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**
For the quarterly period ended October 31, 2022
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: 000-14798

American Woodmark Corporation
(Exact name of registrant as specified in its charter)

Virginia	54-1138147
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
561 Shady Elm Road, Winchester, Virginia	22602
(Address of principal executive offices)	(Zip Code)

(540) 665-9100
(Registrant's telephone number, including area code)
Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	AMWD	NASDAQ

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	☐	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 by Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

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

As of November 21, 2022, 16,621,827 shares of the Registrant's Common Stock were outstanding.

AMERICAN WOODMARK CORPORATION

FORM 10-Q

INDEX

PART I.	FINANCIAL INFORMATION	PAGE NUMBER
Item 1.	Financial Statements (unaudited)	
	Condensed Consolidated Balance Sheets as of October 31, 2022 and April 30, 2022	3
	Condensed Consolidated Statements of Income--Three months ended October 31, 2022 and 2021; Six months ended October 31, 2022 and 2021	4
	Condensed Consolidated Statements of Comprehensive Income--Three months ended October 31, 2022 and 2021; Six months ended October 31, 2022 and 2021	5
	Condensed Consolidated Statements of Shareholders' Equity--Three months ended October 31, 2022 and 2021; Six months ended October 31, 2022 and 2021	6
	Condensed Consolidated Statements of Cash Flows--Six months ended October 31, 2022 and 2021	8
	Notes to Condensed Consolidated Financial Statements--October 31, 2022	10
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	18
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	25
Item 4.	Controls and Procedures	25
PART II.	OTHER INFORMATION	
Item 1.	Legal Proceedings	26
Item 1A.	Risk Factors	26
Item 6.	Exhibits	26
SIGNATURES		27

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

AMERICAN WOODMARK CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share data)
(Unaudited)

	October 31, 2022	April 30, 2022
ASSETS		
Current assets		
Cash and cash equivalents	$ 44,834	$ 22,325
Customer receivables, net	153,644	156,961
Inventories	252,961	228,259
Prepaid expenses and other	24,872	21,112
Total current assets	476,311	428,657
Property, plant and equipment, net	203,650	213,808
Operating lease right-of-use assets	103,041	108,055
Customer relationship intangibles, net	53,278	76,111
Goodwill	767,612	767,612
Promotional displays, net	10,352	12,565
Deferred income taxes	1,469	1,469
Other assets	35,315	24,219
TOTAL ASSETS	$ 1,651,028	$ 1,632,496
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 85,622	$ 111,422
Current maturities of long-term debt	2,466	2,264
Short-term lease liability - operating	22,249	21,985
Accrued compensation and related expenses	58,826	44,436
Accrued marketing expenses	20,186	15,881
Other accrued expenses	21,847	20,240
Total current liabilities	211,196	216,228
Long-term debt, less current maturities	486,181	506,732
Deferred income taxes	34,454	38,340
Long-term lease liability - operating	87,735	95,084
Other long-term liabilities	2,283	3,229
Shareholders' equity		
Preferred stock, $1.00 par value; 2,000,000 shares authorized, none issued	—	—
Common stock, no par value; 40,000,000 shares authorized; issued and outstanding shares: at October 31, 2022: 16,621,827; at April 30, 2022: 16,570,619	366,679	363,224
Retained earnings	448,288	399,434
Accumulated other comprehensive income	14,212	10,225
Total shareholders' equity	829,179	772,883
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 1,651,028	$ 1,632,496

See notes to condensed consolidated financial statements.

AMERICAN WOODMARK CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except share and per share data)
(Unaudited)

	Three Months Ended October 31,		Six Months Ended October 31,	
	2022	2021	2022	2021
Net sales	$ 561,499	$ 453,163	$ 1,104,392	$ 895,744
Cost of sales and distribution	462,765	401,549	918,911	790,784
Gross profit	98,734	51,614	185,481	104,960
Selling and marketing expenses	24,651	21,484	50,417	44,372
General and administrative expenses	32,101	24,623	62,281	48,357
Restructuring charges, net	—	(3)	—	310
Operating income	41,982	5,510	72,783	11,921
Interest expense, net	4,422	2,360	8,475	4,533
Pension settlement, net	(6)	—	(245)	—
Other (income) expense, net	(897)	840	(671)	868
Income before income taxes	38,463	2,310	65,224	6,520
Income tax expense	9,679	280	16,370	1,509
Net income	$ 28,784	$ 2,030	$ 48,854	$ 5,011
Weighted Average Shares Outstanding				
Basic	16,614,677	16,567,391	16,599,136	16,614,112
Diluted	16,657,454	16,605,911	16,638,741	16,662,791
Net earnings per share				
Basic	$ 1.73	$ 0.12	$ 2.94	$ 0.30
Diluted	$ 1.73	$ 0.12	$ 2.94	$ 0.30

See notes to unaudited condensed consolidated financial statements.

AMERICAN WOODMARK CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands)
(Unaudited)

	Three Months Ended October 31,		Six Months Ended October 31,	
	2022	2021	2022	2021
Net income	$ 28,784	$ 2,030	$ 48,854	$ 5,011
Other comprehensive income, net of tax:				
Change in pension benefits, net of deferred taxes of $125 and $251, for the three and six months ended October 31, 2021, respectively	—	373	—	746
Change in Cash flow hedges (swap), net of deferred taxes of $1,783 and $641, and $1,350 and $641 for the three and six months ended October 31, 2022 and 2021, respectively	5,265	2,465	3,987	1,892
Total Comprehensive Income	$ 34,049	$ 4,868	$ 52,841	$ 7,649

See notes to unaudited condensed consolidated financial statements.

AMERICAN WOODMARK CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(in thousands)
(Unaudited)

(in thousands, except share data)	COMMON STOCK SHARES	COMMON STOCK AMOUNT	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE (LOSS)/INCOME	TOTAL SHAREHOLDERS' EQUITY
Balance, April 30, 2021	16,801,101	$ 362,524	$ 448,282	$ (54,568)	$ 756,238
Net income	—	—	2,981	—	2,981
Other comprehensive income, net of tax	—	—	—	(200)	(200)
Stock-based compensation	—	1,177	—	—	1,177
Exercise of stock-based compensation awards, net of amounts withheld for taxes	20,243	(1,033)	—	—	(1,033)
Stock repurchases	(299,781)	(5,874)	(19,126)	—	(25,000)
Employee benefit plan contributions	39,491	2,938	—	—	2,938
Balance, July 31, 2021	16,561,054	$ 359,732	$ 432,137	$ (54,768)	$ 737,101
Net income	—	—	2,030	—	2,030
Other comprehensive income, net of tax	—	—	—	2,838	2,838
Stock-based compensation	—	1,216	—	—	1,216
Exercise of stock-based compensation awards, net of amounts withheld for taxes	8,531	(46)	—	—	(46)
Balance, October 31, 2021	16,569,585	$ 360,902	$ 434,167	$ (51,930)	$ 743,139

(in thousands, except share data)	COMMON STOCK SHARES	COMMON STOCK AMOUNT	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE (LOSS)/INCOME	TOTAL SHAREHOLDERS' EQUITY
Balance, April 30, 2022	16,570,619	$ 363,224	$ 399,434	$ 10,225	$ 772,883
Net income	—	—	20,070	—	20,070
Other comprehensive income, net of tax	—	—	—	(1,278)	(1,278)
Stock-based compensation	—	1,635	—	—	1,635
Exercise of stock-based compensation awards, net of amounts withheld for taxes	25,908	(772)	—	—	(772)
Balance, July 31, 2022	16,596,527	$ 364,087	$ 419,504	$ 8,947	$ 792,538
Net income	—	—	28,784	—	28,784
Other comprehensive income, net of tax	—	—	—	5,265	5,265
Stock-based compensation	—	1,754	—	—	1,754
Exercise of stock-based compensation awards, net of amounts withheld for taxes	8,200	—	—	—	—
Employee benefit plan contributions	17,100	838	—	—	838
Balance, October 31, 2022	16,621,827	$ 366,679	$ 448,288	$ 14,212	$ 829,179

See notes to unaudited condensed consolidated financial statements.

AMERICAN WOODMARK CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(Unaudited)

	Six Months Ended October 31,	
	2022	2021
OPERATING ACTIVITIES		
Net income	$ 48,854	$ 5,011
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	47,598	48,780
Net loss on disposal of property, plant and equipment	214	151
Reduction in the carrying amount of operating lease right-of-use assets	13,455	13,983
Amortization of debt issuance costs	432	434
Unrealized (gain) loss on foreign exchange forward contracts	(580)	170
Stock-based compensation expense	3,389	2,393
Deferred income taxes	(5,237)	(3,994)
Pension settlement, net	(245)	—
Pension contributions and related (income) expense	—	609
Contributions of employer stock to employee benefit plan	838	2,938
Other non-cash items	3,552	169
Changes in operating assets and liabilities:		
Customer receivables	1,078	(2,829)
Income taxes receivable	(1,258)	(5,750)
Inventories	(27,747)	(33,198)
Prepaid expenses and other assets	(9,211)	(6,206)
Accounts payable	(26,048)	(5,214)
Accrued compensation and related expenses	13,996	(13,838)
Operating lease liabilities	(13,490)	(12,798)
Marketing and other accrued expenses	5,836	(987)
Net cash provided (used) by operating activities	55,426	(10,176)
INVESTING ACTIVITIES		
Payments to acquire property, plant and equipment	(9,535)	(22,109)
Proceeds from sales of property, plant and equipment	21	5
Investment in promotional displays	(1,452)	(4,994)
Net cash used by investing activities	(10,966)	(27,098)
FINANCING ACTIVITIES		
Payments of long-term debt	(21,178)	(39,705)
Proceeds from long-term debt	—	20,000
Repurchase of common stock	—	(25,000)
Withholding of employee taxes related to stock-based compensation	(773)	(1,079)
Debt issuance cost	—	(6)
Net cash used by financing activities	(21,951)	(45,790)
Net increase (decrease) in cash and cash equivalents	22,509	(83,064)

	Six Months Ended October 31,	
	2022	2021
Cash and cash equivalents, beginning of period	22,325	91,071
Cash and cash equivalents, end of period	$ 44,834	$ 8,007
Supplemental cash flow information:		
Non-cash investing and financing activities:		
Property, plant and equipment included in accounts payable at period end	$ 247	$ 701
Cash paid during the period for:		
Interest	$ 8,508	$ 4,324
Income taxes	$ 13,362	$ 11,405

See notes to unaudited condensed consolidated financial statements.

Note A--Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") 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 footnotes required by U.S. GAAP for complete consolidated financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the six-month period ended October 31, 2022 are not necessarily indicative of the results that may be expected for the fiscal year ending April 30, 2023 ("fiscal 2023"). The unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes in the Company's Annual Report on Form 10-K for the fiscal year ended April 30, 2022 ("fiscal 2022") filed with the U.S. Securities and Exchange Commission ("SEC").

Goodwill and Intangible Assets: Goodwill represents the excess of purchase price over the net amount of identifiable assets acquired and liabilities assumed in a business combination measured at fair value. The Company does not amortize goodwill but evaluates for impairment annually, or whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

In accordance with accounting standards, when evaluating goodwill, an entity has the option first to assess qualitative factors to determine whether events and circumstances indicate that it is more likely than not that goodwill is impaired. If after such assessment an entity concludes that it is more likely than not that the asset is not impaired, then the entity is not required to take further action. However, if an entity concludes otherwise, then it is required to determine the fair value of the asset using a quantitative impairment test, and if impaired, the associated assets must be written down to fair value. There were no impairment charges related to goodwill for the three- and six-month periods ended October 31, 2022 and 2021.

Intangible assets consist of customer relationship intangibles. The Company amortizes the cost of intangible assets over their estimated useful lives, six years, unless such lives are deemed indefinite. There were no impairment charges related to intangible assets for the three- and six-month periods ended October 31, 2022 and 2021.

Derivative Financial Instruments: The Company uses derivatives as part of the normal business operations to manage its exposure to fluctuations in interest rates associated with variable interest rate debt and foreign exchange rates. The Company has established policies and procedures that govern the risk management of these exposures. The primary objective in managing these exposures is to add stability to interest expense, manage the Company's exposure to interest rate movements, and manage the risk from adverse fluctuations in foreign exchange rates.

The Company uses interest rate swap contracts to manage interest rate exposures. The Company records derivatives in the condensed consolidated balance sheets at fair value. Changes in the fair value of derivatives designated as cash flow hedges are recorded in accumulated other comprehensive income (loss), and subsequently reclassified into earnings in the period the hedged forecasted transaction affects earnings. If a derivative is deemed to be ineffective, the change in fair value of the derivative is recognized directly in earnings.

The Company also manages risks through the use of foreign exchange forward contracts. The Company recognizes its outstanding forward contracts in the condensed consolidated balance sheets at their fair values. The Company does not designate the forward contracts as accounting hedges. The changes in the fair value of the forward contracts are recorded in other (income) expense, net in the condensed consolidated statements of income.

Reclassifications: Certain reclassifications have been made to prior period balances to conform to the current year presentation.

Note B--New Accounting Pronouncements

In March 2020, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") No. 2020-04 "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting." These amendments provide temporary optional guidance to ease the potential burden in accounting for reference rate reform. ASU 2020-04 provides optional expedients and exceptions for applying generally accepted accounting principles to contract modifications and hedging relationships, subject to meeting certain criteria, that reference the London Interbank Offered Rate ("LIBOR") or another reference rate expected to be discontinued. It is intended to help stakeholders during the global market-wide reference rate transition period. The guidance is effective for all entities as of March 12, 2020 through December 31, 2022

and can be adopted as of any date from the beginning of an interim period that includes or is subsequent to March 12, 2020. The Company has identified loans and other financial instruments that are directly or indirectly influenced by LIBOR and does not expect the adoption of ASU 2020-04 to have a material impact on the Company's consolidated financial statements.

Note C--Net Earnings Per Share

The following table sets forth the computation of basic and diluted net earnings per share:

	Three Months Ended October 31,		Six Months Ended October 31,	
(in thousands, except per share amounts)	2022	2021	2022	2021
Numerator used in basic and diluted net earnings per common share:				
Net income	$ 28,784	$ 2,030	$ 48,854	$ 5,011
Denominator:				
Denominator for basic net earnings per common share - weighted-average shares	16,615	16,567	16,599	16,614
Effect of dilutive securities:				
Stock options and restricted stock units	42	39	40	49
Denominator for diluted net earnings per common share - weighted-average shares and assumed conversions	16,657	16,606	16,639	16,663
Net earnings per share				
Basic	$ 1.73	$ 0.12	$ 2.94	$ 0.30
Diluted	$ 1.73	$ 0.12	$ 2.94	$ 0.30

There were no potentially dilutive securities for the three- and six-month periods ended October 31, 2022 and 2021, which were excluded from the calculation of net earnings per diluted share.

Note D--Stock-Based Compensation

The Company has various stock-based compensation plans. During the three-months ended October 31, 2022, the Board of Directors of the Company approved grants of 18,320 service-based restricted stock units ("RSUs") to non-employee directors. These service-based RSUs (i) vest daily through the end of the two-year vesting period as long as the recipient continuously remains a member of the Board and (ii) entitle the recipient to receive one share of the Company's common stock per unit vested. During the six-months ended October 31, 2022, the Board of Directors of the Company approved grants of service-based RSUs and performance-based RSUs to key employees. The performance-based RSUs totaled 119,772 units and the service-based RSUs totaled 64,528 units. The performance-based RSUs entitle the recipients to receive one share of the Company's common stock per unit granted if applicable performance conditions are met and the recipient remains continuously employed with the Company until the units vest. The service-based RSUs entitle the recipients to receive one share of the Company's common stock per unit granted if they remain continuously employed with the Company until the units vest. All of the Company's RSUs granted to employees cliff-vest three years from the grant date.

For the three- and six-month periods ended October 31, 2022 and 2021, stock-based compensation expense was allocated as follows:

(in thousands)	Three Months Ended October 31, 2022	Three Months Ended October 31, 2021	Six Months Ended October 31, 2022	Six Months Ended October 31, 2021
Cost of sales and distribution	$ 498	$ 326	$ 936	$ 675
Selling and marketing expenses	572	343	1,070	662
General and administrative expenses	684	547	1,383	1,056
Stock-based compensation expense	$ 1,754	$ 1,216	$ 3,389	$ 2,393

During the six months ended October 31, 2022, the Company also approved grants of 11,945 cash-settled performance-based restricted stock tracking units ("RSTUs") and 6,490 cash-settled service-based RSTUs for more junior level employees. Each performance-based RSTU entitles the recipient to receive a payment in cash equal to the fair market value of one share of the Company's common stock as of the payment date if applicable performance conditions are met and the recipient remains continuously employed with the Company until the units vest. The service-based RSTUs entitle the recipients to receive a payment in cash equal to the fair market value of one share of the Company's common stock as of the payment date if they remain continuously employed with the Company until the units vest. All of the RSTUs cliff-vest three years from the grant date. The fair value of each cash-settled RSTU award is remeasured at the end of each reporting period and the liability is adjusted, and related expense recorded, based on the new fair value. The expense recognized for the six-month periods ended October 31, 2022 and 2021, and the liability as of October 31, 2022 and April 30, 2022, related to RSTUs is not significant.

Note E--Customer Receivables

The components of customer receivables were:

(in thousands)	October 31, 2022	April 30, 2022
Gross customer receivables	$ 167,472	$ 168,699
Less:		
Allowance for doubtful accounts	(310)	(226)
Allowance for returns and discounts	(13,518)	(11,512)
Net customer receivables	$ 153,644	$ 156,961

Note F--Inventories

The components of inventories were:

(in thousands)	October 31, 2022	April 30, 2022
Raw materials	$ 112,215	$ 90,451
Work-in-process	57,928	59,180
Finished goods	82,818	78,628
Total inventories	$ 252,961	$ 228,259

Note G--Property, Plant and Equipment

The components of property, plant and equipment were:

(in thousands)	October 31, 2022	April 30, 2022
Land	$ 4,431	$ 4,431
Buildings and improvements	120,037	119,066
Buildings and improvements - finance leases	11,164	11,164
Machinery and equipment	331,523	324,417
Machinery and equipment - finance leases	30,546	31,341
Software	27,817	28,115
Construction in progress	22,833	22,794
	548,351	541,328
Less accumulated amortization and depreciation	(344,701)	(327,520)
Total	$ 203,650	$ 213,808

Amortization and depreciation expense on property, plant and equipment amounted to $9.7 million and $9.4 million for the three months ended October 31, 2022 and 2021, respectively, and $19.4 million and $19.1 million for the six months ended October 31, 2022 and 2021, respectively. Accumulated amortization on finance leases included in the above table amounted to $32.5 million and $32.8 million as of October 31, 2022 and April 30, 2022, respectively.

Note H--Intangibles

The components of customer relationship intangibles were:

(in thousands)	October 31, 2022	April 30, 2022
Customer relationship intangibles	$ 274,000	$ 274,000
Less accumulated amortization	(220,722)	(197,889)
Total	$ 53,278	$ 76,111

Customer relationship intangibles are amortized over the estimated useful lives on a straight-line basis over six years. Amortization expense for the three month periods ended October 31, 2022 and 2021 was $11.4 million and $11.4 million, respectively, and $22.8 million and $22.8 million, respectively, for each of the six month periods ended October 31, 2022 and 2021.

Note I--Product Warranty

The Company estimates outstanding warranty costs based on the historical relationship between warranty claims and revenues. The warranty accrual is reviewed monthly to verify that it properly reflects the remaining obligation based on the anticipated expenditures over the balance of the obligation period. Adjustments are made when actual warranty claim experience differs from estimates. Warranty claims are generally made within two months of the original shipment date.

The following is a reconciliation of the Company's warranty liability, which is included in other accrued expenses on the unaudited condensed consolidated balance sheets:

(in thousands)	Six Months Ended October 31, 2022	Six Months Ended October 31, 2021
Beginning balance at May 1	$ 6,878	$ 5,249
Accrual	19,022	9,892
Settlements	(17,360)	(9,198)
Ending balance at October 31	$ 8,540	$ 5,943

Note J--Fair Value Measurements

The Company utilizes the hierarchy of fair value measurements to classify certain of its assets and liabilities based upon the following definitions:

Level 1- Investments with quoted prices in active markets for identical assets or liabilities. The Company's cash equivalents are invested in money market funds, mutual funds, and certificates of deposit. The Company's mutual fund investment assets represent contributions made and invested on behalf of the Company's former named executive officers in a supplementary employee retirement plan.

Level 2- Investments with observable inputs other than Level 1 prices, such as: quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3- Investments with unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. The Company has no Level 3 assets or liabilities measured on a recurring basis.

The Company's financial instruments include cash and equivalents, marketable securities, and other investments; accounts receivable and accounts payable; interest rate swap and foreign exchange forward contracts; and short- and long-term debt. The carrying values of cash and equivalents, accounts receivable and payable, and short-term debt on the condensed consolidated balance sheets approximate their fair value due to the short maturities of these items. The interest rate swap and foreign exchange forward contracts were marked to market and therefore represent fair value. The fair values of these contracts are determined based on inputs that are readily available in public markets or can be derived from information available in publicly quoted markets. The following table summarizes the fair value of assets and liabilities that are recorded in the Company's consolidated financial statements as of October 31, 2022 and April 30, 2022 at fair value on a recurring basis (in thousands):

	Fair Value Measurements As of October 31, 2022		
	Level 1	Level 2	Level 3
ASSETS:			
Mutual funds	$ 236	$ —	$ —
Interest rate swap contracts	—	19,025	—
Foreign exchange forward contracts	—	580	—
Total assets at fair value	$ 236	$ 19,605	$ —

	As of April 30, 2022		
	Level 1	Level 2	Level 3
ASSETS:			
Mutual funds	$ 404	$ —	$ —
Interest rate swap contracts	—	13,687	—
Total assets at fair value	$ 404	$ 13,687	$ —

There were no transfers between Level 1, Level 2, or Level 3 for assets measured at fair value on a recurring basis.

Note K--Loans Payable and Long-Term Debt

On December 29, 2017, the Company entered into a credit agreement (the "Prior Credit Agreement") with a syndicate of lenders and Wells Fargo Bank, National Association, as administrative agent. The Prior Credit Agreement provided for a $100 million revolving loan facility with a $25 million sub-facility for the issuance of letters of credit, a $250 million initial term loan facility, and a $250 million delayed draw term loan facility. The Company borrowed the entire $250 million under the initial term loan facility, the entire $250 million under the delayed draw term loan facility, and approximately $50 million under the revolving loan facility in connection with its acquisition of RSI Home Products, Inc. ("RSI") and the refinancing of certain senior notes assumed from RSI. The facilities under the Prior Credit Agreement were scheduled to mature on December 29, 2022.

On April 22, 2021, the Company amended and restated the Prior Credit Agreement. The amended and restated credit agreement (the "A&R Credit Agreement") provides for a $500 million revolving loan facility with a $50 million sub-facility for the issuance of letters of credit (the "Revolving Facility") and a $250 million term loan facility (the "Term Loan Facility"). Also on April 22, 2021, the Company borrowed the entire $250 million under the Term Loan Facility and approximately $264 million under the Revolving Facility to fund, in part, the repayment in full of the amounts then outstanding under the Prior Credit Agreement and the complete redemption of its 4.875% Senior Notes due 2026. The Company is required to repay the Term Loan Facility in specified quarterly installments. The Revolving Facility and Term Loan Facility mature on April 22, 2026.

As of October 31, 2022 and April 30, 2022, $231.3 million and $237.5 million, respectively, was outstanding on the Term Loan Facility. As of October 31, 2022 and April 30, 2022, $249.3 million and $263.0 million, respectively, was outstanding under the Revolving Facility. Outstanding letters of credit under the Revolving Facility were $11.4 million as of October 31, 2022, leaving approximately $239.4 million in available capacity under the Revolving Facility as of October 31, 2022. The outstanding balances noted above approximate fair value as the facilities have a floating interest rate.

Amounts outstanding under the Term Loan Facility and the Revolving Facility bear interest based on a fluctuating rate measured by reference to either, at the Company's option, a base rate plus an applicable margin or LIBOR plus an applicable margin, with the applicable margin being determined by reference to the Company's then-current "Secured Net Leverage Ratio." The Company also incurs a quarterly commitment fee on the average daily unused portion of the Revolving Facility during the applicable quarter at a rate per annum also determined by reference to the Company's then-current "Secured Net Leverage Ratio." In addition, a letter of credit fee accrues on the face amount of any outstanding letters of credit at a per annum rate equal to the applicable margin on LIBOR loans, payable quarterly in arrears. As of October 31, 2022, the applicable margin with respect to base rate loans and LIBOR loans was 0.50% and 1.50%, respectively, and the commitment fee was 0.15%. The A&R Credit Agreement includes provisions providing for the transition from LIBOR to a replacement benchmark upon the occurrence of certain events. The Company does not currently expect any such transition to materially impact its financing costs.

The A&R Credit Agreement includes certain financial covenants that require the Company to maintain (i) a "Consolidated Interest Coverage Ratio" of no less than 2.00 to 1.00 and (ii) a "Total Net Leverage Ratio" of no greater than 4.00 to 1.00, subject, in each case, to certain limited exceptions.

The A&R Credit Agreement includes certain additional covenants, including negative covenants that restrict the ability of the Company and certain of its subsidiaries to incur additional indebtedness, create additional liens on its assets, make certain investments, dispose of its assets, or engage in a merger or other similar transaction, or engage in transactions with affiliates, subject, in each case, to the various exceptions and conditions described in the A&R Credit Agreement. The negative covenants further restrict the ability of the Company and certain of its subsidiaries to make certain restricted payments, including, in the case of the Company, the payment of dividends and the repurchase of common stock, in certain limited circumstances.

As of October 31, 2022, the Company was in compliance with all covenants included in the A&R Credit Agreement.

The Company's obligations under the A&R Credit Agreement are guaranteed by the Company's domestic subsidiaries, and the obligations of the Company and its domestic subsidiaries under the A&R Credit Agreement and their guarantees, respectively, are secured by a pledge of substantially all of their respective personal property.

Note L--Derivative Financial Instruments

Interest Rate Swap Contracts

The Company enters into interest rate swap contracts to manage variability in the amount of known or expected cash payments related to portions of its variable rate debt. On May 28, 2021, the Company entered into four interest rate swaps with an aggregate notional amount of $200 million to hedge part of the variable rate interest payments under the Term Loan Facility. The interest rate swaps became effective on May 28, 2021 and will terminate on May 30, 2025. The interest rate swaps economically convert a portion of the variable rate debt to fixed rate debt. The Company receives floating interest payments monthly based on one-month LIBOR and pays a fixed rate of 0.5980% to the counterparty.

The interest rate swaps are designated as cash flow hedges. Changes in fair value are recorded to other comprehensive income. The risk management objective in using interest rate swaps is to add stability to interest expense and to manage the Company's exposure to interest rate movements. Interest rate swaps designated as cash flow hedges involve the receipt of variable amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the contract agreements without exchange of the underlying notional amount. Realized gains or losses in connection with required interest payments on interest rate swaps are recorded in earnings, as a component of interest expense, net to offset variability in interest expense associated with the underlying debt's cash flows.

For the three- and six-month periods ended October 31, 2022, unrealized gains (losses), net of deferred taxes, of $6.1 million and $5.0 million, respectively, were recorded in other comprehensive income, and $1.1 million and $1.4 million, respectively, of realized gains (losses) were reclassified out of accumulated other comprehensive income (loss) to interest expense, net due to interest received from and payments made to the swap counterparties. For the three- and six-month periods ended October 31, 2021, unrealized gains (losses), net of deferred taxes, of $2.5 million and $1.9 million, respectively, were recorded in other comprehensive income, and $0.3 million and $0.4 million, respectively, of realized gains (losses) were reclassified out of accumulated other comprehensive income (loss) to interest expense, net due to interest received from and payments made to the swap counterparties. As of October 31, 2022, the Company anticipates reclassifying approximately $8.4 million of net hedging gains from accumulated other comprehensive income into earnings during the next 12 months to offset the variability of the hedged items during this period.

Foreign Exchange Forward Contracts

At October 31, 2022, the Company held forward contracts maturing from November 2022 to April 2023 to purchase 422.4 million Mexican pesos at exchange rates ranging from 21.11 to 21.74 Mexican pesos to one U.S. dollar. An immaterial asset is recorded in prepaid expense and other on the condensed consolidated balance sheet.

Note M--Income Taxes

The effective income tax rates for the three- and six-month periods ended October 31, 2022 were 25.2% and 25.1%, respectively, compared with 12.1% and 23.1% in the comparable periods in the prior fiscal year. The effective rates were higher than the 21.0% U.S. statutory rate for the three- and six-month periods ended October 31, 2022 primarily due to state income taxes. The effective rate for the periods ended October 31, 2022 was higher than the comparable periods in the prior fiscal year primarily due to a favorable uncertain tax position reversal booked in the prior periods.

Note N--Revenue Recognition

The Company disaggregates revenue from contracts with customers into major sales distribution channels as these categories depict the nature, amount, timing, and uncertainty of revenues and cash flows that are affected by economic factors. The following table disaggregates our consolidated revenue by major sales distribution channels for the three and six months ended October 31, 2022 and 2021:

(in thousands)	Three Months Ended October 31, 2022	Three Months Ended October 31, 2021	Six Months Ended October 31, 2022	Six Months Ended October 31, 2021
Home center retailers	$ 237,433	$ 215,342	$ 478,750	$ 424,666
Builders	244,186	183,200	470,962	361,438
Independent dealers and distributors	79,880	54,621	154,680	109,640
Net Sales	$ 561,499	$ 453,163	$ 1,104,392	$ 895,744

Note O--Concentration of Risks

Financial instruments that potentially subject the Company to concentrations of risk consist primarily of cash and cash equivalents and accounts receivable. The Company maintains its cash and cash equivalents with major financial institutions and such balances may, at times, exceed Federal Deposit Insurance Corporation insurance limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant risk with respect to cash.

Credit is extended to customers based on an evaluation of each customer's financial condition and generally collateral is not required. The Company's customers operate in the new home construction and home remodeling markets.

The Company maintains an allowance for expected credit losses based upon management's evaluation and judgment of potential net loss. The allowance is estimated based upon historical experience, the effects of current developments and economic conditions, and each customer's current and anticipated financial condition. Estimates and assumptions are periodically reviewed and updated. Any resulting adjustments to the allowance are reflected in current operating results.

As of October 31, 2022, the Company's two largest customers, Customers A and B, represented 31.7% and 17.5% of the Company's gross customer receivables, respectively. As of October 31, 2021, Customers A and B represented 31.2% and 19.6% of the Company's gross customer receivables, respectively.

The following table summarizes the percentage of net sales attributable to the Company's two largest customers for the three and six months ended October 31, 2022 and 2021:

	Three Months Ended October 31,		Six Months Ended October 31,	
	2022	2021	2022	2021
Customer A	28.9%	31.7%	29.6%	31.8%
Customer B	13.4%	15.8%	13.8%	15.6%

Note P--Other Information

The Company is involved in suits and claims in the normal course of business, including without limitation product liability and general liability claims, and claims pending before the Equal Employment Opportunity Commission. On at least a quarterly basis, the Company consults with its legal counsel to ascertain the reasonable likelihood that such claims may result in a loss. As required by FASB Accounting Standards Codification Topic 450, "Contingencies," the Company categorizes the various suits and claims into three categories according to their likelihood for resulting in potential loss: those that are probable, those that are reasonably possible, and those that are deemed to be remote. Where losses are deemed to be probable and estimable, accruals are made. Where losses are deemed to be reasonably possible, a range of loss estimates is determined and considered for disclosure. In determining these loss range estimates, the Company considers known values of similar claims and consults with outside counsel.

Except as described below, the Company believes that the aggregate range of loss stemming from the various suits and asserted and unasserted claims that were deemed to be either probable or reasonably possible was not material as of October 31, 2022.

Antidumping and Countervailing Duties Investigation

In February 2020, a conglomeration of domestic manufacturers filed a scope and circumvention petition seeking the imposition of antidumping (“AD”) and countervailing duties (“CVD”) with the United States Department of Commerce (“DOC”) and the United States International Trade Commission (“ITC”) against imports of hardwood plywood assembled in Vietnam using

cores sourced from China. In July 2022, the DOC issued a Preliminary Scope Determination and Affirmative Preliminary Determination of Circumvention of the Antidumping and Countervailing Duty Orders (“Preliminary Determination”). Included in the Determination is a list of Vietnamese suppliers not eligible for certification.

AD and CVD cash deposits of 206% are required for imports from the Vietnamese suppliers not eligible for certification. Many of the Vietnamese suppliers have appealed their inclusion on the ineligible for certification list. Because two of the Company’s primary Vietnamese plywood vendors are included on the ineligible for certification list, the Company has determined that it is reasonably possible that it may experience a loss due to these matters and estimates that the maximum total potential loss for prior and future purchase to be approximately $8.0 million. During the second quarter of fiscal 2023, the Company remitted deposits of $3.8 million pursuant to the Preliminary Determination. The deposits remitted are included in other assets on the Company’s condensed consolidated balance sheet. Based on the evidence provided from the Vietnamese suppliers, the specific characteristics of the product imported and other relevant matters, the Company intends to vigorously appeal any determination that it is subject to these duties and believes that any deposits made will ultimately be refunded upon settlement of the appeals.

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

The following discussion should be read in conjunction with our unaudited condensed consolidated financial statements and the related notes, both of which are included in Part I, Item 1 of this report. The Company's critical accounting policies are included in the Company's Annual Report on Form 10-K for the fiscal year ended April 30, 2022.

Forward-Looking Statements

This report contains statements concerning the Company's expectations, plans, objectives, future financial performance, and other statements that are not historical facts. These statements may be "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. In most cases, the reader can identify forward-looking statements by words such as "anticipate," "estimate," "forecast," "expect," "believe," "should," "could," "would," "plan," "may," "intend," "estimate," "prospect," "goal," "will," "predict," "potential," or other similar words. Forward-looking statements contained in this report, including elsewhere in "Management's Discussion and Analysis of Financial Condition and Results of Operations," are based on current expectations and our actual results may differ materially from those projected in any forward-looking statements. In addition, the Company participates in an industry that is subject to rapidly changing conditions and there are numerous factors that could cause the Company to experience a decline in sales and/or earnings or deterioration in financial condition. Factors that could cause actual results to differ materially from those in forward-looking statements made in this report include but are not limited to:

- the loss of or a reduction in business from one or more of our key customers;
- negative developments in the macro-economic factors that impact our performance such as the U.S. housing market, general economy, unemployment rates, interest rates and consumer sentiment and the impact of such developments on our and our customers' business, operations, and access to financing;
- competition from other manufacturers and the impact of such competition on pricing and promotional levels;
- an inability to obtain raw materials in a timely manner or fluctuations in raw material, transportation, and energy costs, including due to inflation;
- a failure to attract and retain certain members of management or other key employees or other negative labor developments, including increases in the cost of labor;
- an inability to develop new products or respond to changing consumer preferences and purchasing practices;
- increased buying power of large customers and the impact on our ability to maintain or raise prices;
- a failure to effectively manage manufacturing operations, alignment, and capacity or an inability to maintain the quality of our products;
- the impairment of goodwill, other intangible assets, or our long-lived assets;
- information systems interruptions or intrusions or the unauthorized release of confidential information concerning customers, employees, or other third parties;
- the cost of compliance with, or liabilities related to, environmental or other governmental regulations or changes in governmental or industry regulatory standards, especially with respect to health and safety and the environment;
- risks associated with the implementation of our growth, digital transformation, and platform design strategies;
- risks related to sourcing and selling products internationally and doing business globally, including the imposition of tariffs or duties on those products, and increased transportation costs and delays;
- unexpected costs resulting from a failure to maintain acceptable quality standards;
- changes in tax laws or the interpretations of existing tax laws;
- the impact of COVID-19 on our business, the global and U.S. economy, and our employees, customers, suppliers, and logistics system;

- the occurrence of significant natural disasters, including earthquakes, fires, floods, hurricanes, or tropical storms;
- the unavailability of adequate capital for our business to grow and compete; and
- limitations on operating our business as a result of covenant restrictions under our indebtedness, and our ability to pay amounts due under our credit facilities and our other indebtedness.

Additional information concerning factors that could cause actual results to differ materially from those in forward-looking statements is contained in this report, including elsewhere in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and also in the Company's most recent Annual Report on Form 10-K for the fiscal year ended April 30, 2022, filed with the SEC, including under Item 1A, "Risk Factors," Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and Item 7A, "Quantitative and Qualitative Disclosures about Market Risk." While the Company believes that these risks are manageable and will not adversely impact the long-term performance of the Company, these risks could, under certain circumstances, have a material adverse impact on its operating results and financial condition.

Any forward-looking statement that the Company makes in this report speaks only as of the date of this report. The Company undertakes no obligation to publicly update or revise any forward-looking statements or cautionary factors as a result of new information, future events or otherwise, except as required by law.

Overview

American Woodmark Corporation manufactures and distributes kitchen, bath, and home organization products for the remodeling and new home construction markets. Its products are sold on a national basis directly to home centers and builders and through a network of independent dealers and distributors. As of October 31, 2022, the Company operated 17 manufacturing facilities in the United States and Mexico and eight primary service centers and one distribution center located throughout the United States.

The three-month period ended October 31, 2022 was the Company's second quarter of its fiscal year that ends on April 30, 2023 ("fiscal 2023").

Financial Overview

The Company's remodeling-based business was impacted by the following trends during the second quarter of fiscal 2023:

- The median price per existing home sold rose during the second calendar quarter of 2022 compared to the same period one year ago by 8.7% according to data provided by the National Association of Realtors, and existing home sales decreased 21.4% during the second calendar quarter of 2022 compared to the same period in the prior year;
- The unemployment rate decreased to 3.7% as of October 2022 compared to 4.6% as of October 2021 according to data provided by the U.S. Department of Labor; additionally, the unemployment rate increased slightly from 3.6% in April 2022;
- Mortgage interest rates increased with a thirty-year fixed mortgage rate of approximately 7.1% in October 2022, an increase of approximately 390 basis points compared to the same period in the prior year, according to Freddie Mac;
- Consumer sentiment as tracked by Thomson Reuters/University of Michigan decreased from 71.7 in October 2021 to 59.9 in October 2022; and
- The inflation rate as of October 2022 was 7.7%, compared to 6.2% in October 2021 and 8.3% in April 2022 according to data provided by the U.S. Department of Labor.

The Company believes there is no single indicator that directly correlates with cabinet remodeling market activity. For this reason, the Company considers other factors in addition to those discussed above as indicators of overall market activity including credit availability, home owner equity, and housing affordability.

The Company's total net sales increased 23.9% during the second quarter and 23.3% during the first half of fiscal 2023 compared to the same prior-year period.

The Company's remodeling sales, which consist of our independent dealer and distributor channel sales and home center retail sales, increased 17.5% during the second quarter and 18.6% during the first half of fiscal 2023 compared to the same prior-year periods. Our independent dealer and distributor channel increased by 46.2% during the second quarter and 41.1% during the first half of fiscal 2023 compared to the comparable prior-year periods. Our home center channel increased by 10.3% during the second quarter and 12.7% during the first half of fiscal 2023 compared to the comparable prior-year periods.

New construction sales increased 33.3% in the second quarter and 30.3% during the first half of fiscal 2023, compared to the same periods of fiscal 2022. The Company believes that fluctuations in single-family housing starts are the best indicator of new construction cabinet activity. Assuming a sixty to ninety day lag between housing starts and the installation of cabinetry, single-family housing starts decreased 15.8% during the second quarter over the comparable prior year period, according to the U.S. Department of Commerce. In comparison, housing completions increased 7.0% during the second quarter of fiscal 2023 over the comparable prior year period, according to U.S. Department of Commerce. The Company believes we are continuing to see a temporary shift to extend the lag from 90 days to 120 days or longer.

The Company earned net income of $28.8 million for the second quarter of fiscal 2023, compared with $2.0 million in the same period of the prior year, and earned net income of $48.9 million for the first six months of fiscal 2023, compared with $5.0 million in the same period of the prior year.

Results of Operations

	Three Months Ended October 31,			Six Months Ended October 31,		
(in thousands)	2022	2021	Percent Change	2022	2021	Percent Change
Net sales	$ 561,499	$ 453,163	23.9 %	$ 1,104,392	$ 895,744	23.3 %
Gross profit	$ 98,734	$ 51,614	91.3 %	$ 185,481	$ 104,960	76.7 %
Selling and marketing expenses	$ 24,651	$ 21,484	14.7 %	$ 50,417	$ 44,372	13.6 %
General and administrative expenses	$ 32,101	$ 24,623	30.4 %	$ 62,281	$ 48,357	28.8 %

Net Sales. Net sales were $561.5 million for the second quarter of fiscal 2023, an increase of 23.9% compared with the second quarter of fiscal 2022. For the first half of fiscal 2023, net sales were $1,104.4 million, reflecting a 23.3% increase compared to the same period of fiscal 2022. The Company experienced growth in all sales channels during the second quarter and first half of fiscal 2023 primarily due to the impact of price increases.

Gross Profit. Gross profit margin for the second quarter of fiscal 2023 was 17.6% compared with 11.4% for the same period of fiscal 2022. Gross profit margin for the first half of fiscal 2023 was 16.8% compared with 11.7% for the same period of fiscal 2022. Gross profit margin in the second quarter and first six months of the current fiscal year was positively impacted by increased net sales and productivity, which were partially offset by higher material and logistics costs which are starting to stabilize.

Selling and Marketing Expenses. Selling and marketing expenses were 4.4% of net sales in the second quarter of fiscal 2023, compared with 4.7% for the same period of fiscal 2022. Selling and marketing expenses were 4.6% of net sales in the first half of fiscal 2023, compared with 5.0% for the same period of fiscal 2022.

General and Administrative Expenses. General and administrative expenses were 5.7% of net sales in the second quarter of fiscal 2023, compared with 5.4% of net sales in the second quarter of fiscal 2022. General and administrative expenses were 5.6% of net sales in the first half of fiscal 2023, compared with 5.4% of net sales in the second quarter of fiscal 2022. The increase in general and administrative expenses as a percentage of net sales during the second quarter and first half of fiscal 2023 was driven by higher employee incentive costs, partially offset by leverage created by higher sales.

Effective Income Tax Rates. The effective income tax rates for the three- and six-month periods ended October 31, 2022 was 25.2% and 25.1%, respectively, compared with 12.1% and 23.1% in the comparable periods in the prior fiscal year. The effective rates were higher than the 21.0% U.S. statutory rate for the three- and six-month periods ended October 31, 2022 primarily due to state income taxes. The effective rate for the periods ended October 31, 2022 was higher than the comparable periods in the prior fiscal year primarily due to a favorable uncertain tax position reversal booked in the prior periods.

Non-GAAP Financial Measures. We have reported our financial results in accordance with U.S. generally accepted accounting principles (GAAP). In addition, we have discussed our financial results using the non-GAAP measures described below.

A reconciliation of these non-GAAP financial measures to the most directly comparable financial measures calculated and presented in accordance with GAAP is set forth below.

Management believes that these non-GAAP financial measures provide an additional means of analyzing the current period's results against the corresponding prior period's results. However, these non-GAAP financial measures should be viewed in addition to, and not as a substitute for, the Company's reported results prepared in accordance with GAAP. Our non-GAAP financial measures are not meant to be considered in isolation or as a substitute for comparable GAAP measures and should be read only in conjunction with our consolidated financial statements prepared in accordance with GAAP.

EBITDA, Adjusted EBITDA and Adjusted EBITDA margin

We use EBITDA, Adjusted EBITDA, and Adjusted EBITDA margin in evaluating the performance of our business, and we use each in the preparation of our annual operating budgets and as indicators of business performance and profitability. We believe EBITDA, Adjusted EBITDA, and Adjusted EBITDA margin allow us to readily view operating trends, perform analytical comparisons and identify strategies to improve operating performance.

We define Adjusted EBITDA as net income adjusted to exclude (1) income tax expense, (2) interest expense, net, (3) depreciation and amortization expense, (4) amortization of customer relationship intangibles, (5) expenses related to the acquisition of RSI Home Products, Inc. ("RSI acquisition") and the subsequent restructuring charges that the Company incurred related to the acquisition, (6) non-recurring restructuring charges, (7) stock-based compensation expense, (8) gain/loss on asset disposals, (9) change in fair value of foreign exchange forward contracts, and (10) pension settlement charges. We believe Adjusted EBITDA, when presented in conjunction with comparable GAAP measures, is useful for investors because management uses Adjusted EBITDA in evaluating the performance of our business.

We define Adjusted EBITDA margin as Adjusted EBITDA as a percentage of net sales.

Adjusted EPS per diluted share

We use Adjusted EPS per diluted share in evaluating the performance of our business and profitability. Management believes that this measure provides useful information to investors by offering additional ways of viewing the Company's results by providing an indication of performance and profitability excluding the impact of unusual and/or non-cash items. We define Adjusted EPS per diluted share as diluted earnings per share excluding the per share impact of (1) expenses related to the RSI acquisition and the subsequent restructuring charges that the Company incurred related to the RSI acquisition, (2) non-recurring restructuring charges, (3) the amortization of customer relationship intangibles, (4) pension settlement charges, and (5) the tax benefit of RSI acquisition expenses and subsequent restructuring charges, the net gain on debt forgiveness and modification and the amortization of customer relationship intangibles and trademarks. The amortization of intangible assets is driven by the RSI acquisition and will recur in future periods. Management has determined that excluding amortization of intangible assets from our definition of Adjusted EPS per diluted share will better help it evaluate the performance of our business and profitability and we have also received similar feedback from some of our investors.

Reconciliation of EBITDA, Adjusted EBITDA and Adjusted EBITDA margin

(in thousands)	Three Months Ended October 31, 2022	Three Months Ended October 31, 2021	Six Months Ended October 31, 2022	Six Months Ended October 31, 2021
Net income (GAAP)	$ 28,784	$ 2,030	$ 48,854	$ 5,011
Add back:				
Income tax expense	9,679	280	16,370	1,509
Interest expense, net	4,422	2,360	8,475	4,533
Depreciation and amortization expense	12,334	12,921	24,764	25,946
Amortization of customer relationship intangibles	11,417	11,417	22,834	22,834
EBITDA (Non-GAAP)	$ 66,636	$ 29,008	121,297	59,833
Add back:				
Acquisition and restructuring related expenses (1)	20	20	40	40
Non-recurring restructuring charges (2)	—	(3)	—	310
Pension settlement, net	(6)	—	(245)	—
Change in fair value of foreign exchange forward contracts (3)	(818)	520	(580)	170
Stock-based compensation expense	1,754	1,216	3,389	2,393
Loss on asset disposal	37	36	214	151
Adjusted EBITDA (Non-GAAP)	$ 67,623	$ 30,797	124,115	62,897
Net Sales	$ 561,499	$ 453,163	$ 1,104,392	$ 895,744
Net income margin (GAAP)	5.1 %	0.4 %	4.4 %	0.6 %
Adjusted EBITDA margin (Non-GAAP)	12.0 %	6.8 %	11.2 %	7.0 %

(1) Acquisition and restructuring related expenses are comprised of expenses related to the RSI acquisition and the subsequent restructuring charges that the Company incurred related to the acquisition.
(2) Non-recurring restructuring charges are comprised of expenses incurred related to the permanent layoffs due to COVID-19 and the closure of the manufacturing plant in Humboldt, Tennessee.
(3) In the normal course of business the Company is subject to risk from adverse fluctuations in foreign exchange rates. The Company manages these risks through the use of foreign exchange forward contracts. The changes in the fair value of the forward contracts are recorded in other (income) expense, net in the operating results.

A reconciliation of Adjusted EBITDA and Adjusted EBITDA margin as projected for fiscal 2023 is not provided because we do not forecast net income (loss) as we cannot, without unreasonable effort, estimate or predict with certainty various components of net income (loss).

Adjusted EBITDA. Adjusted EBITDA for the second quarter of fiscal 2023 was $67.6 million or 12.0% of net sales compared to $30.8 million or 6.8% of net sales for the same quarter of the prior fiscal year. Adjusted EBITDA for the first half of fiscal 2023 was $124.1 million or 11.2% of net sales compared to $62.9 million or 7.0% of net sales for the same quarter of the prior fiscal year. The increase in Adjusted EBITDA for the second quarter and first half of fiscal 2023 is primarily due to increased net income due to higher net sales driven by pricing actions and increased efficiencies.

Reconciliation of Net Income to Adjusted Net Income

(in thousands, except share data)	Three Months Ended October 31, 2022	Three Months Ended October 31, 2021	Six Months Ended October 31, 2022	Six Months Ended October 31, 2021
Net income (GAAP)	$ 28,784	$ 2,030	$ 48,854	$ 5,011
Add back:				
Acquisition and restructuring related expenses	20	$ 20	40	40
Non-recurring restructuring charges	—	$ (3)	—	310
Pension settlement, net	(6)	$ —	(245)	—
Amortization of customer relationship intangibles	11,417	$ 11,417	22,834	22,834
Tax benefit of add backs	(2,961)	$ (3,100)	(5,861)	(6,167)
Adjusted net income (Non-GAAP)	$ 37,254	$ 10,364	$ 65,622	$ 22,028
Weighted average diluted shares (GAAP)	16,657,454	16,605,911	16,638,741	16,662,791
EPS per diluted share (GAAP)	$ 1.73	$ 0.12	$ 2.94	$ 0.30
Adjusted EPS per diluted share (Non-GAAP)	$ 2.24	$ 0.62	$ 3.94	$ 1.32

Outlook. The impact on our financial results from material and logistical constraints in addition to the availability, retention, and cost of labor continue to be uncertain. The Company's net sales were up 23.9% and 23.3% during the second quarter and first half of fiscal 2023, respectively, and we expect full year fiscal 2023 sales to be low double-digit growth rate in net sales versus fiscal year 2022. We expect our EBITDA margin for the full year fiscal 2023 to be low double digits. We will continue our investment back into the business by increasing our capital investment rate to a range of 3.0 to 3.5% of net sales. As a reminder, these investments will range from the continuation of our Enterprise Resource Planning journey to get on the cloud, digital investments in our customer experience, reinvesting in our manufacturing facilities, specifically the expansion of our Hamlet, NC facility, and a new manufacturing plant in Mexico and automation efforts to help reduce labor dependencies, improve quality and increase capacity. We are choosing to make these additional investments into our core business which will help position the company for improved sales opportunities in our stock platform and enhance our margins in the future.

The Company continues to track several metrics, including but not limited to housing starts, housing completions, existing home sales, mortgage interest rates, new jobs growth, GDP growth and consumer confidence, which it believes are leading indicators of overall demand for kitchen and bath cabinetry.

Additional risks and uncertainties that could affect the Company's results of operations and financial condition are discussed elsewhere in this report, including under "Forward-Looking Statements," and elsewhere in "Management's Discussion and Analysis of Financial Condition and Results of Operations," and in our Annual Report on Form 10-K for the fiscal year ended April 30, 2022, including under Item 1A. "Risk Factors," Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations," and Item 7A. "Quantitative and Qualitative Disclosures about Market Risk."

Liquidity and Capital Resources

The Company's cash and cash equivalents totaled $44.8 million at October 31, 2022, representing an $22.5 million increase from its April 30, 2022 levels primarily due to $55.4 million cash provided by operations in the first six months of fiscal 2023 compared with cash used by operations of $10.2 million in the same period of the prior year, $9.5 million in payments to acquire property, plant, and equipment, and $21.2 million of net debt repayments. The increase in the Company's cash from operating activities was driven primarily by an increase in net income and cash inflows from accrued compensation and related expenses, customer receivables, inventories, accrued marketing expenses and other accrued expenses, partially offset by cash outflows from accounts payable and prepaid expenses and other assets. At October 31, 2022, total long-term debt (including current maturities) was $488.6 million. The Company's ratio of long-term debt to total capital was 37.0% at October 31, 2022, compared with 39.6% at April 30, 2022.

The Company's main source of liquidity is its cash and cash equivalents on hand and generally cash generated from its operating activities. The Company can also borrow up to $500 million under the Revolving Facility. Approximately $239.4 million was available under this facility as of October 31, 2022.

On April 22, 2021, the Company amended and restated the Prior Credit Agreement. The amended and restated credit agreement (the "A&R Credit Agreement") provides for a $500 million revolving loan facility with a $50 million sub-facility for the issuance of letters of credit (the "Revolving Facility") and a $250 million term loan facility (the "Term Loan Facility"). Also on April 22, 2021, the Company borrowed the entire $250 million under the Term Loan Facility and approximately $264 million under the Revolving Facility to fund, in part, the repayment in full of the amounts then outstanding under the Prior Credit Agreement and the complete redemption of its 4.875% Senior Notes due 2026. The Company is required to repay the Term Loan Facility in specified quarterly installments. The Revolving Facility and Term Loan Facility mature on April 22, 2026.

The A&R Credit Agreement includes certain financial covenants that require the Company to maintain (i) a "Consolidated Interest Coverage Ratio" of no less than 2.00 to 1.00 and (ii) a "Total Net Leverage Ratio" of no greater than 4.00 to 1.00, subject, in each case, to certain limited exceptions.

The A&R Credit Agreement includes certain additional covenants, including negative covenants that restrict the ability of the Company and certain of its subsidiaries to incur additional indebtedness, create additional liens on its assets, make certain investments, dispose of its assets or engage in a merger or other similar transaction or engage in transactions with affiliates, subject, in each case, to the various exceptions and conditions described in the A&R Credit Agreement. The negative covenants further restrict the ability of the Company and certain of its subsidiaries to make certain restricted payments, including, in the case of the Company, the payment of dividends and the repurchase of common stock, in certain limited circumstances. We were in compliance with all the covenants under the A&R Credit Agreement as of October 31, 2022.

As of October 31, 2022, $231.3 million was outstanding on the Term Loan Facility and $249.3 million was outstanding under the Revolving Facility. As of October 31, 2022, the applicable margin with respect to base rate loans and LIBOR loans was 0.50% and 1.50%, respectively, and the commitment fee was 0.15%.

See Note K — *Loans Payable and Long-Term Debt* for further information around our indebtedness and compliance with covenants.

The Company's investing activities primarily consist of investment in property, plant and equipment and promotional displays. Net cash used for investing activities was $11.0 million in the first six months of fiscal 2023, compared with $27.1 million in the comparable period of fiscal 2022.

During the first six months of fiscal 2023, net cash used by financing activities was $22.0 million, compared with $45.8 million in the comparable period of the prior fiscal year. The decrease in cash used during the first half of fiscal 2023 was primarily driven by the repurchase of common stock of $25.0 million in the prior year.

On May 25, 2021, the Company's Board of Directors (the "Board") authorized a stock repurchase program of up to $100 million of the Company's common shares. Repurchases may be made from time to time in the open market, or through privately negotiated transactions or otherwise, in compliance with applicable laws, rules and regulations, at prices and on terms the Company deems appropriate and subject to the Company's cash requirements for other purposes, compliance with the covenants under the A&R Credit Agreement, and other factors management deems relevant. The authorization does not obligate the Company to acquire a specific number of shares during any period, and the authorization may be modified, suspended or discontinued at any time at the discretion of the Board. Management generally expects to fund any share repurchases using available cash and cash generated from operations. Repurchased shares will become authorized but unissued common shares. The Company did not repurchase any of its common shares during the second quarter or first six months of fiscal 2023. As of October 31, 2022, $75.0 million of funds remained available from the amounts authorized by the Board to repurchase the Company's common stock.

Cash flow from operations combined with accumulated cash and cash equivalents on hand are expected to be more than sufficient to support forecasted working capital requirements, service existing debt obligations and fund capital expenditures for the remainder of fiscal 2023.

Seasonal and Inflationary Factors

Our business has been subject to seasonal influences, with higher sales typically realized in our first and fourth fiscal quarters. General economic forces and changes in our customer mix have reduced seasonal fluctuations in revenue over the past few years. The costs of the Company's products are subject to inflationary pressures and commodity price fluctuations. The Company has generally been able, over time, to recover the effects of inflation and commodity price fluctuations through sales price increases.

Critical Accounting Policies

The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. There have been no significant changes to the Company's critical accounting policies as disclosed in the Company's Annual Report on Form 10-K for the fiscal year ended April 30, 2022.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The costs of the Company's products are subject to inflationary pressures and commodity price fluctuations. The Company has generally been able, over time, to recover the effects of inflation and commodity price fluctuations through sales price increases although there may be a lag in the recovery.

The A&R Credit Agreement includes a variable interest rate component. As a result, we are subject to interest rate risk with respect to such floating-rate debt. A 100 basis point increase in the variable interest rate component of our borrowings as of October 31, 2022 would increase our annual interest expense by approximately $2.8 million. See Note K — *Loans Payable and Long-Term Debt* for further discussion.

In May 2021, we entered into interest rate swaps to hedge approximately $200 million of our variable interest rate debt. See Note L — *Derivative Financial Instruments* for further discussion.

The Company enters into foreign exchange forward contracts principally to offset currency fluctuations in transactions denominated in certain foreign currencies, thereby limiting our exposure to risk that would otherwise result from changes in exchange rates. The periods of the foreign exchange forward contracts correspond to the periods of the transactions denominated in foreign currencies.

The Company does not currently use commodity or similar financial instruments to manage its commodity price risks.

Item 4. Controls and Procedures

Senior management, including the Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures as of October 31, 2022. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures were not effective as of October 31, 2022 due to the material weaknesses in internal control over financial reporting involving ineffective information technology change management and risk assessment, control activities and monitoring activities related to new system implementation that were disclosed in Part II, Item 9A of our Annual Report on Form 10-K for the fiscal year ended April 30, 2022 (our "2022 Annual Report").

During the quarter ended October 31, 2022, we continued to implement our remediation plans described in Part II, Item 9A of our 2022 Annual Report with respect to the material weakness concerning information technology change management, including the implementation of new and enhanced processes to ensure timeliness of review and approval for emergency and scheduler changes, the removal of developer access to database monitoring logs, and an update of the development deployment process to require additional approvals as appropriate.

During the quarter ended October 31, 2022, we also continue to evaluate available remediation options for an automated solution to the material weakness concerning control and monitoring activities related to new system implementation. However, we've taken actions to implement new and ongoing monitoring activities to mitigate the risks associated with privileged user access, as we continue to work towards a more permanent solution. We will continue to provide additional details concerning progress on our remediation plan for this material weakness in future periodic reports.

During the remainder of fiscal 2023, we are committed to maintaining a strong internal control environment and implementing measures designed to help ensure that control deficiencies contributing to the material weaknesses are remediated as soon as possible. Management will test and evaluate the implementation of the new processes established as a result of the remediation plans, and the related internal controls to ascertain whether they are designed and operating effectively to provide reasonable assurance that they will prevent or detect a material error in the financial statements. Notwithstanding the identified material weaknesses, management believes the condensed consolidated financial statements included in this Form 10-Q fairly present, in all material respects, our financial condition, results of operations and cash flows at October 31, 2022 and for the periods presented in accordance with U.S. GAAP.

Except as described above, there has been no change in the Company's internal control over financial reporting that occurred during the quarter ended October 31, 2022 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The Company is involved in various suits and claims in the normal course of business all of which constitute ordinary, routine litigation incidental to the Company's business. The Company is not party to any material litigation that does not constitute ordinary, routine litigation incidental to its business. See Note P — *Other Information* for further discussion of the antidumping and countervailing duties investigation.

Item 1A. Risk Factors

Risk factors that may affect the Company's business, results of operations and financial condition are described in Part I, Item 1A, "Risk Factors" of the Company's Annual Report on Form 10-K for the fiscal year ended April 30, 2022 and there have been no material changes from the risk factors disclosed. Additional risks are discussed elsewhere in this report, including in "Management's Discussion and Analysis of Financial Condition and Results of Operations" under the headings "Forward-Looking Statements" and "Outlook."

Item 6. Exhibits

Exhibit Number	Description
3.1 (a)	Articles of Incorporation as amended effective August 12, 1987 (incorporated by reference to Exhibit 3.1 to the Registrant's Form 10-Q for the quarter ended January 31, 2003; Commission File No. 000-14798).
3.1 (b)	Articles of Amendment to the Articles of Incorporation effective September 10, 2004 (incorporated by reference to Exhibit 3.1 to the Registrant's Form 8-K as filed on August 31, 2004; Commission File No. 000-14798).
3.2	Bylaws – as amended effective May 24, 2022 (incorporated by reference to Exhibit 3.1 to the Registrant's Form 8-K as filed on May 25, 2022; Commission File No. 000-14798).
31.1	Certification of the Chief Executive Officer Pursuant to Rule 13a-14(a) of the Exchange Act (Filed Herewith).
31.2	Certification of the Chief Financial Officer Pursuant to Rule 13a-14(a) of the Exchange Act (Filed Herewith).
32.1	Certification of the Chief Executive Officer and Chief Financial Officer Pursuant to Rule 13a-14(b) of the Exchange Act and 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Furnished Herewith).
101	Interactive Data File for the Registrant's Quarterly Report on Form 10-Q for the quarter ended October 31, 2022 formatted in Inline XBRL (Inline eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Income, (iii) Condensed Consolidated Statements of Comprehensive Income, (iv) Condensed Consolidated Statements of Cash Flows, and (v) Notes to Condensed Consolidated Financial Statements (Filed Herewith).
104	Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101).

SIGNATURES

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.

AMERICAN WOODMARK CORPORATION
(Registrant)

/s/ Paul Joachimczyk
Paul Joachimczyk
Senior Vice President and Chief Financial Officer

Date: November 22, 2022
Signing on behalf of the registrant and
as principal financial and accounting officer

Exhibit 31.1

CERTIFICATION UNDER SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

CERTIFICATION
I, M. Scott Culbreth, certify that:

1. I have reviewed this report on Form 10-Q of American Woodmark Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ M. Scott Culbreth
M. Scott Culbreth
President and Chief Executive Officer
(Principal Executive Officer)
November 22, 2022

Exhibit 31.2

CERTIFICATION UNDER SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

CERTIFICATION
I, Paul Joachimczyk, certify that:

1. I have reviewed this report on Form 10-Q of American Woodmark Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Paul Joachimczyk
Paul Joachimczyk
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)
Date: November 22, 2022

Exhibit 32.1

CERTIFICATION

The undersigned hereby certifies, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

1. The Quarterly Report on Form 10-Q of American Woodmark Corporation (the "Company") for the quarter ended October 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 22, 2022

/s/ M. Scott Culbreth
M. Scott Culbreth
President and Chief Executive Officer
(Principal Executive Officer)

Date: November 22, 2022

/s/ Paul Joachimczyk
Paul Joachimczyk
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)