent years, the volatility in interest rates and changes to mortality assumptions have materially impacted the funded status of these pension plans. In addition, volatile asset performance, most notably since 2008, has also negatively impacted the funded status of these pension plans. Funding requirements for the Ply Gem Plan and the MW Plan may become more significant. If cash flows and

capital resources are insufficient to fund our pension plan obligations, we could be forced to reduce or delay investments and capital expenditures, seek additional capital, or restructure or refinance its indebtedness.

We are subject to the credit risk of our customers.

Ply Gem has historically provided, and we expect to continue to provide, credit to our customers in the normal course of business. All of the customers in our Windows and Siding segments are sensitive to economic changes and to the cyclical nature of the building industry. Especially during protracted or severe economic declines and cyclical downturns in the building industry, our customers may be unable to perform on their payment obligations, including their debts to us. Any failure by customers to meet their obligations to us may have a material adverse effect on our financial condition, cash flows and results of operations. In addition, we may incur increased expenses related to collections in the future if we are required to take legal action to enforce the contractual obligations of a significant number of our customers.

An inability to successfully develop new products or improve existing products could negatively impact our ability to attract new customers and/or retain existing customers.

Our success depends on meeting consumer needs and anticipating changes in consumer preferences with successful new products and product improvements. Ply Gem has historically, and we will continue to aim to introduce, products and new or improved production processes proactively to offset obsolescence and decreases in sales of existing products. While we devote significant focus to the development of new products, we may not be successful in product development and our new products may not be commercially successful. In addition, it is possible that competitors may improve their products more rapidly or effectively, which could adversely affect our sales. Furthermore, market demand may decline as a result of consumer preferences trending away from our categories or trending down within our brands or product categories, which could adversely impact our results of operations, cash flows and financial condition.

We could face potential product liability claims, including class action claims and warranties, relating to products we manufacture.

We face an inherent business risk of exposure to product liability claims, including class action claims and warranties, in the event that the use of any of our products results in personal injury or property damage. In the event that any of our products are defective or prove to be defective, among other things, we may be responsible for damages related to any defective products and may be required to cease production, recall or redesign such products. Because of the long useful life of our products, it is possible that latent defects might not appear for several years. Any insurance we maintain may not continue to be available on acceptable terms or such coverage may not be adequate for liabilities actually incurred. Further, any claim or product discontinuance, recall or redesign could result in adverse publicity against us, which could cause sales to decline, or increase warranty costs.

Changes in building codes and standards could increase the cost of our products, lower the demand for our products, or otherwise adversely affect the business.

Our products and markets are subject to extensive and complex local, state, federal, and foreign statutes, ordinances, rules, and regulations. These mandates, including building design and safety and construction standards and zoning requirements, affect the cost, selection, and quality requirements of building components like windows and siding.

These statutes, ordinances, rules, and regulations often provide broad discretion to governmental authorities as to the types and quality specifications of products used in new residential and non-residential construction and home renovations and improvement projects, and governmental authorities can impose different standards. Compliance with these standards and changes in such statutes, ordinances, rules, and regulations may increase the costs of manufacturing our products or may reduce the demand for certain of our products in the affected geographical areas or product markets. Conversely, a decrease in product safety standards could reduce demand for our more modern products if less expensive alternatives that did not meet higher standards became available for use in that market. All or any of these changes could have a material adverse effect on our business, financial condition, cash flows and results of operations.

We will be required to pay a third party for certain tax benefits, including net operating loss ("NOL") carryovers, we may claim, and the amounts we may pay could be significant.

In connection with its initial public offering, Ply Gem Holdings entered into a tax receivable agreement (the "Tax Receivable Agreement") with an entity controlled by an affiliate of CI Capital Partners LLC (the "Tax Receivable Entity"). Subsequently, the rights to the Tax Receivable Agreement were transferred to a third party. The Tax Receivable Agreement generally provides for the payment by Ply Gem to the Tax Receivable Entity of 85% of the amount of cash savings, if any, in U.S. federal, state and local income tax that Ply Gem actually realizes in periods after the initial public offering as a result of?(i) NOL carryovers from periods (or portions thereof) ending before January 1, 2013, (ii) deductible expenses attributable to the transactions related to the initial public offering and (iii) deductions related to imputed interest deemed to be paid by Ply Gem as a result of or attributable to payments under the Tax Receivable Agreement.

The amount and timing of any payments under the Tax Receivable Agreement will vary depending upon a number of factors, including the tax rate then applicable, the use of NOL carryovers and the portion of payments under the Tax Receivable Agreement constituting imputed interest. In addition, the Tax Receivable Agreement provides that, upon certain mergers, asset sales, or other forms of business combinations or certain other changes of control, Ply Gem's or its successor's obligations with respect to tax benefits would be based on certain assumptions, including that Ply Gem or its successor would have sufficient taxable income to fully utilize the NOL carryovers covered by the Tax Receivable Agreement.

As of December 31, 2018, we had a $24.8 million current liability for the amount due pursuant to the Tax Receivable Agreement. The Tax Receivable Entity will not reimburse Ply Gem for any payments previously made if such benefits are subsequently disallowed. As a result, in such circumstances, Ply Gem could make payments under the Tax Receivable Agreement that are greater than its actual cash tax savings and may not be able to recoup those payments, which could adversely affect its liquidity. However, any excess payments made to the Tax Receivable Entity will be netted against payments otherwise to be made, if any, after the determination of such excess.

We may not be able to fully utilize Ply Gem's NOL carryforwards. The generation of taxable income is necessary to utilize these NOL carryforwards.

Under federal and most state income tax laws, a corporation is generally permitted to deduct from taxable income in any year NOLs carried forward from prior years. We may not be able to fully utilize these net operating losses, foreign loss carryforwards and incremental net operating losses resulting from fees and expenses related to the Merger. The generation of taxable income is necessary to utilize these net NOL carryforwards. Additionally, changes in Ply Gem's equity ownership resulting from the Merger may delay its ability to fully utilize these NOL carryforwards.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

The following table shows our purchases of our Common Stock during the transition period ended December 31, 2018:

Period	(a) Total Number of Shares Purchased[1]	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Programs	(d) Maximum Dollar Value of Shares that May Yet be Purchased Under Publicly Programs[2] (in thousands)
October 29, 2018 to November 25, 2018	296,954	$ 12.25	—	$ 55,573
November 26, 2018 to December 31, 2018	50,086	$ 9.82	—	55,573
Total	347,040	$ 11.90	—	

(1) The total number of shares purchased includes our Common Stock repurchased under the programs described below as well as shares of restricted stock that were withheld to satisfy 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) On October 10, 2017 and March 7, 2018, the Company announced that its Board of Directors authorized new stock repurchase programs for up to an aggregate of $50.0 million and $50.0 million, respectively, of the Company's Common Stock. Under these repurchase programs, the Company is authorized to repurchase shares, if at all, at times and in amounts that we deem appropriate in accordance with all applicable securities laws and regulations. Shares repurchased are usually retired. There is no time limit on the duration of these programs. As of December 31, 2018, approximately $55.6 million remained available for stock repurchases under the programs announced on October 10, 2017 and March 7, 2018.

Item 6. Exhibits.

Index to Exhibits

Exhibit Number	Description
*10.1	General Form of Award Agreement for Equity Awards (December 2018)
*31.1	Rule 13a-14(a)/15d-14(a) Certifications (Section 302 of the Sarbanes-Oxley Act of 2002)
*31.2	Rule 13a-14(a)/15d-14(a) Certifications (Section 302 of the Sarbanes-Oxley Act of 2002)
**32.1	Certifications pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code (Section 906 of the Sarbanes-Oxley Act of 2002)
**32.2	Certifications pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code (Section 906 of the Sarbanes-Oxley Act of 2002)
*99.1	Unaudited pro forma condensed combined financial information and explanatory notes as of and for the transition period ended December 31, 2018
*101.INS	XBRL Instance Document
*101.SCH	XBRL Taxonomy Extension Schema Document
*101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
*101.DEF	XBRL Taxonomy Definition Linkbase Document
*101.LAB	XBRL Taxonomy Extension Label Linkbase Document
*101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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* Filed herewith

** Furnished herewith

† Management contracts or compensatory plans or arrangements

SIGNATURE

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

NCI BUILDING SYSTEMS, INC.

Date: February 11, 2019

By: /s/ James S. Metcalf
James S. Metcalf
Chairman of the Board and Chief Executive Officer

Date: February 11, 2019

By: /s/ Shawn K. Poe
Shawn K. Poe
Executive Vice President and Chief Financial Officer

FORM **8-K**

NCI BUILDING SYSTEMS INC - NCS

Filed: January 11, 2019

Report of unscheduled material events or corporate changes.

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

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): January 11, 2019 (January 8, 2019)

NCI BUILDING SYSTEMS, INC.
(Exact name of registrant as specified in its charter)

Delaware	**1-14315**	**76-0127701**
(State or other jurisdiction of incorporation)	**(Commission File Number)**	**(I.R.S. Employer Identification Number)**

5020 Weston Parkway, Suite 400, Cary, NC	**27513**
(Address of principal executive offices)	**(Zip Code)**

Registrant’s telephone number, including area code: **(888) 975-9436**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the Registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

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

Item 4.01 Change in Registrant's Certifying Accountant.

Dismissal of previous independent registered public accounting firm:

On January 8, 2019, the Audit Committee of the Board of Directors (the "Audit Committee") of NCI Building Systems, Inc. (the "Company") approved the dismissal of Ernst & Young LLP ("EY") as the Company's independent registered public accounting firm.

The reports of EY on the Company's consolidated financial statements as of October 28, 2018 and October 29, 2017 and for each of the three years in the period ended October 28, 2018, did not contain any adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope or accounting principles.

During each of the three years in the period ended October 28, 2018 and the subsequent period through January 8, 2019, (i) there were no "disagreements" (as defined in Item 304(a)(1)(iv) of Regulation S‑K) with EY on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, any of which, if not resolved to the satisfaction of EY, would have caused EY to make reference thereto in its reports on the consolidated financial statements for such fiscal years; and (ii) there were no "reportable events" (as defined in Item 304(a)(1)(v) of Regulation S‑K).

The Company provided EY with a copy of this Current Report on Form 8‑K and requested that EY furnish the Company with a letter addressed to the U.S. Securities and Exchange Commission stating whether EY agrees with the disclosures contained herein or, if not, stating the respects in which it does not agree. The Company has received the requested letter from EY and a copy of the letter, dated January 11, 2019, is filed as Exhibit 16.1 to this Current Report on Form 8‑K.

Engagement of new independent registered public accounting firm:

Following approval of the Audit Committee, on January 8, 2019, the Company engaged Grant Thornton LLP ("Grant Thornton") to serve as the Company's independent registered public accounting firm, effective immediately, for the transition period ended December 31, 2018 and the year ending December 31, 2019. The decision to change the Company's principal independent accountants was the result of a competitive request for proposal process undertaken by the Company under the supervision of the Audit Committee.

During the fiscal years ended October 28, 2018 and October 29, 2017 and through the appointment of Grant Thornton on January 8, 2019, neither the Company nor anyone on its behalf consulted with Grant Thornton regarding:

(i) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the Company's financial statements, nor did Grant Thornton provide a written report or oral advice to the Company that Grant Thornton concluded was an important factor considered by the Company in reaching a decision as to the accounting, auditing or financial reporting issue; or

(ii) any matter that was either the subject of a "disagreement" (as defined in Item 304(a)(1)(iv) of Regulation S‑K and the related instructions), or a "reportable event" (as defined in Item 304(a)(1)(v) of Regulation S‑K).

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

Exhibit Number	Description
16.1	Letter to the Securities and Exchange Commission from Ernst & Young LLP, dated January 11, 2019.

SIGNATURE

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

NCI BUILDING SYSTEMS, INC.

By: /s/ Shawn K. Poe

Name: Shawn K. Poe

Title: Chief Financial Officer

Date: January 11, 2019

BOARD OF DIRECTORS

James S. Metcalf – 1 ■ 5 ■ 6
Chairman of the Board & Chief Executive Officer
Director, Tenneco Inc.
Former Chairman, President & CEO of USG Corporation
Advisory Board Member, Joint Center for Housing Studies at Harvard University

Kathleen J. Affeldt – 1 ■ 2 ■ 4 ■ 5
Chairman, Compensation Committee
Director, BTE Technologies, Inc.
Director, HD Supply Holdings, Inc.
Former Vice President, Human Resources, Lexmark International
Former Director, Sally Beauty Holdings, Inc.
Former Director, SIRVA, Inc.

George L. Ball – 1 ■ 2 ■ 3 ■ 5 ■ 6
Chairman, Routine Transaction Committee
Chief Financial Officer, Parsons Corporation
Director, Wells Fargo Real Estate Investment Corporation

Gary L. Forbes – 1 ■ 3 ■ 5
Chairman, Audit Committee
Former Senior Vice President, EQUUS Total Return, Inc.
Former Director, Carriage Services, Inc.
Former Director, Consolidated Graphics, Inc.

John J. Holland – 3 ■ 4 ■ 5
President, Greentree Advisors, LLC
Director, Cooper Tire & Rubber Co.
Director, Saia, Inc.
Former Chairman and Chief Executive Officer, Butler Manufacturing Company
Former President, International Copper Association

Lawrence J. Kremer – 5
Director, Fifth Third Bank Southern Region
Director, St. Mary's Hospital System
Former Corporate Vice President of Global Materials, Emerson Electric Co.
Former Chairman, Board of Trustees, University of Evansville

John Krenicki – 1 ■ 2 ■ 4
Chairman, Executive Committee
Chairman, Nominating & Corporate Governance Committee
Chairman, Brand Industrial Services Inc.
Chairman, PowerTeam Services LLC
Chairman, Wilsonart International Holdings LLC
Director, Devon Energy Corporation
Former President & Chief Executive Officer GE Energy
Former Chairman, CHC Group
Former Chairman, ServiceMaster Global Holdings
Former Director, Hess Corporation
Member National Petroleum Council

George Martinez – 3 ■ 5
Chairman & Chief Executive Officer, Allegiance Bancshares, Inc.
Director, Collaborative for Children
Director, University of St. Thomas
Former Chairman, Sterling Bancshares, Inc.
Former President, Chrysalis Partners, LLC

Timothy O'Brien – 4
President & Chief Executive Officer of Wilsonart Engineered Surfaces
Former Vice President & General Manager, SABIC Innovation Plastic
Former Senior Vice President, Commercial Finance GE Capital

Nathan K. Sleeper – 1 ■ 2
Partner, Clayton, Dubilier & Rice, LLC
Director, Beacon Roofing Supply, Inc.
Director, Brand Energy & Infrastructure Services, Inc.
Director, Core & Main LP
Director, PowerTeam Services LLC
Director, SunSource Holdings, Inc.
Director, Wilsonart International Holdings LLC
Former Director, Atkore International Group, Inc.
Former Director, CHC Group Ltd.
Former Director, HD Supply Holdings, Inc.
Former Director, Hertz Global Holdings
Former Director, Hussmann International, Inc.
Former Director, U.S. Foods, Inc.

Jonathan L. Zrebiec – 6
Partner, Clayton, Dubilier & Rice, LLC
Director, Atkore International Group, Inc.
Director, Brand Energy & Infrastructure Services, Inc.
Director, Core & Main LP
Director, SunSource Holdings, Inc.
Director, Wilsonart International Holdings LLC
Former Director, Hussmann International, Inc.
Former Director, Roofing Supply Group, LLC

1 ■ Executive Committee
2 ■ Compensation Committee
3 ■ Audit Committee
4 ■ Nominating and Corporate Governance Committee
5 ■ Affiliate Transactions Committee
6 ■ Routine Transactions Committee

OFFICERS

James S. Metcalf
Chairman of the Board & Chief Executive Officer

Donald R. Riley
Chief Executive Officer, Commercial Business Unit and Head of Supply Chain & Technology

John L. Buckley
President, Siding Business Unit - Residential

Arthur W. Steinhafel
President, U.S. Windows Business Unit - Residential

Todd R. Moore
Executive Vice President, Chief Legal, Risk & Compliance Officer and Corporate Secretary

Shawn K. Poe
Executive Vice President, Chief Financial Officer

Katy K. Theroux
Executive Vice President, Chief Human Resources Officer

Brian P. Boyle
Senior Vice President, Chief Accounting Officer and Treasurer

CORPORATE AND STOCKHOLDER INFORMATION

CORPORATE HEADQUARTERS

NCI Building Systems, Inc.
5020 Weston Parkway, Suite 400
Cary, NC 27513
888-975-9436

COMMON STOCK TRANSFER AGENT & REGISTRAR

Computershare
c/o Shareholder Services
462 South 4th Street, Suite 1600
Louisville, KY 40202

AUDITORS

Grant Thornton LLP

FORM 10-K, FORM 10-K/A

The Company's Annual Report on Form 10-K for the fiscal year ended October 28, 2018 (the "2018 Form 10-K"), as amended by Amendment no. 1 thereto (the "2018 Form 10-K/A"), each as filed with the Securities and Exchange Commission, is available without charge upon request to Todd R. Moore at the address of the Corporate Headquarters. The Company's common stock is traded on the New York Stock Exchange under the trading symbol NCS.

CERTIFICATIONS

The Company has filed the required certifications under Section 302 of the Sarbanes-Oxley Act of 2002 regarding the quality of our public disclosures as Exhibits 31.1 and 31.2 to the 2018 Form 10-K and Exhibits 31.3 and 31.4 to the 2018 Form 10-K/A. After the Annual Meeting of Stockholders, the Company intends to file with the New York Stock Exchange the CEO certification regarding its compliance with the NYSE's corporate governance listing standards as required by NYSE Rule 303A.12. Last year, the Company filed this CEO certification with the NYSE on March 19, 2018.

ANNUAL MEETING

The Annual Meeting of Stockholders of NCI Building Systems, Inc. will be held at 10:00 a.m. Eastern Time on Thursday, May 23, 2019, at the Umstead Hotel, 100 Woodland Pond Drive, Cary, North Carolina 27513. Stockholders of record as of April 8, 2019 will be entitled to notice of and to vote at the Annual Meeting.

5020 Weston Parkway, Suite 400
Cary, NC 27513

ncibuildingsystems.com

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