

AMERICAN WOODMARK CORP  
Form 10-K  
June 29, 2018

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-K

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

For the fiscal year ended April 30,  
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: 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, 22602  
Virginia  
(Address of principal executive offices) (Zip Code)  
(Registrant's telephone number, including  
area code) (540) 665-9100

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

| Title of each class         | Name of each exchange on which<br>registered |
|-----------------------------|--|
| Common Stock (no par value) | NASDAQ Global Select Market                  |

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 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 and posted on its corporate Web site, if  
any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§  
232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to  
submit and post such files).

Edgar Filing: AMERICAN WOODMARK CORP - Form 10-K

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, 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 an 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 registrant's Common Stock, no par value, held by non-affiliates of the registrant as of October 31, 2017, the last business day of the Company's most recent second quarter was \$1,366,648,307. As of June 22, 2018, 17,546,622 shares of the Registrant's Common Stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive Proxy Statement for the Annual Meeting of Shareholders to be held on August 23, 2018 ("Proxy Statement") are incorporated by reference into Part III of this Form 10-K.

---

American Woodmark Corporation  
2018 Annual Report on Form 10-K

TABLE OF CONTENTS

PART I

|          |   |    |
|----------|---|----|
| Item 1.  | <u>Business</u>                             | 2  |
| Item 1A. | <u>Risk Factors</u>                         | 5  |
| Item 1B. | <u>Unresolved Staff Comments</u>            | 12 |
| Item 2.  | <u>Properties</u>                           | 12 |
| Item 3.  | <u>Legal Proceedings</u>                    | 13 |
| Item 4.  | <u>Mine Safety Disclosures</u>              | 13 |
|          | <u>Executive Officers of the Registrant</u> | 14 |

PART II

|          |   |    |
|----------|---|----|
| Item 5.  | <u>Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u> | 15 |
| Item 6.  | <u>Selected Financial Data</u>  | 17 |
| Item 7.  | <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>                        | 18 |
| Item 7A. | <u>Quantitative and Qualitative Disclosures About Market Risk</u>   | 29 |
| Item 8.  | <u>Financial Statements and Supplementary Data</u>  | 30 |
| Item 9.  | <u>Changes in and Disagreements With Accountants on Accounting and Financial Disclosure</u>                         | 63 |
| Item 9A. | <u>Controls and Procedures</u>  | 63 |
| Item 9B. | <u>Other Information</u>  | 63 |

PART III

|          |   |    |
|----------|---|----|
| Item 10. | <u>Directors, Executive Officers and Corporate Governance</u>   | 63 |
| Item 11. | <u>Executive Compensation</u>   | 64 |
| Item 12. | <u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u> | 64 |
| Item 13. | <u>Certain Relationships and Related Transactions, and Director Independence</u>                      | 64 |
| Item 14. | <u>Principal Accounting Fees and Services</u>   | 65 |

PART IV

|          |  |    |
|----------|--|----|
| Item 15. | <u>Exhibits, Financial Statement Schedules</u> | 65 |
| Item 16. | <u>Form 10-K Summary</u>                       | 69 |

|            |  |    |
|------------|--|----|
| SIGNATURES |  | 70 |
|------------|--|----|

## PART I

### Item 1. BUSINESS

#### Our Company

American Woodmark Corporation (“American Woodmark,” the “Company,” “we,” “our” or “us”) was incorporated in 1980 by the four principal managers of the Boise Cascade Cabinet Division through a leveraged buyout of that division. We operated privately until 1986 when we became a public company through a registered public offering of common stock.

We manufacture and distribute kitchen, bath and home organization products for the remodeling and new home construction markets. Our products are sold on a national basis directly to home centers, builders and through a network of independent dealers and distributors. We presently operate 18 manufacturing facilities and seven primary service centers across the country.

Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements, and all amendments to those reports are available free of charge on our website, [www.americanwoodmark.com](http://www.americanwoodmark.com), as soon as reasonably practicable after such material is electronically filed with, or furnished to, the Securities and Exchange Commission. The contents of our website are not, however, part of, or incorporated by reference into, this report.

#### Core Business Excluding RSI Home Products, Inc. ("RSI")

Our core business offers framed stock cabinets in over 420 different cabinet lines, ranging in price from relatively inexpensive to medium-priced styles. These cabinets are offered in a broad range of sizes, construction and decorative options to achieve a broad range of design layouts. To satisfy the fashion and style needs of the market place we offer over 90 door designs with a targeted range of painted and stained finishes on maple, cherry and oak as well as engineered fronts under the Duraform® mark.

These products are sold under the brand names of American Woodmark®, Simply Woodmark®, Timberlake®, Shenandoah Cabinetry®, Shenandoah Value Series® and Waypoint Living Spaces®.

#### The RSI Acquisition

On December 29, 2017, we completed the acquisition of RSI, a leading manufacturer of kitchen and bath cabinetry and home organization products, for consideration consisting of 1,457,568 newly issued shares of American Woodmark common stock, approximately \$364 million in net cash, and the assumption of approximately \$589 million of RSI debt, including accrued interest. We refer to this acquisition as the “RSI Acquisition.”

Founded in 1989 by Ron Simon with a vision of creating value for customers by providing high quality products at affordable prices not otherwise widely available in the industry, RSI had grown to one of the largest in-stock and value-based cabinet makers in North America providing kitchen, bathroom, home and garage organization cabinetry, counter tops and accessories with over 100 styles and finishes to home centers, builders, dealers and remodeling contractors.

RSI sells products under the brand names of American Classics by RSI®, Estate by RSI®, Continental Cabinets®, Insignia by RSI®, Architectural Bath®, MasterBath by RSI®, VillaBath by RSI®, Designer Series and RSI Professional Cabinet Solutions®. RSI also sells products under key customer’s private label brands, such as Hampton

Bay, Glacier Bay, Blue Hawk, Style Selections, Home Decorators Collection and Project Source.

#### Our Products

We offer a wide variety of products that fall into product lines including kitchen cabinetry, bath cabinetry, office cabinetry, home organization and hardware. Our cabinetry products are available in a variety of designs, finishes and finish colors and door styles.

We offer products in the following categories: in-stock and stock. In-stock products represent cash and carry products sold through home centers. Stock products utilize higher grade materials with more options as compared to in-stock and are all special ordered and shipped directly to the home from the factory. Our home organization products are exclusively in-stock products. Our kitchen cabinetry and bath cabinetry are offered across all both product categories (in-stock and stock) and our office cabinetry is offered in stock. Our in-stock products are sold through home centers, while our stock products are sold through home centers, builders and independent dealers and distributors.

## Our Market

Our products are sold on a national basis across the United States to the remodeling and new home construction markets. We service these markets through three primary channels: home centers, builders, and independent dealers and distributors. We distribute our products to each market channel directly from our assembly plants through a third party logistics network.

## Our Customers

We serve three main categories of customers: home center customers, builders and independent dealers and distributors.

### Home Center Customers

Contractors, builders, remodelers and do it yourself homeowners use our products primarily for repair and remodel (“R&R”) projects. Products for R&R projects are predominately purchased through home centers such as Home Depot and Lowe’s. Due to the market presence, store network and customer reach of these large home centers, our strategy has been to develop long-term strategic relationships with both Home Depot and Lowe’s to distribute our products. During the fiscal year ended April 30, 2018 (“fiscal 2018”), Home Depot and Lowe’s accounted for approximately 41.8% of gross sales of the Company. The loss of either Home Depot or Lowe’s as a customer would have a material adverse effect on us.

### Builders

The Builder business represents a large portion of our overall revenue and has historically been a strategic component of our go-to-market strategy. We serve the majority of the top U.S. builders with a high degree of geographic concentration around major metro areas where single family starts are most robust. Our various service center locations serve the function of being close to this business and enable us to deliver exceptional service to our builder partners.

### Independent Dealers & Distributors

In 2010, we expanded our business into the dealer channel with the launch of the Waypoint Living Spaces brand. Today, we sell this brand to over 1,200 regional and local dealers across the country. The dealer channel of the market is the largest by volume, characterized by a high degree of entrepreneurship and one that rewards suppliers that deliver great service. Our ability to provide superior value delivered with exceptional service has helped drive our expansion into this channel and will continue to be a strong growth and market share opportunity for us.

### Manufacturing, Distribution and Service

Our manufacturing facilities are strategically located to serve our customers, which enhances our ability to provide high quality, value priced products with low production costs. We manufacture our products across 18 facilities located in Maryland, Indiana, West Virginia, Tennessee, Georgia, Arizona, Kentucky, Virginia, California, Texas, North Carolina and Tijuana, Mexico. The geographic distribution of our facilities throughout the United States, together with our third party logistics network for the American Woodmark business and beneficial freight arrangement with home centers for the RSI business, enable us to provide a “short supply chain” to our U.S. customers. The ordering patterns of Home Depot and Lowe’s, our two biggest customers, require suppliers to have sufficient manufacturing capacity to meet demand and to serve a large number (frequently hundreds to thousands) of stores. They impose strict logistics and performance obligations on us. As enhanced with the RSI Acquisition, the scale and

strategic locations of our manufacturing facilities help us to meet these demands of the home center customers, as well as provide a logistics platform that we can leverage for builders and dealers. We distribute our products through distribution centers located in our manufacturing facilities to maximize efficiency. Our vertically-integrated production and assembly lines, standardized product construction and investments in automation have allowed us to continuously improve productivity and develop an expertise in wood processing and yield-maximizing technologies. We have standardized our raw material inputs and a number of our production processes, which reduces logistical requirements to manufacture and gives us increased economies of scale in sourcing these inputs. Certain of our inputs are also partially processed by our vendors, which reduces cost. In addition, RSI's production of labor-intensive manufacturing and fabrication processes in its three Tijuana, Mexico facilities have enabled it to keep overall labor costs low while maintaining higher quality, greater speed-to-market and transportation cost advantage over Asian manufacturers.

We provide complete turnkey installation services to our direct builder customers via our network of seven primary service centers that are strategically located throughout the United States in Virginia, Texas, North Carolina, Georgia, Florida, Arizona and California.

We regularly evaluate our organizational productivity and supply chains and assess opportunities to reduce costs and enhance quality. We strive to improve quality, speed and flexibility to meet changing and uncertain market conditions, as well as manage cost inflation, including wages and employee medical costs.

### Raw Materials and Suppliers

The primary raw materials used in our products include hard maple, soft maple, oak, and cherry lumber and plywood. Additional raw materials include paint, particleboard, medium density fiberboard, high density fiberboard, manufactured components and hardware. We purchase these and other raw materials from more than one source and believe them to be readily available. We rely on outside suppliers for some of our key components and do not typically enter into long-term contracts with our suppliers or sourcing partners. We source a portion of our components from third parties in Asia. The distances involved in these arrangements, together with the differences in business practices, shipping and delivery requirements, and laws and regulations add complexity to our supply chain logistics and increase the potential for interruptions in our production scheduling. In addition, prices and availability of these components may be affected by world market conditions and government policies.

### Competition

We operate in a highly fragmented industry that is composed of several thousand local, regional and national manufacturers. Most of our competitors compete on a local or regional basis, but others, like us, compete on a national basis as well. Our competitors include large consolidated operations as well as relatively small, local cabinet manufacturers. Moreover, companies in other building products industries may compete with us. Competitive factors within the industry include pricing, quality, product availability, service, delivery time and relationships with customers. Our principal means for competition is our breadth and variety of product offerings, expanded service capabilities, geographic reach, competitive price points for our products and affordable quality. We are the second largest manufacturer of kitchen, bath and home organization products in the United States.

### Environmental Matters and Regulatory Matters

Our operations are subject to federal, state and local environmental laws and regulations relating to, among other things, the generation, storage, handling, emission, transportation and discharge of regulated materials into the environment. Permits are required for certain of our operations, and these permits are subject to revocation, modification and renewal by issuing authorities. Governmental authorities have the power to enforce compliance with their regulations, and violations may result in the payment of fines or the entry of injunctions, or both. We may also incur liability for investigation and clean-up of soil or groundwater contamination on or emanating from current or formerly owned and operated properties, or at offsite locations at which regulated materials are located where we are identified as a responsible party. Discovery of currently unknown conditions could require responses that could result in significant costs.

### Intellectual Property

We maintain trademarks, copyrights and trade secrets. We sell many of our products under a number of registered and unregistered trademarks, which we believe are widely recognized in our industry. We rely on trade secrets and confidentiality agreements to develop and maintain our competitive position. Monitoring the unauthorized use of our intellectual property is difficult, and the steps we have taken may not prevent unauthorized use of our intellectual property. The disclosure or misappropriation of our intellectual property could harm our ability to protect our rights and our competitive position. If we must litigate to protect our rights, we may incur significant expenses and divert significant attention from our business operations. To date, we have not relied on patents in operating our business.



### Seasonality

Our core business has been subject to seasonal influences, with higher sales typically realized in our second and fourth fiscal quarters. General economic forces and changes in our customer mix have reduced seasonal fluctuations in revenue over the past few years. RSI's historic net sales vary from quarter to quarter primarily due to the timing of Home Depot and Lowe's customer promotions, product roll-outs and their inventory management. However, RSI historically did not have significant recurring seasonality impacts on its business.

### Employees

As of April 30, 2018, we employed approximately 9,400 full-time employees, and approximately 230 of the RSI employees in Anaheim, California were unionized. We believe that our employee relations and relationship with the union representing the RSI employees in Anaheim are good.

## Our Competitive Strengths

### Market Leader with Nationwide Manufacturing and Distribution Network

We believe our combined company holds the number two market position in the United States cabinet market with an estimated 10% market share. We are one of a select number of market participants with a national manufacturing and distribution footprint, including 18 manufacturing facilities and seven primary service centers across the United States and Mexico. Our operating footprint provides us an ability to service our builder, dealer and home center customers on a national basis, and with the RSI Acquisition, we offer a broader set of products to serve our customers across a variety of price points. Our facilities are primarily located in or near major metropolitan markets to facilitate efficient product distribution to our customers. We believe the scale and breadth of our operations differentiate us and result in a competitive advantage providing superior customer service, low-cost distribution and on-time delivery.

### Comprehensive Product Offering with Diversified End Markets

We believe that the diversity of our product portfolio across categories, channels and end markets benefits our financial performance, both in periods of growth and cyclicity. Our stock offerings provide products for customers looking for a designer product, which can be used for both new home construction and remodeling applications. The addition of the in-stock offering with our RSI Acquisition allows us to further serve our existing end markets through the addition of a lower price point product that is well-suited for areas of growing demand such as new home construction targeting the first-time homebuyer. We also offer turnkey cabinet solutions for our builder customers which we believe is a unique aspect of our service platform. Our turnkey solution provides in-house design and measurement as well as installation service. We believe the ability to leverage our labor and expertise is a value-added service to our builder customers which has helped strengthen our position in the new home construction market.

### Deep Relationships with Leading Retailers

We have built strong and stable relationships with a base of long-standing, customers across home centers, builders and independent dealers and distributors. We have an average relationship length of 20 years with our top 10 customers, including long-standing relationships with Home Depot and Lowe's. We believe our customers value our national manufacturing and distribution footprint, which allows us to meet demanding logistics and performance obligations. We believe our focus on providing exceptional customer service and a quality product at a competitive price have enabled us to establish ourselves as a vendor of choice.

### Best-in-Class Manufacturing Capabilities

We operate 18 manufacturing facilities across the United States and Mexico. Our vertically-integrated production and assembly lines, standardized product construction and investments in automation, have allowed us to continuously improve productivity and efficiency. We have standardized our raw material inputs and a number of our production processes, which reduces logistical requirements and provides increased economies of scale in sourcing these inputs. The RSI Acquisition increases our manufacturing capacity to support additional growth. In addition, RSI's production of labor-intensive manufacturing and fabrication processes in Mexico offer a low cost alternative to Asian manufacturers, while providing a higher quality product with lower transportation costs.

### Experienced Management Team

We have assembled an executive team from leading organizations with a deep base of management experience within industrial manufacturing companies. Our Chairman and Chief Executive Officer, Cary Dunston, joined our team in 2006 and was named Chief Executive Officer in 2015 and elected Chairman in 2017. Mr. Dunston has a broad range

of experience in manufacturing and supply chain management including the implementation of continuous improvement programs and lean manufacturing initiatives. Our team has identified and begun to execute on opportunities for operational improvement that has yielded increased profitability. These initiatives are focused on manufacturing productivity, strategic sourcing and new product development. The addition of RSI's talented employee base will further add to the experience and expertise of the combined company's management team.

Item 1A. RISK FACTORS

There are a number of risks and uncertainties that may affect the Company's business, results of operations and financial condition. These risks and uncertainties could cause future results to differ from past performance or expected results, including results described in statements elsewhere in this report that constitute "forward-looking statements" under the Private Securities Litigation Reform Act of 1995. Additional risks and uncertainties not presently known to the Company or currently believed to be immaterial

also may adversely impact the Company's business. Should any risks or uncertainties develop into actual events, these developments could have material adverse effects on the Company's business, financial condition, and results of operations. These risks and uncertainties, which the Company considers to be most relevant to specific business activities, include, but are not limited to, the following. Additional risks and uncertainties that may affect the Company's business, results of operations and financial condition are discussed elsewhere in this report, including in Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" under the headings "Forward-Looking Statements," "Seasonality," and "Outlook for Fiscal 2019" and Item 7A, "Quantitative and Qualitative Disclosures about Market Risk."

Because of the concentration of our sales to our two largest customers, the loss of either customer or a significant reduction in orders from either customer could adversely affect our financial results. Home Depot and Lowe's collectively accounted for approximately 41.8% of total gross sales during the fiscal year 2018 and with the RSI Acquisition, we expect this concentration to significantly increase. We do not typically enter into long-term sales contracts with Home Depot or Lowe's and our sales usually occur on a "purchase order" basis. Our customers can make significant changes in their purchase volumes and can seek to significantly affect the prices we receive for our products and services and the other terms and conditions on which we do business. They have discontinued, and may in the future choose to discontinue, purchasing some or all of our products with little or no notice. In the past, purchase volumes from our customers, including Home Depot and Lowe's, have fluctuated substantially, and we expect such fluctuations to occur from time to time in the future. Any reduction in, or termination of, our sales to either Home Depot or Lowe's could have a material adverse effect on our business, financial condition or results of operations.

In addition, the potential for orders from these large retail customers to increase significantly from time to time requires us to have sufficient manufacturing capacity. These large retailers also impose strict logistics and performance obligations. Failure to comply with these obligations may result in these customers reducing or stopping their purchase of our products.

We could also experience delays or defaults in payment from Home Depot or Lowe's, which could adversely affect our business, financial condition or results of operations. The loss of a substantial portion of our order volumes or revenue from either Home Depot or Lowe's for any reason would have a material adverse effect on our business, financial condition or results of operations.

Our business primarily relies on U.S. home improvement, repair and remodel and new home construction activity levels, all of which are impacted by risks associated with fluctuations in the housing market. Downward changes in the general economy, the housing market or other business conditions could adversely affect our results of operations, cash flows and financial condition. Our business primarily relies on home improvement, repair and remodel and new home construction activity levels in the United States. The housing market is sensitive to changes in economic conditions and other factors, such as the level of employment, access to labor, consumer confidence, consumer income, availability of financing and interest rate levels. Adverse changes in any of these conditions generally, or in any of the markets where we operate, could decrease demand and could adversely impact our businesses by: causing consumers to delay or decrease homeownership; making consumers more price conscious resulting in a shift in demand to smaller, less expensive homes; making consumers more reluctant to make investments in their existing homes, including large kitchen and bath repair and remodel projects; or making it more difficult to secure loans for major renovations. Although the U.S. new home construction market is improving, demand for new homes is still recovering after the 2007-2009 U.S. economic recession and continues to remain below historical levels.

Prolonged economic downturns may adversely impact our sales, earnings and liquidity. Our industry historically has been cyclical in nature and has fluctuated with economic cycles. During economic downturns, our industry could experience longer periods of recession and greater declines than the general economy. We believe that our industry is

significantly influenced by economic conditions generally and particularly by housing activity, consumer confidence, the level of personal discretionary spending, demographics and credit availability. These factors may affect not only the ultimate consumer of our products, but also may impact home centers, builders and our other primary customers. As a result, a worsening of economic conditions could adversely affect our sales and earnings as well as our cash flow and liquidity.

The U.S. cabinetry industry is highly competitive, and we may not be able to compete successfully. We operate within the highly competitive U.S. cabinetry industry, which is characterized by competition from a number of other manufacturers. Competition is further intensified during economic downturns. We compete with numerous large national and regional home products companies for, among other things, customers, orders from Home Depot and Lowe's, raw materials and skilled management and labor resources. Purchase volumes from our main home center customers have fluctuated substantially from time to time in the past, and we expect such fluctuations to occur from time to time in the future.

Some of our competitors have greater financial, marketing and other resources than we do and, therefore, may be able to adapt to changes in customer preferences more quickly, devote more resources to the marketing and sale of their products, generate greater national brand recognition or adopt more aggressive pricing policies than we can.

In addition, some of our competitors may resort to price competition to sustain or gain market share and manufacturing capacity utilization, and we may have to adjust the prices on some of our products to stay competitive, which could reduce our revenues. We may not ultimately succeed in competing with other manufacturers and distributors in our market, which may have a material adverse effect on our business, financial condition or results of operations.

Our failure to develop new products or respond to changing consumer preferences and purchasing practices could have a material adverse effect on our business, financial condition or results of operations. The U.S. cabinetry industry is subject to changing consumer trends, demands and preferences. The uncertainties associated with developing and introducing new products, such as gauging changing consumer preferences and successfully developing, manufacturing, marketing and selling new products, could lead to, among other things, rejection of a new product line, reduced demand and price reductions for our products. If our products do not keep up with consumer trends, demands and preference, we could lose market share, which could have a material adverse effect on our business, financial condition or results of operations.

Changes to consumer shopping habits and potential trends toward “online” purchases could also impact our ability to compete. Further, the volatile and challenging economic environment of recent years has caused shifts in consumer trends, demands, preferences and purchasing practices and changes in the business models and strategies of our customers. Shifts in consumer preferences, which may or may not be long-term, have altered the quantity, type and prices of products demanded by the end-consumer and our customers. If we do not timely and effectively identify and respond to these changing consumer preferences and purchasing practices, our relationships with our customers could be harmed, the demand for our products could be reduced and our market share could be negatively affected.

We may fail to fully realize the anticipated benefits of our growth strategy within the dealer and homebuilder channels. Part of our growth strategy depends on expanding our business in the dealer and homebuilder channels. We may fail to compete successfully against other companies that are already established providers within the dealer and homebuilder channels. Demand for our products within the homebuilder and dealer channels may not grow, or might even decline. In addition, we may not accurately gauge consumer preferences and successfully develop, manufacture and market our products at a national level. Further, the implementation of our growth strategy may place additional demands on our administrative, operational and financial resources and may divert management’s attention away from our existing business and increase the demands on our financial systems and controls. If our management is unable to effectively manage growth, our business, financial condition or results of operations could be adversely affected. If our growth strategy is not successful then our revenue and earnings may not grow as anticipated or may decline, we may not be profitable, or our reputation and brand may be damaged. In addition, we may change our financial strategy or other components of our overall business strategy if we believe our current strategy is not effective, if our business or markets change, or for other reasons, which may cause fluctuations in our financial results.

Manufacturing expansion to add capacity, manufacturing realignments, and other cost savings programs could result in a decrease in our near-term earnings. We continually review our manufacturing operations. These reviews could result in the expansion of capacity, manufacturing realignments and various cost savings programs. Effects of manufacturing expansion, realignments or cost savings programs could result in a decrease in our short-term earnings until the additional capacity is in place, cost reductions are achieved and/or production volumes stabilize. Such manufacturing expansions, realignments and programs involve substantial planning, often require capital investments, and may result in charges for fixed asset impairments or obsolescence and substantial severance costs. We also cannot assure you that we will achieve all of the intended cost savings. Our ability to achieve cost savings and other benefits within expected time frames is subject to many estimates and assumptions. These estimates and assumptions are subject to significant economic, competitive, and other uncertainties, some of which are beyond our control. If these estimates and assumptions are incorrect, if we experience delays, or if other unforeseen events occur, our business, financial condition, and results of operations could be materially and adversely affected. In addition, downturns in the

economy could potentially have a larger impact on the Company as a result of this added capacity.

We may record future goodwill impairment charges or other asset impairment charges which could negatively impact our future results of operations and financial condition. We have recorded significant goodwill as a result of the RSI Acquisition, and goodwill and other acquired intangible assets represent a substantial portion of our assets. We also have long-lived assets consisting of property and equipment and other identifiable intangible assets which we review both on an annual basis as well as when events or circumstances indicate that the carrying amount of an asset may not be recoverable. If a determination is made that a significant impairment in value of goodwill, other intangible assets or long-lived assets has occurred, such determination could require us to impair a substantial portion of our assets. Asset impairments could have a material adverse effect on our financial condition and results of operations.

Fluctuating raw material and energy costs could have a material adverse effect on our business and results of operations. We purchase various raw materials, including, among others, wood, wood-based and resin products, which are subject to price fluctuations that could materially increase our manufacturing costs. Further, increases in energy costs increase our production

costs and also the cost to transport our products, each of which could have a material adverse effect on our business and results of operations. In addition, some of our suppliers have consolidated and other suppliers may do so in the future. Combined with increased demand, such consolidation could increase the price of our supplies and raw materials.

We also may be unwilling or unable to pass on to customers commensurate cost increases. Competitive considerations and customer resistance to price increases may delay or make us unable to adjust selling prices. To the extent we are unable to either re-engineer or otherwise offset increased costs or are unwilling or unable to build price increases into our sales prices, our margins will be negatively affected. Even if we are able to increase our selling prices, sustained price increases for our products may lead to sales declines and loss of market share, particularly if our competitors do not increase their prices. Conversely, when raw materials or energy prices decline, we may receive customer pressure to reduce our sales prices.

These prices are market-based and fluctuate based on factors beyond our control. We do not have long-term fixed supply agreements and do not hedge against price fluctuations. We, therefore, cannot predict our raw materials costs for the coming year.

The inability to obtain raw materials from suppliers in a timely manner would adversely affect our ability to manufacture and market our products. Our ability to offer a wide variety of products depends on our ability to obtain an adequate supply of components from manufacturers and other suppliers, particularly wood-based and resin products. Failure by our suppliers to provide us with quality products on commercially reasonable terms, and to comply with legal requirements for business practices, could have a material adverse effect on our business, financial condition or results of operations. Furthermore, we rely heavily or, in certain cases, exclusively, on outside suppliers for some of our key components. While we do not rely exclusively on any one supplier for any particular raw materials, the loss of a major supplier could increase our costs to obtain raw materials until we obtain an adequate alternative source.

We typically do not enter into long-term contracts with our suppliers or sourcing partners. Instead, most raw materials and sourced goods are obtained on a “purchase order” basis. Although these components are generally obtainable in sufficient quantities from other sources, resourcing them from another supplier could take time. Financial, operating, or other difficulties encountered by our suppliers or sourcing partners or changes in our relationships with them could result in manufacturing or sourcing interruptions, delays and inefficiencies, and prevent us from manufacturing enough products to meet customer demands.

Our operations may be adversely affected by information systems interruptions or intrusions. We rely on a number of information technology systems to process, transmit, store and manage information to support our business activities. Increased global cybersecurity vulnerabilities, threats and more sophisticated and targeted attacks pose a risk to our information technology systems. We have established security policies, processes and layers of defense designed to help identify and protect against intentional and unintentional misappropriation or corruption of our systems and information and disruption of our operations. Despite these efforts, systems may be damaged, disrupted, or shut down due to attacks by unauthorized access, malicious software, undetected intrusion, hardware failures, or other events, and in these circumstances our disaster recovery planning may be ineffective or inadequate. These breaches or intrusions could lead to business interruption, exposure of proprietary or confidential information, data corruption, damage to our reputation, exposure to litigation and increased operational costs. Such events could have a material adverse impact on our business, financial condition and results of operation. In addition, we could be adversely affected if any of our significant customers or suppliers experience any similar events that disrupt their business operations or damage their reputation.



Increased compliance costs or liabilities associated with environmental regulations could have a material adverse effect on our business, financial condition or results of operations. Our facilities are subject to numerous environmental laws, regulations and permits, including those governing emissions to air, discharges to water, storage, treatment and disposal of waste, remediation of contaminated sites and protection of worker health and safety. We may not be in complete compliance with these laws, regulations or permits at all times. Our efforts to comply with environmental requirements do not remove the risk that we may incur material liabilities, fines or penalties for, among other things, releases of regulated materials occurring on or emanating from current or formerly owned or operated properties or any associated offsite disposal location, or for contamination discovered at any of our properties from activities conducted by previous occupants. Liability for environmental contamination or a release of hazardous materials may be joint and several, so that we may be held responsible for more than our share of the contamination or other damages, or even for the entire share.

Changes in environmental laws and regulations or the discovery of previously unknown contamination or other liabilities relating to our properties and operations could result in significant environmental liabilities that could impact our business, financial condition or results of operation. In addition, we may incur capital and other costs to comply with increasingly stringent environmental laws and enforcement policies. These laws, including, for example, the regulations relating to formaldehyde emissions promulgated by the California Air Resources Board, require us to rely on compliance by our suppliers of raw materials. Should a supplier fail to comply with such regulations, notify us of non-compliance, or provide us with a product that does not comply, we could be subject to disruption in our business and incur substantial liabilities.

Unauthorized disclosure of confidential information provided to us by customers, employees or third parties could harm our business. We rely on the internet and other electronic methods to transmit confidential information and store confidential information on our networks. If there were a disclosure of confidential information provided by, or concerning, our employees, customers or other third parties, including through inadvertent disclosure, unapproved dissemination, or unauthorized access, our reputation could be harmed and we could be subject to civil or criminal liability and regulatory actions.

Changes in government and industry regulatory standards could have a material adverse effect on our business, financial condition or results of operations. Government regulations pertaining to health and safety and environmental concerns continue to emerge, domestically as well as internationally. These regulations include the Occupational Safety and Health Administration and other worker safety regulations for the protection of employees, as well as regulations for the protection of consumers. It is necessary for us to comply with current requirements (including requirements that do not become effective until a future date), and even more stringent requirements could be imposed on our products or processes. Compliance with these regulations may require us to alter our manufacturing and installation processes and our sourcing. Such actions could increase our capital expenditures and adversely impact our business, financial condition or results of operations, and our inability to effectively and timely meet such regulations could adversely impact our competitive position.

The loss of certain members of our management may have an adverse effect on our operating results. Our success will depend, in part, on the efforts of our senior management and other key employees. These individuals possess sales, marketing, engineering, manufacturing, financial and administrative skills and know-how that are critical to the operation of our business. If we lose or suffer an extended interruption in the services of one or more of our senior officers or other key employees, our financial condition and results of operations may be negatively affected. Moreover, the pool of qualified individuals may be highly competitive and we may not be able to attract and retain qualified personnel to replace or succeed members of our senior management or other key employees, should the need arise. The loss of the services of any key personnel, or our inability to hire new personnel with the requisite skills, could impair our ability to develop new products or enhance existing products, sell products to our customers or manage our business effectively.

We could continue to pursue growth opportunities through either acquisitions, mergers or internally developed projects, which may be unsuccessful or may adversely affect future financial condition and operating results. We could continue to pursue opportunities for growth through either acquisitions, mergers or internally developed projects as part of our growth strategy. We cannot assure you that we will be successful in integrating an acquired business or that an internally developed project will perform at the levels we anticipate. We may pay for future acquisitions using cash, stock, the assumption of debt, or a combination of these. Future acquisitions could result in dilution to existing shareholders and to earnings per share. In addition, we may fail to identify significant liabilities or risks associated with a given acquisition that could adversely affect our future financial condition and operating results or result in us paying more for the acquired business or assets than they are worth.

Our ability to operate and our growth potential could be materially and adversely affected if we cannot employ, train and retain qualified personnel at a competitive cost. Many of the products that we manufacture and assemble require manual processes in plant environments. We believe that our success depends upon our ability to attract, employ, train and retain qualified personnel with the ability to design, manufacture and assemble these products. In addition, our ability to expand our operations depends in part on our ability to increase our skilled labor force as the housing market continues to recover in the United States. A significant increase in the wages paid by competing employers could result in a reduction of our qualified labor force, increases in the wage rates that we must pay, or both. In addition, we believe that our success depends in part on our ability to quickly and effectively train additional workforce to handle the increased volume and production while minimizing labor inefficiencies and maintaining product quality in a housing market recovery. If either of these events were to occur, our cost structure could increase, our margins could

decrease, and any growth potential could be impaired.

We manufacture our products internationally and are exposed to risks associated with doing business globally. We manufacture our products in the United States and Mexico and sell our products in the United States and Canada. Accordingly, we are subject to risks associated with potential disruption caused by changes in political, monetary, economic and social environments, including civil and political unrest, terrorism, possible expropriation, local labor conditions, changes in laws, regulations and policies of foreign governments and trade disputes with the United States, and compliance with U.S. laws affecting activities of U.S. companies abroad, including tax laws, economic sanctions and enforcement of contract and intellectual property rights.

We are also subject to the Foreign Corrupt Practices Act and other anti-bribery laws. While we have implemented safeguards and policies to discourage these practices by our employees and agents, our existing safeguards and policies to assure compliance and any future improvements may prove to be less than effective and our employees or agents may engage in conduct for which we might be held responsible. If employees violate our policies, we may be subject to regulatory sanctions. Violations of these laws or regulations could result in sanctions including fines, debarment from export privileges and penalties and could have a material adverse effect on our business, financial condition or results of operations.

We may hedge certain foreign currency transactions in the future; however, a change in the value of the currencies may impact our financial statements when translated into U.S. dollars. In addition, fluctuations in currency can adversely impact the cost position in local currency of our products, making it more difficult for us to compete. Our success will depend, in part, on our ability to effectively manage our business through the impact of these potential changes.

In addition, we source raw materials and components from Asia where we have recently experienced higher manufacturing costs and longer lead times due to currency fluctuations, higher wage rates, labor shortages and higher raw material costs. Our international sourcing of materials could be harmed by a variety of factors including:

- introduction of non-native invasive organisms into new environments;
- recessionary trends in international markets;
- legal and regulatory changes and the burdens and costs of our compliance with a variety of laws, including export controls, import and customs trade restrictions and tariffs;
- increases in transportation costs or transportation delays;
- work stoppages and labor strikes;
- fluctuations in exchange rates, particularly the value of the U.S. dollar relative to other currencies; and
- political unrest, terrorism and economic instability.

If any of these or other factors were to render the conduct of our business in a particular country undesirable or impractical, our business, financial condition or results of operations could be materially adversely affected.

Our failure to maintain acceptable quality standards could result in significant unexpected costs. Any failure to maintain acceptable quality standards could require us to recall or redesign such products, or pay substantial damages, any of which would result in significant unexpected costs. We may also have difficulty controlling the quality of products or components sourced from other manufacturers, so we are exposed to risks relating to the quality of such products and to limitations on our recourse against such suppliers. Further, any claim or product recall could result in adverse publicity against us, which could decrease our credibility, harm our reputations, adversely affect our sales, or increase our costs. Defects in our products could also result in decreased orders or sales to our customers, which could have a material adverse effect on our business, financial condition or results of operations.

New U.S. tax legislation could adversely affect us. On December 22, 2017, President Trump signed the Tax Cuts and Jobs Act of 2017 (H.R. 1) (the "Tax Act") into law. The Tax Act is generally effective for taxable years beginning after December 31, 2017. The Tax Act includes significant amendments to the Internal Revenue Code of 1986 (as amended, the "Code"), including amendments that lower the U.S. corporate federal income tax rate from 35% to 21% and impact the taxation of offshore earnings and the deductibility of interest. Some of the amendments could adversely affect our business and financial condition.

Comprehensive tax legislation enacted through the Tax Act significantly modified U.S. corporate income tax law. Provisional amounts have been recorded in our financial statements based on the Company's initial analysis of the Tax Act. The Company may adjust these amounts in future periods if our interpretation of the Tax Act changes or as additional guidance from the U.S. Treasury becomes available.

Future tax law changes or the interpretation of existing tax laws may materially impact our effective income tax rate and the resolution of unrecognized tax benefits. Our businesses are subject to taxation in the United States as well as internationally. Tax legislation may be enacted that could have a material adverse impact on our worldwide income tax provision. Tax authorities in many jurisdictions routinely audit us. Because there are significant uncertainties in the outcome of such audits, the ultimate outcome from any audit could be materially different from amounts reflected in our income tax provisions and accruals. Future settlements of income tax audits may have a material adverse effect on earnings between the period of initial recognition of tax estimates in our financial statements and the point of

ultimate tax audit settlement.

Natural disasters could have a material adverse effect on our business, financial condition or results of operations. Many of our facilities are located in regions that are vulnerable to natural disasters and other risks, such as earthquakes, fires, floods, tropical storms and snow and ice, which at times have disrupted the local economy and posed physical risks to our property. In addition, the continued threat of terrorism and heightened security and military action in response to this threat, or any future acts of terrorism, may cause further disruptions to the economies of the United States and other countries. Our redundant, multiple site capacity may not be sufficient in the event of a natural disaster, terrorist act or other catastrophic event. Such disruptions could, among other things, disrupt our manufacturing or distribution facilities and result in delays or cancellations of customer orders for our products, which in turn could have a material adverse effect on our business, financial condition and results of operations. Further, if a natural disaster occurs in a region from which we derive a significant portion of our revenue, end-user customers in that region may delay or forego purchases of our products, which may materially and adversely impact our operating results for a particular period.

Our ability to grow and compete in the future will be adversely affected if adequate capital is not available to us or not available on terms favorable to us. The ability of our business to grow and compete depends on the availability of adequate capital, which in turn depends in large part on our cash flow from operations and the availability of equity and debt financing. We cannot assure you that our cash flow from operations will be sufficient or that we will be able to obtain equity or debt financing on acceptable terms, if at all, to implement our growth strategy. As a result, we cannot assure you that adequate capital will be available to finance our current growth plans, take advantage of business opportunities or respond to competitive pressures, any of which could harm our business.

Certain of our customers have been expanding and may continue to expand through consolidation and internal growth, which may increase their buying power, which could materially and adversely affect our sales, results of operations and financial position. Certain of our customers are large companies with significant buying power. In addition, potential further consolidation in the distribution channels could enhance the ability of certain of our customers to seek more favorable terms, including pricing, for the products that they purchase from us. Accordingly, our ability to maintain or raise prices in the future may be limited, including during periods of raw material and other cost increases. If we are forced to reduce prices or to maintain prices during periods of increased costs, or if we lose customers because of pricing or other methods of competition, our sales, operating results and financial position may be materially and adversely affected.

We may experience difficulties in integrating American Woodmark and RSI's operations and realizing the expected benefits of the RSI Acquisition. The success of the RSI Acquisition will depend in part on our ability to realize the anticipated business opportunities and growth prospects from combining with RSI in an efficient and effective manner. We may never realize these business opportunities and growth prospects. Further, our management might have its attention diverted while trying to integrate operations and corporate and administrative infrastructures.

The integration process could take longer than anticipated and could result in the loss of key employees, the disruption of our and RSI's ongoing businesses, tax costs or inefficiencies, or inconsistencies in standards, controls, information technology systems, procedures and policies, any of which could adversely affect our ability to maintain relationships with customers, employees or other third parties, or our ability to achieve the anticipated benefits of the transaction, and could harm our financial performance. If we are unable to successfully or timely integrate the operations of RSI's business with our business, we may incur unanticipated liabilities and be unable to realize the revenue growth, synergies and other anticipated benefits resulting from the transaction, and our business, results of operations and financial condition could be adversely affected.

American Woodmark and RSI's important business relationships may be disrupted due to the RSI Acquisition, which could adversely affect American Woodmark's and RSI's business, respectively. Some of the parties with which American Woodmark and RSI do business may be uncertain about their business relationships with the combined company as a result of the RSI Acquisition. For example, customers, partners, resellers, suppliers, vendors and others may consider entering into alternative business relationships with other parties. Some of RSI's customers, partners, resellers, suppliers, vendors and others may decide to exercise their rights to terminate contracts that were triggered upon completion of the RSI Acquisition. These disruptions could have an adverse effect on RSI's and/or American Woodmark's businesses, financial condition or results of operations, or the prospects of the combined company.

Our level and terms of indebtedness could adversely affect our business and liquidity position. Our consolidated indebtedness level could have important consequences to us, including, among other things, increasing our vulnerability to general economic and industry conditions; requiring a portion of our cash flow used in operations to be dedicated to the payment of principal and interest on our indebtedness, therefore reducing our liquidity and our ability to use our cash flow to fund our operations, capital expenditures and future business opportunities; exposing us to the risk of increased interest rates, and corresponding increased interest expense, because borrowings under our credit facilities are at variable rates of interest; reducing funds available for working capital, capital expenditures,

acquisitions and other general corporate purposes, due to the costs and expenses associated with such debt; limiting our ability to obtain additional financing for working capital, capital expenditures, debt service requirements, acquisitions, and general corporate or other purposes; and limiting our ability to adjust to changing marketplace conditions and placing us at a competitive disadvantage compared to our competitors who may have less debt.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay capital expenditures, sell assets, seek additional capital, or restructure or refinance our indebtedness. These alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations, which could cause us to default on our debt obligations and impair our liquidity. In the event of a default under any of our indebtedness, the holders of the defaulted debt could elect to declare all the funds borrowed to be due and payable, together with accrued and unpaid interest, which in turn could result in cross-defaults under our other indebtedness. The lenders under our credit facilities could also elect to terminate their commitments thereunder and cease making further loans, and such lenders could institute foreclosure proceedings against their collateral, all of which could adversely affect our financial condition in a material way.

The credit agreement that governs our credit facility and the indenture that governs our senior notes impose significant operating and financial restrictions on us and our subsidiaries, which may prevent us from capitalizing on business opportunities or otherwise negatively impact our business. The credit agreement that governs our credit facility and the indenture that governs our senior notes impose significant operating and financial restrictions on us. These restrictions limit our ability and the ability of our subsidiaries to, among other things, incur additional indebtedness (including guarantee obligations); incur liens; engage in mergers, consolidations and certain other fundamental changes; dispose of assets; make advances, investments and loans; engage in sale and leaseback transactions; engage in certain transactions with affiliates; enter into contractual arrangements that encumber or restrict the ability to (A) (i) pay dividends or make distributions, (ii) pay indebtedness, (iii) make loans or advances or (iv) sell, lease or transfer property, in each case to us and our subsidiaries, or (B) incur liens; pay dividends, distributions and other payments in respect of capital stock or subordinated debt; repurchase or retire capital stock, warrants or options or subordinated debt; and amend the terms of documents governing, or make payments prior to the scheduled maturity of, certain other indebtedness.

As a result of these restrictions, each of which is subject to certain exceptions and qualifications, we will be limited as to how we conduct our business and we may be unable to raise additional debt or equity financing to compete effectively or to take advantage of new business opportunities. The terms of any future indebtedness we may incur could include more restrictive covenants. We cannot assure you that we will be able to maintain compliance with these existing covenants in the future and, if we fail to do so, that we will be able to obtain waivers from the lenders and/or amend the covenants.

Our failure to comply with the restrictive covenants described above as well as other terms of our indebtedness and/or the terms of any future indebtedness from time to time could result in an event of default, which, if not cured or waived, could result in our being required to repay these borrowings before their due date. If we are forced to refinance these borrowings on less favorable terms or cannot refinance these borrowings, our results of operations and financial condition could be adversely affected.

#### Item 1B. UNRESOLVED STAFF COMMENTS

None.

#### Item 2. PROPERTIES

We own our Corporate Office located in Winchester, Virginia. In addition, we lease 9 manufacturing facilities in the United States and Mexico and own 9 manufacturing facilities located primarily in the eastern and southern United States. We also lease 7 primary service centers, 11 satellite service centers and 4 additional offices located throughout the United States that support the sale and distribution of products to each market channel. We consider our properties suitable for our business and adequate for our needs and believe that, if necessary, we could find additional and/or replacement facilities to lease without suffering a material adverse effect on our business.

Primary properties as of April 30, 2018 include:

| LOCATION            | DESCRIPTION                     |
|---------------------|---------------------------------|
| Allegany County, MD | Manufacturing Facility          |
| Anaheim, CA         | Office/ Manufacturing Facility* |
| Austin, TX          | Satellite Service Center*       |
| Berryville, VA      | Service Center*                 |
| Bradenton, FL       | Satellite Service Center*       |
| Commerce City, CO   | Satellite Service Center*       |
| Coppell, TX         | Service Center*                 |



|                  |                           |
|------------------|---------------------------|
| Dallas, TX       | Manufacturing Facility*   |
| Dallas, TX       | Manufacturing Facility    |
| Fort Myers, FL   | Satellite Service Center* |
| Gas City, IN     | Manufacturing Facility    |
| Hamlet, NC       | Manufacturing Facility*   |
| Hardy County, WV | Manufacturing Facility*   |
| Houston, TX      | Satellite Service Center* |
| Humboldt, TN     | Manufacturing Facility    |

12

---

| LOCATION            | DESCRIPTION  |
|---------------------|--|
| Huntersville, NC    | Service Center*  |
| Jackson, GA         | Manufacturing Facility   |
| Kingman, AZ         | Manufacturing Facility   |
| Kennesaw, GA        | Service Center*  |
| Las Vegas, NV       | Satellite Service Center*  |
| Lincolnton, NC      | Manufacturing Facility*  |
| Mira Loma, CA       | Manufacturing Facility*  |
| Mooreville, NC      | Office (Sales)*  |
| Montgomeryville, PA | Satellite Service Center*  |
| Monticello, KY      | Manufacturing Facility   |
| Orange, VA          | Manufacturing Facility   |
| Orlando, FL         | Service Center*  |
| Phoenix, AZ         | Service Center*  |
| Raleigh, NC         | Satellite Service Center*  |
| Rancho Cordova, CA  | Service Center*  |
| Roswell, GA         | Office (Sales)*  |
| San Antonio, TX     | Satellite Service Center*  |
| Tampa, FL           | Satellite Service Center*  |
| Tijuana, Mexico     | Manufacturing Facility*  |
| Tijuana, Mexico     | Manufacturing Facility*  |
| Tijuana, Mexico     | Manufacturing Facility*  |
| Toccoa, GA          | Manufacturing Facility   |
| Tucson, AZ          | Satellite Service Center*  |
| Winchester, VA      | Current Corporate Office   |
| Winchester, VA      | Former Corporate Office* (lease terminated effective May 31, 2018) |

\*Leased facility.

### Item 3. LEGAL PROCEEDINGS

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 ASC Topic 450, "Contingencies" (ASC 450), 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. The Company accounts for these loss contingencies in accordance with ASC 450. Where losses are deemed to be probable and estimable, accruals are made. Where losses are deemed to be reasonably possible, a range of loss estimate is determined and considered for disclosure. In determining these loss range estimates, the Company considers known values of similar claims and consults with independent counsel.

The Company believes that the aggregate range of estimated loss stemming from the various suits and asserted and unasserted claims which were deemed to be either probable or reasonably possible was not material as of April 30, 2018.

### Item 4. MINE SAFETY DISCLOSURES

None.



## EXECUTIVE OFFICERS OF THE REGISTRANT

Executive officers of the Company are elected by the Board of Directors and generally hold office until the next annual election of officers. There are no family relationships between any executive officer and any other officer or director of the Company or any arrangement or understanding between any executive officer and any other person pursuant to which such officer was elected. The executive officers of the Company are as follows:

| Name                 | Age | Position(s) Held During Past Five Years  |
|----------------------|-----|--|
| S. Cary Dunston      | 53  | Company Chairman from August 2017 to present; Company President and Chief Executive Officer from August 2015 to present; Company President and Chief Operating Officer from August 2014 to August 2015; Company Executive Vice President and Chief Operating Officer from August 2013 to August 2014; Company Executive Vice President, Operations from September 2012 to August 2013; Company Senior Vice President, Manufacturing and Supply Chain Services from October 2006 to September 2012. |
| M. Scott Culbreth    | 47  | Company Senior Vice President and Chief Financial Officer from February 2014 to present; Chief Financial Officer of Piedmont Hardware Brands from September 2013 to February 2014; Vice President, Finance – Various Segments from 2009 to September 2013 for Newell Rubbermaid.   |
| R. Perry Campbell    | 53  | Company Senior Vice President of Sales and Marketing from March 2016 to present; Company Senior Vice President and General Manager, New Construction from August 2013 to March 2016; Company Vice President and General Manager, New Construction from May 2011 to August 2013.  |
| Robert J. Adams, Jr. | 52  | Company Senior Vice President of Value Stream Operations from August 2015 to present; Company Vice President of Value Stream Operations from September 2012 to August 2015; Company Vice President of Manufacturing and Engineering from April 2012 to September 2012; Company Vice President of Engineering from July 2008 to April 2012.   |

## PART II

## Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

## Market Information

American Woodmark Corporation common stock is listed on The NASDAQ Global Select Market under the "AMWD" symbol. Common stock per share market prices during the last two fiscal years were as follows:

|              | MARKET<br>PRICE |     |
|--------------|-----------------|-----|
| (in dollars) | High            | Low |

## FISCAL 2018

|                |          |         |
|----------------|----------|---------|
| First quarter  | \$101.20 | \$87.30 |
| Second quarter | 100.35   | 79.15   |
| Third quarter  | 140.05   | 89.00   |
| Fourth quarter | 138.75   | 82.20   |

## FISCAL 2017

|                |         |         |
|----------------|---------|---------|
| First quarter  | \$82.34 | \$60.80 |
| Second quarter | 89.57   | 72.60   |
| Third quarter  | 84.15   | 69.65   |
| Fourth quarter | 93.10   | 71.75   |

As of May 24, 2018 there were approximately 20,000 total shareholders of the Company's common stock, including 5,000 shareholders of record and 15,000 beneficial owners whose shares are held in "street" name by securities broker-dealers or other nominees. The Company's shareholders also include approximately 73% of the Company's employees who are eligible to participate in the American Woodmark Corporation Retirement Savings Plan. The Company suspended its quarterly dividend during fiscal 2012. The determination as to the payment of future dividends will be made by the Board of Directors (the "Board") from time to time and will depend on the Company's then current financial condition, capital requirements, and results of operations, as well as any other factors then deemed relevant by the Board of Directors, and will be subject to applicable restrictions in the credit agreement governing the Company's credit facility and the indenture governing the Company's senior notes.

## Purchases of Equity Securities by the Issuer

Under a stock repurchase authorization approved by its Board on November 19, 2015, the Company was authorized to purchase up to \$20 million of the Company's common shares. On November 30, 2016, the Board authorized an additional stock repurchase program of up to \$50 million of the Company's common shares. This authorization is in addition to the stock repurchase program authorized on November 19, 2015. 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 credit agreement governing the Company's credit facility and the indenture governing the Company's senior notes, 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 expects to fund share repurchases using available cash and cash generated from operations. Repurchased shares will become authorized but unissued common shares. In the fourth quarter of fiscal 2018, the Company did not repurchase

any common shares under the authorization. At April 30, 2018, \$36.0 million remained authorized by the Board to repurchase the Company's common shares. The Company announced on December 1, 2017 that the Board suspended the Company's stock repurchase program in conjunction with the RSI Acquisition.

Stock Performance Graph

The performance graph shown below compares the percentage change in the cumulative total shareholder return on our common stock against the cumulative total return of the Russell 2000 Index and Standard & Poor's Household Durables Index for the period from April 30, 2013 through April 30, 2018. The graph assumes an initial investment of \$100 and the reinvestment of dividends. The graph is based on historical data and is not intended to be a forecast or indication of future performance of American Woodmark common stock.

|                               | 2013     | 2014    | 2015     | 2016     | 2017     | 2018     |
|-------------------------------|----------|---------|----------|----------|----------|----------|
| American Woodmark Corporation | \$100.00 | \$89.18 | \$150.67 | \$216.46 | \$273.11 | \$244.27 |
| Russell 2000 Index            | 100.00   | 120.50  | 132.19   | 124.33   | 156.20   | 174.22   |
| S&P Household Durables Index  | 100.00   | 117.82  | 138.11   | 142.95   | 164.16   | 152.42   |

The graph and related information above are not deemed to be "filed" with the Securities and Exchange ("SEC") for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or incorporated by reference into any future filing made by us with the SEC, except to the extent that we specifically incorporate it by reference into any such filing.

## Item 6. SELECTED FINANCIAL DATA

| (Dollars in millions except per share data)         | FISCAL YEARS ENDED APRIL 30 |                   |         |                   |                   |   |
|---|-----------------------------|-------------------|---------|-------------------|-------------------|---|
|   | 2018 <sup>1,2</sup>         | 2017 <sup>2</sup> | 2016    | 2015 <sup>3</sup> | 2014 <sup>3</sup> |   |
| <b>FINANCIAL STATEMENT DATA</b>                     |                             |                   |         |                   |                   |   |
| Net sales   | \$1,250.3                   | \$1,030.2         | \$947.0 | \$825.5           | \$726.5           |   |
| Operating income                                    | 107.7                       | 108.2             | 93.2    | 54.7              | 34.1              |   |
| Net income  | 63.1                        | 71.2              | 58.7    | 35.5              | 20.5              |   |
| Earnings per share:                                 |                             |                   |         |                   |                   |   |
| Basic   | 3.80                        | 4.38              | 3.61    | 2.25              | 1.34              |   |
| Diluted   | 3.77                        | 4.34              | 3.57    | 2.21              | 1.31              |   |
| Depreciation and amortization expense               | 45.0                        | 18.7              | 16.5    | 14.5              | 14.5              |   |
| Total assets  | 1,645.3                     | 501.3             | 466.4   | 398.8             | 330.0             |   |
| Long-term debt, less current maturities             | 809.9                       | 15.3              | 22.1    | 21.4              | 20.4              |   |
| Total shareholders' equity                          | 581.7                       | 352.4             | 280.8   | 229.8             | 190.5             |   |
| Average shares outstanding                          |                             |                   |         |                   |                   |   |
| Basic   | 16.6                        | 16.3              | 16.3    | 15.8              | 15.3              |   |
| Diluted   | 16.7                        | 16.4              | 16.4    | 16.0              | 15.7              |   |
| <b>PERCENT OF SALES</b>                             |                             |                   |         |                   |                   |   |
| Gross profit  | 20.4                        | %21.8             | %21.1   | %18.5             | %17.1             | % |
| Selling, general and administrative expenses        | 11.8                        | 11.3              | 11.2    | 11.9              | 12.5              |   |
| Income before income taxes                          | 7.6                         | 10.6              | 9.7     | 6.6               | 4.5               |   |
| Net income  | 5.1                         | 6.9               | 6.2     | 4.3               | 2.7               |   |
| <b>RATIO ANALYSIS</b>                               |                             |                   |         |                   |                   |   |
| Current ratio                                       | 2.1                         | 3.3               | 3.3     | 3.2               | 2.8               |   |
| Inventory turnover <sup>4</sup>                     | 13.5                        | 19.6              | 19.8    | 19.9              | 19.8              |   |
| Collection period - days <sup>5</sup>               | 33.6                        | 32.5              | 31.2    | 31.6              | 32.8              |   |
| Percentage of capital (long-term debt plus equity): |                             |                   |         |                   |                   |   |
| Long-term debt, less current maturities             | 58.2                        | %4.2              | %7.4    | %8.5              | %9.7              | % |
| Equity  | 41.8                        | 95.8              | 92.6    | 91.4              | 90.3              |   |
| Return on equity <sup>6</sup>                       | 13.5                        | 22.5              | 23.0    | 16.9              | 12.2              |   |

<sup>1</sup> The fiscal 2018 year results include four months of RSI activity. See Note B--Acquisition of RSI Home Products, Inc. for further details.

<sup>2</sup> The Company incurred corporate business development expenses. During fiscal 2018, these expenses decreased operating income, net income and earnings per share by \$12.9 million, \$12.9 million and \$0.77, respectively. During fiscal 2017, these expense decreased operating income, net income and earnings per share by \$2.7 million, \$2.7 million and \$0.16, respectively.

<sup>3</sup> The Company announced plans to realign its manufacturing network during fiscal 2012. During fiscal 2014, the credits related to these initiatives increased operating income, net income and earnings per share by \$0.2 million, \$0.1 million and \$0.01, respectively. During fiscal 2015, the credits related to these initiatives increased operating income, net income and earnings per share by \$0.2 million, \$0.1 million and \$0.01, respectively.

<sup>4</sup> Based on average beginning and ending inventory.

<sup>5</sup> Based on the ratio of average monthly customer receivables to average sales per day.



<sup>6</sup> Based on net income divided by average beginning and ending shareholders equity.

17

---

## Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### Results of Operations

The following table sets forth certain income and expense items as a percentage of net sales:

|   | PERCENTAGE OF<br>NET SALES |        |        |
|---|----------------------------|--------|--------|
|   | Fiscal Years Ended         |        |        |
|   | April 30                   |        |        |
|   | 2018                       | 2017   | 2016   |
| Net sales                               | 100.0%                     | 100.0% | 100.0% |
| Cost of sales and distribution          | 79.6                       | 78.2   | 78.9   |
| Gross profit                            | 20.4                       | 21.8   | 21.1   |
| Selling and marketing expenses          | 6.2                        | 6.9    | 7.0    |
| General and administrative expenses     | 5.6                        | 4.4    | 4.3    |
| Operating income                        | 8.6                        | 10.5   | 9.8    |
| Interest expense/other (income) expense | 1.0                        | (0.1)  | 0.1    |
| Income before income taxes              | 7.6                        | 10.6   | 9.7    |
| Income tax expense                      | 2.5                        | 3.7    | 3.5    |
| Net income                              | 5.1                        | 6.9    | 6.2    |

The following discussion should be read in conjunction with the Selected Financial Data and the Consolidated Financial Statements and the related notes contained elsewhere in this report.

### Forward-Looking Statements

This annual 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 U.S. housing market or general economy 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 develop new products or respond to changing consumer preferences and purchasing practices;
- 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;
- an inability to obtain raw materials in a timely manner or fluctuations in raw material and energy costs;
-

- 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;
- 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;
- risks associated with the implementation of our growth strategy;
- risks related to sourcing and selling products internationally and doing business globally;
- unexpected costs resulting from a failure to maintain acceptable quality standards;

• changes in tax laws or the interpretations of existing tax laws;

• the occurrence of significant natural disasters, including earthquakes, fires, floods, and hurricanes or tropical storms;

• the unavailability of adequate capital for our business to grow and compete;

• increased buying power of large customers and the impact on our ability to maintain or raise prices;

• the effect of the RSI Acquisition on our ability to retain customers, maintain relationships with suppliers and hire and retain key personnel;

• our ability to successfully integrate RSI into our business and operations and the risk that the anticipated economic benefits, costs savings and other synergies in connection with the RSI Acquisition are not fully realized or take longer to realize than expected; 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, our senior notes and our other indebtedness.

Additional information concerning the factors that could cause actual results to differ materially from those in forward-looking statements is contained in this annual report, including elsewhere in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and under Item 1A. “Risk Factors,” 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 speaks only as of the date of this annual 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, builders and through a network of independent dealers and distributors. At April 30, 2018, the Company operated eighteen manufacturing facilities in the United States and Mexico and seven primary service centers located throughout the United States.

During the Company’s fiscal year that ended on April 30, 2018 (“fiscal 2018”), the Company continued to experience improving housing market conditions from the housing market downturn that began in 2007.

A number of general market factors impacted the Company's business in fiscal 2018, including:

• The unemployment rate improved by 11% compared to April 2017, falling to 3.9% as of April 2018 according to data provided by the U.S. Department of Labor;

• Increases in single family housing starts during the Company’s fiscal 2018 of 9%, as compared to the Company’s fiscal 2017, according to the U.S. Department of Commerce;

• Mortgage interest rates increased with a 30-year fixed mortgage rate of 4.47% in April 2018, an increase of approximately 42 basis points compared to April 2017;

• The median price of existing homes sold in the U.S. rose by 5.3% during the Company’s fiscal 2018, according to data provided by the National Association of Realtors;

• Consumer sentiment, as reported by the University of Michigan, averaged 4% higher during the Company’s fiscal 2018 than in its prior fiscal year; and

• Cabinet sales, as reported by members of the Kitchen Cabinet Manufacturers Association (KCMA), increased by 3% during fiscal 2018 versus the prior fiscal year, suggesting an increase in both new construction and remodeling sales of cabinets.

The Company's largest remodeling customers and competitors continued to utilize sales promotions in the Company's product category during fiscal 2018 to boost sales. The Company strives to maintain its promotional levels in line with market activity, with a goal of remaining competitive. The Company experienced promotional levels during fiscal 2018 that were higher than those experienced in its prior fiscal year. The Company's core remodeling sales were flat during fiscal 2018, below the overall remodeling market.

Sales in the new construction channel increased 12% during the fiscal year, 5% of which was attributable to four months of results from the Company's acquisition of RSI. The Company believes it under indexed the market due to an increase in first time home buyers.

The Company increased its net sales by 21% during fiscal 2018, which management believes was driven primarily by a rise in overall market activity plus four months of sales from the Company's acquisition of RSI.

Gross margin for fiscal 2018 was 20.4%, a decrease from 21.8% in fiscal 2017. The decrease in gross profit margin was due primarily to higher transportation costs, raw material inflation, higher healthcare costs and \$6.3 million, or 50 bps, of inventory step-up amortization.

The Company regularly considers the need for a valuation allowance against its deferred tax assets. The Company has been profitable for the last 6 years. As of April 30, 2018, the Company had total deferred tax assets of \$17.8 million net of valuation allowance, down from \$27.5 million of deferred tax assets net of valuation allowance at April 30, 2017. The reduction in total deferred tax assets from April 30, 2017 to April 30, 2018 is mainly due to the pension contributions and the reduction in the U.S. corporate federal income tax rate from 35% to 21%, partially offset by an increase in deferred tax assets due to the RSI Acquisition. Deferred tax assets are reduced by a valuation allowance when, after considering all positive and negative evidence, it is determined that it is more likely than not that some portion, or all, of the deferred tax asset will not be realized. The Company has recorded a valuation allowance related to deferred tax assets for certain state investment tax credit ("ITC") carryforwards. These credits expire in various years beginning in fiscal 2020. The Company believes based on positive evidence of the housing industry improvement along with 6 consecutive years of profitability that the Company will more likely than not realize all other remaining deferred tax assets.

The Company also regularly assesses its long-lived assets to determine if any impairment has occurred. The Company has concluded that none of its long-lived assets were impaired as of April 30, 2018.

#### Results of Operations

|                                     | FISCAL YEARS ENDED APRIL 30 |             |           | 2018 vs.          | 2017 vs.          |
|-------------------------------------|-----------------------------|-------------|-----------|-------------------|-------------------|
|                                     | 2018                        | 2017        | 2016      | 2017              | 2016              |
| (Dollars in thousands)              |                             |             |           | PERCENT<br>CHANGE | PERCENT<br>CHANGE |
| Net sales                           | \$1,250,274                 | \$1,030,248 | \$947,045 | 21%               | 9%                |
| Gross profit                        | 255,403                     | 224,636     | 199,694   | 14                | 12                |
| Selling and marketing expenses      | 77,843                      | 70,979      | 66,489    | 10                | 7                 |
| General and administrative expenses | 69,855                      | 45,419      | 40,045    | 54                | 13                |
| Interest expense (income), net      | 13,054                      | 521         | 129       | 2,406             | 304               |

#### Net Sales

Net sales for the 2018 fiscal year increased 21% to \$1,250.3 million from the prior fiscal year. Excluding the impact of the RSI Acquisition, net sales for the 2018 fiscal year increased 4% to \$1,072.6 million from the prior fiscal year. Excluding the impact of the RSI Acquisition, the Company experienced growth in both the new construction and dealer channels during the entire fiscal year.

Net sales were \$1,030.2 million in fiscal 2017, an increase of \$83.2 million, or 9%, compared with fiscal 2016. Overall unit volume for fiscal 2017 was 8.0% higher than in fiscal 2016, which was driven primarily by the Company's increased new construction and dealer volume. Average revenue per unit increased 0.8% in fiscal 2017, driven by improvements in the Company's product mix and pricing.

#### Gross Profit

Gross profit as a percentage of sales decreased to 20.4% in fiscal 2018 as compared with 21.8% in fiscal 2017. The decrease in gross profit margin was due primarily to higher transportation costs, raw material inflation, higher healthcare costs and \$6.3 million, or 50 bps, of inventory step-up amortization related to the RSI Acquisition.

During fiscal 2017, the Company's gross profit increased as a percentage of net sales to 21.8% in fiscal 2017 as compared with 21.1% in fiscal 2016. The improvement in gross profit margin was due primarily to the beneficial impact of increased sales volume, lower labor benefit costs and improved operating efficiency.

#### Selling and Marketing Expenses

Selling and marketing expenses in fiscal 2018 were 6.2% of net sales, compared with 6.9% of net sales in fiscal 2017. Selling and marketing costs increased by only 10% despite a 21% increase in net sales. The improvement in the percentage of sales and marketing costs in relation to net sales was due to favorable leverage from increased sales, on-going expense control and lower display costs and commissions.

Selling and marketing expenses were 6.9% of net sales in fiscal 2017 compared with 7.0% in fiscal 2016. Selling and marketing costs increased by only 7% despite a 9% increase in net sales. The improvement in the percentage of sales and marketing costs in relation to net sales was due to favorable leverage from increased sales, on-going expense control and lower display costs and commissions.

#### General and Administrative Expenses

General and administrative expenses increased by \$24.4 million or 53.8% during fiscal 2018. The increase was related to intangible amortization and RSI Acquisition related expenses, offset by lower compensation incentive costs. General and administrative costs increased to 5.6% of net sales in fiscal 2018 compared with 4.4% of net sales in fiscal 2017.

General and administrative expenses in fiscal 2017 increased by \$5.4 million, or 13.4%, compared with fiscal 2016 and represented 4.4% of net sales, compared with 4.3% of net sales for fiscal 2016. The increase in cost was related to increased incentive compensation and staffing costs.

#### Effective Income Tax Rates

The Company generated pre-tax income of \$94.8 million during fiscal 2018. The Company's effective tax rate decreased from 34.6% in fiscal 2017 to 33.4% in fiscal 2018. The lower effective tax rate was primarily due the overall benefit from the reduction in the tax rate enacted in connection with the Tax Act, partially offset by non-deductible acquisition costs. The Company's effective tax rate decreased from 36.0% in fiscal 2016 to 34.6% in fiscal 2017. The lower effective tax rate in fiscal 2017 was primarily due to the benefit from adopting ASU 2016-09 for equity based compensation.

#### Non-GAAP Financial Measures

We have reported our financial results in accordance with generally accepted accounting principles (GAAP). In addition, we have presented in this report 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 are set forth below.

Management believes 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.

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, (2) inventory step-up amortization due to the increase in the fair value of inventory acquired through the RSI Acquisition (that was fully expensed in the quarter ended January 31, 2018 when the inventory was sold), (3) the amortization of intangible assets, and (4) the tax benefit of RSI Acquisition expenses and the inventory step-up and intangible amortization. The amortization of intangible assets is driven by the RSI Acquisition and will recur in future periods. We began excluding amortization of intangible assets

from our definition of Adjusted EPS per diluted share beginning with the fourth quarter earnings release as management determined that such an exclusion would better help it evaluate the performance of our business and profitability and we also received feedback from some of our investors regarding the same.

#### Adjusted EBITDA and Adjusted EBITDA margin

We use 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 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 (income) expense, net, (3) depreciation and amortization expense, (4) amortization of customer relationship intangibles and trademarks, (5) expenses related to the RSI Acquisition, (6) inventory step-up amortization, (7) stock-based compensation expense, and (8) gain/loss on asset disposal. 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.

#### Net sales excluding RSI sales

To better understand and compare the performance of our core American Woodmark business by our management and our investors, we believe it is helpful to subtract the amount of sales from our recently acquired and now wholly-owned subsidiary, RSI Home Products, Inc., from our net sales and report this amount with our quarterly earnings announcements. We may discontinue using this non-GAAP financial measure at a later juncture once RSI has become fully integrated into our Company and the quarter to quarter comparisons of our core business are no longer as helpful to compare performance.

A reconciliation of these non-GAAP financial measures and the most directly comparable measures calculated and presented in accordance with GAAP are set forth in the following tables:

#### Reconciliation of Net Sales and Percentage of Net Sales Excluding RSI

| (Dollars in thousands)  | FISCAL YEARS ENDED APRIL 30, |             |           | 2018 vs.<br>2017<br>PERCENT<br>CHANGE | 2017 vs.<br>2016<br>PERCENT<br>CHANGE |
|-------------------------|------------------------------|-------------|-----------|---------------------------------------|---------------------------------------|
|                         | 2018                         | 2017        | 2016      |                                       |                                       |
| Net sales excluding RSI | \$1,072,550                  | \$1,030,248 | \$947,045 | 4 %                                   | 9 %                                   |
| RSI sales               | 177,724                      | —           | —         | —                                     | —                                     |
| Net Sales               | \$1,250,274                  | \$1,030,248 | \$947,045 | 21 %                                  | 9 %                                   |

## Reconciliation of Adjusted Non-GAAP Financial Measures to the GAAP Equivalents

| (Dollars in thousands)   | FISCAL YEARS ENDED APRIL 30, |             |           |
|--|------------------------------|-------------|-----------|
|  | 2018                         | 2017        | 2016      |
| Net income (GAAP)  | \$63,141                     | \$71,199    | \$58,723  |
| Add back:  |                              |             |           |
| Income tax expense   | 31,619                       | 37,726      | 33,063    |
| Interest expense (income), net                                   | 13,054                       | (521)       | 129       |
| Depreciation and amortization expense                            | 28,671                       | 18,682      | 16,456    |
| Amortization of customer relationship intangibles and trademarks | 16,333                       | —           | —         |
| EBITDA (Non-GAAP)  | \$152,818                    | \$127,086   | \$108,371 |
| Add back:  |                              |             |           |
| Acquisition related expenses                                     | 12,902                       | 2,686       | —         |
| Inventory step-up amortization (1)                               | 6,334                        | —           | —         |
| Stock compensation expense                                       | 3,097                        | 3,469       | 3,609     |
| Loss on asset disposal   | 615                          | 444         | 1,576     |
| Adjusted EBITDA (Non-GAAP)                                       | \$175,766                    | \$133,685   | \$113,556 |
| Net Sales  | \$1,250,274                  | \$1,030,248 | \$947,045 |
| Adjusted EBITDA margin (Non-GAAP)                                | 14.1                         | % 13.0      | % 12.0    |

(1) The inventory step-amortization is the increase in the fair value of inventory acquired through the RSI Acquisition that was fully expensed when the inventory was sold in the quarter ended January 31, 2018.

A reconciliation of Adjusted EBITDA and Adjusted EBITDA margin as projected for fiscal 2019 is not provided because we do not forecast Net income as we cannot, without reasonable effort, estimate or predict with certainty various components of Net income.

Adjusted EPS per diluted share

| (Dollars in thousands, except share and per share data) | FISCAL YEARS ENDED<br>APRIL 30, |            |            |
|---|---------------------------------|------------|------------|
|   | 2018                            | 2017       | 2016       |
| Net income (GAAP)                                       | \$63,141                        | \$71,199   | \$58,723   |
| Add back:   |                                 |            |            |
| Acquisition related expenses                            | 12,902                          | 2,686      | —          |
| Amortization of intangibles                             | 16,333                          | —          | —          |
| Inventory step-up amortization (1)                      | 6,334                           | —          | —          |
| Tax benefit of add backs                                | (10,970)                        | (969)      | —          |
| Adjusted net income (Non-GAAP)                          | \$87,740                        | \$72,916   | \$58,723   |
| Weighted average diluted shares                         | 16,744,705                      | 16,398,240 | 16,441,571 |
| Adjusted EPS per diluted share (Non-GAAP)               | \$5.24                          | \$4.45     | \$3.57     |

(1) The inventory step-amortization is the increase in the fair value of inventory acquired through the RSI Acquisition that was fully expensed when the inventory was sold in the quarter ended January 31, 2018.



## Outlook for Fiscal 2019

The Company tracks several metrics, including but not limited to housing starts, 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. The Company believes that housing starts will continue to improve, driven by low unemployment rates and growth in new household formation. However, the Company expects that while the cabinet remodeling market will show modest improvement during fiscal 2019 it will continue to be below historical averages.

The Company expects that industry-wide cabinet remodeling sales will continue to be challenged until economic trends remain consistently favorable. Growth is expected at roughly a mid-single digit rate during the Company's fiscal 2019. The Company's home center market share will remain at normalized levels for fiscal 2019 after annualizing for market losses in the in-stock business, however this is heavily dependent upon competitive promotional activity. The Company expects to continue to gain market share in its growing dealer/distributor business.

Based on available information, it is expected that new residential construction starts will grow approximately 7 to 9% during fiscal 2019. The Company's new residential construction direct business is expected to increase organically at the market rate for single family housing starts.

In total, the Company expects that it will grow core sales at a mid-single digit rate in fiscal 2019 with total sales growth of approximately 35%. Margins will be challenged with increases in labor costs, raw materials, fuel and transportation rates. The Company expects adjusted EBITDA margins for fiscal 2019 of 15.5 to 16% depending upon synergy timing and execution, and the significance of inflation and transportation rate increases.

Additional risks and uncertainties that could affect the Company's results of operations and financial condition are discussed elsewhere in this annual report, including under "Forward-Looking Statements," and elsewhere in "Management's Discussion and Analysis of Financial Condition and Results of Operations," as well as under Item 1A. "Risk Factors" and Item 7A. "Quantitative and Qualitative Disclosures about Market Risk."

## Liquidity and Capital Resources

The RSI Acquisition significantly affected the Company's financial condition, liquidity and cash flow. See Note B--Acquisition of RSI Home Products, Inc. for a table detailing the preliminary purchase price. The Company's cash and cash equivalents and investments in certificates of deposit totaled \$87.9 million at April 30, 2018, representing a \$161.3 million decrease from its April 30, 2017 levels. At April 30, 2018, total long-term debt (including current maturities) was \$814.0 million, an increase of \$797.1 million from its balance at April 30, 2017. The Company's ratio of long-term debt to total capital was 58.2% at April 30, 2018, compared with 4.2% at April 30, 2017. The Company's main source of liquidity is its cash and cash equivalents on hand and cash generated from its operating activities.

The Company can also borrow up to \$100 million under the Revolving Facility. Approximately \$91.2 million was available under this facility as of April 30, 2018.

The Company borrowed \$250 million under its initial term loan facility on December 29, 2017 in connection with the closing of the RSI Acquisition and borrowed an additional \$250 million under its delayed draw term loan facility on February 12, 2018 in connection with the refinancing of RSI's 6 ½ % Senior Secured Second Lien Notes due 2023 ("the RSI Notes"). Amounts outstanding under the initial term loan facility and delayed draw term loan 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 ranging between 0.25% and 1.25% or LIBOR plus an applicable margin ranging between 1.25% and 2.25%, with the applicable margin being determined by reference to the Company's then-current "Total Funded

Debt to EBITDA Ratio.” The Company will also incur 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 “Total Funded Debt to EBITDA Ratio.” The initial applicable margin with respect to base rate loans was 1.00% and the initial applicable margin with respect to LIBOR loans was 2.00%. The initial commitment fee was 0.25%. As of April 30, 2018, the applicable margin with respect to base rate loans and LIBOR loans was 1.25% and 2.25%, respectively, and the commitment fee was 0.30%.

The Company is required to repay the aggregate outstanding amounts under its initial term loan facility and the delayed draw term loan facility in certain specified quarterly installments beginning on April 30, 2018. The initial term loan facility and the delayed draw term loan facility mature on December 29, 2022.

On February 12, 2018, the Company issued \$350 million in aggregate principal amount of the 4.875% Senior Notes due 2026 (the "Senior Notes") and utilized the proceeds of such issuance, together with the borrowings under the delayed draw term loan facility as discussed above and cash on hand, to fund the refinancing of the RSI Notes.

The credit agreement governing the Company's credit facilities and the indenture governing the Senior Notes restrict the ability of the Company and certain of the Company's subsidiaries to, among other things, incur additional indebtedness, create additional liens, make certain investments, dispose of assets or engage in a merger or consolidation, engage in certain transactions with affiliates, and make certain restricted payments, including the payment of dividends or the repurchase or redemption of stock, subject, in each case, to the various exceptions and conditions described in the credit agreement and the indenture. See Note G--Notes Payable and Long-Term Debt for a discussion of our compliance with the covenants in the credit agreement and the indenture.

## OPERATING ACTIVITIES

Cash provided by operating activities in fiscal 2018 was \$86.8 million, compared with \$77.1 million in fiscal 2017.

The increase in the Company's cash from operating activities was driven primarily by an increase in net income excluding non-cash items (primarily depreciation and amortization and changes in deferred taxes), which was partially offset by an increase in customer and income tax receivables.

Cash provided by operating activities in fiscal 2017 was \$77.1 million, compared with \$74.6 million in fiscal 2016.

The \$2.5 million improvement was primarily attributable to the Company's \$12.5 million improvement in net income and an increase in accrued expenses, which was partially offset by a \$23.1 million increase in cash used for discretionary pension contributions.

On August 24, 2017, the Board of Directors of the Company approved up to \$13.6 million of discretionary funding to reduce its defined benefit pension liabilities. The Company made aggregate contributions of \$19.3 million to its pension plans during fiscal 2018, including the \$13.6 million of discretionary funding.

On August 25, 2016, the Board of Directors of the Company approved up to \$20 million of discretionary funding to reduce its defined benefit pension liabilities. The Company made aggregate contributions of \$27.3 million to its pension plans during fiscal 2017, including the \$20.0 million of discretionary funding during fiscal 2017.

## INVESTING ACTIVITIES

The Company's investing activities primarily consist of capital expenditures and investments in promotional displays. Net cash used by investing activities in fiscal 2018 was \$44.3 million, compared with \$53.7 million in fiscal 2017 and \$40.8 million in fiscal 2016. Investments in property, plant and equipment for fiscal 2018 were \$47.6 million, compared with \$21.8 million in fiscal 2017 and \$28.7 million in fiscal 2016. Investments in promotional displays were \$2.3 million in fiscal 2018, compared with \$3.7 million in fiscal 2017 and \$4.4 million in fiscal 2016. On August 21, 2014, the Board of Directors of the Company approved a \$30.0 million capital expansion project at its West Virginia facility, which was completed during fiscal 2016.

On November 30, 2016 the Board of Directors of the Company approved the construction of a new corporate headquarters in Winchester, Virginia. The new space has consolidated employees that previously occupied four buildings in Winchester, Virginia and Frederick County, Virginia, during the fourth quarter of fiscal 2018. The new building will be self-funded for approximately \$30.0 million. During fiscal 2018 and 2017, approximately \$21.1 million and \$3.0 million, respectively, was spent related to the new corporate headquarters.

During fiscal 2018, the Company's decrease in net cash used for investing activities was primarily driven by the acquisition of RSI and increased investment in property, plant and equipment, which was partially offset by a net \$62.8 million increase in cash flow from certificates of deposit.

#### FINANCING ACTIVITIES

The Company realized a net outflow of \$141.0 million from financing activities in fiscal 2018 compared with a net outflow of \$20.8 million in fiscal 2017, and a net outflow of \$8.9 million in fiscal 2016. Proceeds were generated from the exercise of stock options of \$1.3 million in fiscal 2018, \$2.4 million in fiscal 2017, and \$8.1 million in fiscal 2016. During fiscal 2018, \$96.6 million was used to repay long-term debt, compared with approximately \$11.7 million in fiscal 2017 and \$1.5 million in fiscal 2016.

Under a stock repurchase authorization approved by the Board on November 30, 2015, the Company was authorized to purchase up to \$20 million of the Company's common shares. On November 30, 2016, the Board authorized an additional stock repurchase



program of up to \$50 million of the Company's common shares. This authorization is in addition to the stock repurchase program authorized on November 19, 2015. 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 credit agreement governing the Company's credit facility and the indenture governing the Senior Notes, and other factors management deems relevant. At April 30, 2018, \$36.0 million remained authorized to repurchase the Company's common shares. The Company purchased a total of 309,612 common shares, for an aggregate purchase price of \$29.0 million during fiscal 2018 under the authorizations. The Board suspended the Company's stock repurchase program in conjunction with the RSI Acquisition.

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 fiscal 2019.

The timing of the Company's contractual obligations (excluding interest) as of April 30, 2018 is summarized in the table below:

| (in thousands)                     | FISCAL YEARS ENDED APRIL 30 |                 |                   |                   |                     |
|------------------------------------|-----------------------------|-----------------|-------------------|-------------------|---------------------|
|                                    | Total Amounts               | 2019            | 2020-2021         | 2022-2023         | 2024 and Thereafter |
| Term Loans                         | \$460,000                   | \$—             | \$ 85,000         | \$ 375,000        | \$ —                |
| The Senior Notes                   | 350,000                     | —               | —                 | —                 | 350,000             |
| Economic development loans         | 4,439                       | 2,189           | 177               | 408               | 1,665               |
| Capital lease obligations          | 7,245                       | 1,948           | 3,128             | 1,352             | 817                 |
| Other long-term debt               | 6,660                       | —               | —                 | —                 | 6,660               |
| Operating lease obligations        | 93,841                      | 15,536          | 29,548            | 16,731            | 32,026              |
| Pension contributions <sup>1</sup> | 7,507                       | 2,327           | 3,050             | 2,000             | 130                 |
| <b>Total</b>                       | <b>\$929,692</b>            | <b>\$22,000</b> | <b>\$ 120,903</b> | <b>\$ 395,491</b> | <b>\$ 391,298</b>   |

The estimated cost of the Company's two defined benefit pension plans is determined annually based upon the <sup>1</sup> discount rate and other assumptions at fiscal year-end. Future pension funding contributions beyond fiscal 2024 have not been determined at this time.

## SEASONALITY

Our core business has been subject to seasonal influences, with higher sales typically realized in our second and fourth fiscal quarters. General economic forces and changes in our customer mix have reduced seasonal fluctuations in revenue over the past few years. RSI's historic net sales vary from quarter to quarter primarily due to the timing of Home Depot and Lowe's customer promotions, product roll-outs, and their inventory management. However, RSI historically did not have significant recurring seasonality impacts on its business.

For additional discussion of risks that could affect the Company and its business, see "Forward-Looking Statements" above, as well as Item 1A. "Risk Factors" and Item 7A. "Quantitative and Qualitative Disclosures About Market Risk."

## OFF-BALANCE SHEET ARRANGEMENTS

As of April 30, 2018 and 2017, the Company had no off-balance sheet arrangements.

## CRITICAL ACCOUNTING POLICIES

Management has chosen accounting policies that are necessary to give reasonable assurance that the Company's operational results and financial position are accurately and fairly reported. The significant accounting policies of the Company are disclosed in Note A to the Consolidated Financial Statements included in this annual report. The following discussion addresses the accounting policies that management believes have the greatest potential impact on the presentation of the financial condition and operating results of the Company for the periods being reported and that require the most judgment.

Management regularly reviews these critical accounting policies and estimates with the Audit Committee of the Board.

Revenue Recognition. The Company utilizes signed sales agreements that provide for transfer of title to the customer upon delivery. The Company must estimate the amount of sales that have been transferred to third-party carriers but not delivered to customers. The estimate is calculated using a lag factor determined by analyzing the actual difference between shipment date and delivery date of orders over the past 12 months. Revenue is only recognized on those shipments which the Company believes have been delivered to the customer.

The Company recognizes revenue based on the invoice price less allowances for sales returns, cash discounts and other deductions as required under U.S. GAAP. Collection is reasonably assured as determined through an analysis of accounts receivable data, including historical product returns and the evaluation of each customer's ability to pay. Allowances for sales returns are based on the historical relationship between shipments and returns. The Company believes that its historical experience is an accurate reflection of future returns.

Self Insurance. The Company is self-insured for certain costs related to employee medical coverage, workers' compensation liability, general liability, auto liability and property insurance. The Company maintains stop-loss coverage with third-party insurers to limit total exposure. The Company establishes a liability at each balance sheet date based on estimates for a variety of factors that influence the Company's ultimate cost. In the event that actual experience is substantially different from the estimates, the financial results for the period could be adversely affected. The Company believes that the methodologies used to estimate insurance liabilities are an accurate reflection of the liabilities as of the date of the balance sheet.

Pensions. The Company has two non-contributory defined benefit pension plans covering many of the Company's employees hired prior to April 30, 2012. Effective April 30, 2012, the Company froze all future benefit accruals under the Company's hourly and salaried defined benefit pension plans.

The estimated expense, benefits and pension obligations of these plans are determined using various assumptions. The most significant assumptions are the long-term expected rate of return on plan assets and the discount rate used to determine the present value of the pension obligations. The long-term expected rate of return on plan assets reflects the current mix of the plan assets invested in equities and bonds.

The following is a summary of the potential impact of a hypothetical 1% change in actuarial assumptions for the discount rate, expected return on plan assets and consumer price index:

| (in millions)                                  | IMPACT<br>OF 1%<br>INCREASE | IMPACT OF<br>1%<br>DECREASE |
|--|-----------------------------|-----------------------------|
| (decrease) increase                            |                             |                             |
| Effect on annual pension expense               | \$ (1.3                     | ) \$ 1.2                    |
| Effect on projected pension benefit obligation | \$ (20.5                    | ) \$ 26.1                   |

Pension expense for fiscal 2018 and the assumptions used in that calculation are presented in Note J of the Consolidated Financial Statements. At April 30, 2018, the weighted average discount rate was 4.18% compared with 4.12% at April 30, 2017. The expected return on plan assets was 6.5% for the year ended April 30, 2018 and 7.5% for the year ended April 30, 2017. The rate of compensation increase is not applicable for periods beyond April 30, 2012 because the Company froze its pension plans as of that date.

The projected performance of the Company's pension plans is largely dependent on the assumptions used to measure the obligations of the plans and to estimate future performance of the plans' invested assets. Over the past two measurement periods, the most material deviations between results based on assumptions and the actual plan

performance have resulted from changes to the discount rate used to measure the plans' benefit obligations and the actual return on plan assets. Accounting guidelines require the discount rate to be set to a current market rate at each annual measurement date.

The Company strives to balance expected long-term returns and short-term volatility of pension plan assets. Favorable and unfavorable differences between the assumed and actual returns on plan assets are generally amortized over a period no longer than the average life expectancy of the plans' active participants. The actual rates of return on plan assets realized, net of investment manager fees, were 3.5%, 10.3% and (1.6)% for fiscal 2018, 2017 and 2016, respectively.

The fair value of plan assets at April 30, 2018 was \$156.5 million compared with \$137.1 million at April 30, 2017. The Company's projected benefit obligation exceeded plan assets by \$7.0 million in fiscal 2018 and by \$28.0 million in fiscal 2017. The \$21.0 million decrease in the Company's net under-funded position during fiscal 2018 was primarily driven by the Company's \$19.3

million contributions. The Company expects its pension expense to increase from \$(1.6) million in fiscal 2018 to \$(0.6) million in fiscal 2019, due primarily to a decrease in the expected long-term rate of return from 6.5% to 5.5%. The Company expects to contribute \$2.3 million to its pension plans in fiscal 2019, which represents required and discretionary funding. The Company made contributions of \$19.3 million to its pension plans in fiscal 2018.

**Valuation of Deferred Tax Assets.** The Company regularly considers the need for a valuation allowance against its deferred tax assets. Deferred tax assets are reduced by a valuation allowance when, after considering all positive and negative evidence, it is determined that it is more likely than not that some portion, or all, of the deferred tax asset will not be realized.

The Company has recorded a valuation allowance related to deferred tax assets for certain state investment tax credit (ITC) carryforwards. Deferred tax assets are reduced by a valuation allowance when, after considering all positive and negative evidence, it is determined that it is more likely than not that some portion, or all, of the deferred tax asset will not be realized.

The gross amount of state tax credit carryforwards related to state ITCs as of April 30, 2018 was \$5.2 million. These credits expire in various years beginning in fiscal 2020. Net of the federal impact and related valuation allowance, the Company has recorded \$1.5 million of deferred tax assets related to these credits. The Company accounts for ITCs under the deferral method, under which the tax benefit from the ITC is deferred and amortized into income tax expense over the book life of the related property. As of April 30, 2018, a deferred credit balance of \$1.3 million is included in other liabilities on the balance sheet.

**Goodwill and Other Intangible Assets.** Goodwill represents the excess of purchase price over the fair value of net assets acquired. 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 the accounting standards, 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 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 fiscal years ended 2018 and 2017.

The Company amortizes the cost of other intangible assets over their estimated useful lives, which range up to six years, unless such lives are deemed indefinite. There were no impairment charges related to other intangible assets for the fiscal years ended 2018 and 2017.

## RECENT ACCOUNTING PRONOUNCEMENTS

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, "Revenue from Contracts with Customers: Topic 606." ASU 2014-09 supersedes the revenue recognition requirements in "Accounting Standard Codification 605 - Revenue Recognition" and most industry-specific guidance. The standard requires that entities recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which a company expects to be entitled in exchange for those goods or services. ASU 2014-09 permits the use of either the retrospective or cumulative effect transition method. In August 2015, the FASB issued ASU No. 2015-14, "Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date." ASU 2015-14 defers the effective date of ASU 2014-09 by one year to annual reporting periods beginning after December 15, 2017, including interim reporting periods within that period. The Company does not expect the adoption of ASU 2014-09 and ASU 2015-14 to have a material impact on results of operations, cash flows

and financial position. The Company is continuing to evaluate the impact of ASU 2014-09 primarily to determine the transition method to utilize at adoption and the additional disclosures required.

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)." ASU 2016-02 requires lessees to recognize most leases on-balance sheet, which will increase reported assets and liabilities. Lessor accounting remains substantially similar to current U.S. GAAP. ASU 2016-02 supersedes "Topic 840 - Leases." ASU 2016-02 is effective for public companies for annual and interim periods in fiscal years beginning after December 15, 2018. ASU 2016-02 mandates a modified retrospective transition method for all entities. The Company is currently assessing the impact that ASU 2016-02 will have on its consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-09, "Compensation - Stock Compensation (Topic 718): Improvements to Employee Shares-Based Payment Accounting." ASU 2016-09 is intended to improve the accounting for share-based payment transactions as part of the FASB's simplification initiative. ASU 2016-09 changes several aspects of the accounting for share-based payment award transactions, including: (1) accounting for income taxes; (2) classification of excess tax benefits on the statement of cash

flows; (3) forfeitures; (4) minimum statutory tax withholding requirements; and (5) classification of employee taxes paid on the statement of cash flows when an employer withholds shares for tax-withholding purposes. ASU 2016-09 is effective for fiscal years beginning after December 15, 2016, and interim periods within those years for public companies. The Company early adopted this standard as of May 1, 2016. As a result, during fiscal 2017, it recognized the excess tax benefit of \$1.3 million as income tax benefit on the condensed consolidated statements of income (adopted prospectively). The adoption did not impact the existing classification of the awards. Excess tax benefits from stock based compensation is now classified in net income in the statement of cash flows instead of being separately stated in financing activities for the twelve months ended April 30, 2017 (adopted prospectively). Additionally, the Company reclassified \$2.8 million and \$1.4 million of employee withholding taxes paid from operating activities into financing activities in the statement of cash flows for the twelve month periods ended April 30, 2016 and 2015, respectively, as required by ASU 2016-09 (adopted retrospectively). Following the adoption of the new standard, the Company elected to continue estimating the number of awards expected to be forfeited and adjust its estimate on an ongoing basis.

In March 2017, the FASB issued ASU No. 2017-07, "Compensation—Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost." ASU 2017-07 requires an employer to disaggregate the service cost component from the other components of net benefit (income) cost. The other components of net benefit (income) cost are required to be presented in the income statement separately from the service cost component and outside of operating income. The amendments also allow only the service cost component of net benefit (income) cost to be eligible for capitalization. The amendments in this ASU are effective for fiscal years beginning after December 15, 2017. The amendments in this ASU should be applied (1) retrospectively for the presentation of the service cost component and the other components of net periodic pension (income) cost and net periodic postretirement benefit (income) cost on the income statement, and (2) prospectively, on and after the effective date, for the capitalization of the service cost component of net periodic pension (income) cost and net periodic postretirement benefit (income) cost in assets. The Company is evaluating the effect this guidance will have on its results of operations, cash flows and financial position.

In February 2018, the FASB issued ASU No. 2018-02, Income Statement—Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income, to address a specific consequence of the Tax Act by allowing a reclassification from accumulated other comprehensive income (loss) to retained earnings for stranded tax effects resulting from the Tax Act's reduction of the U.S. federal corporate income tax rate. The standard is effective for all entities for annual periods beginning after December 15, 2018, with early adoption permitted, and is to be applied either in the period of adoption or retrospectively to each period in which the effect of the change in the U.S. federal corporate income tax rate in the Tax Act is recognized. The Company early adopted this ASU on April 30, 2018 and as a result recorded a net increase to retained earnings and decrease to accumulated other comprehensive income (loss) of \$8.7 million to reclassify the income tax effects of the Tax Act on the Company's pension plans. Other than those effects related to the Tax Act, the Company's policy is to release stranded tax effects related to its pension plan from other comprehensive income only upon termination or full settlement of the plan.

#### Item 7A. 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.

Our revolving credit facility, initial term loan facility and delayed draw term loan facility, include 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 April 30, 2018 would increase our

annual interest expense by approximately \$4.6 million.

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



## Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

## CONSOLIDATED BALANCE SHEETS

|   | APRIL 30           |                  |
|---|--------------------|------------------|
| (in thousands, except share and per share data)   | 2018               | 2017             |
| <b>ASSETS</b>   |                    |                  |
| Current Assets  |                    |                  |
| Cash and cash equivalents   | \$78,410           | \$176,978        |
| Investments - certificates of deposit   | 8,000              | 51,750           |
| Customer receivables, net   | 136,355            | 63,115           |
| Inventories   | 104,801            | 42,859           |
| Income taxes receivable   | 25,996             | 301              |
| Prepaid expenses and other  | 10,805             | 4,225            |
| Total Current Assets  | 364,367            | 339,228          |
| Property, plant and equipment, net  | 218,102            | 107,933          |
| Investments - certificates of deposit   | 1,500              | 20,500           |
| Customer relationships intangibles, net   | 258,778            | —                |
| Trademarks, net   | 8,889              | —                |
| Goodwill, net   | 767,451            | —                |
| Promotional displays, net   | 12,189             | 5,745            |
| Deferred income taxes   | 732                | 18,047           |
| Other assets  | 13,337             | 9,820            |
| <b>TOTAL ASSETS</b>   | <b>\$1,645,345</b> | <b>\$501,273</b> |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>   |                    |                  |
| Current Liabilities   |                    |                  |
| Accounts payable  | \$71,096           | \$41,312         |
| Current maturities of long-term debt  | 4,143              | 1,598            |
| Accrued compensation and related expenses   | 48,682             | 36,162           |
| Accrued marketing expenses  | 19,289             | 8,655            |
| Other accrued expenses  | 27,245             | 13,770           |
| Total Current Liabilities   | 170,455            | 101,497          |
| Long-term debt, less current maturities   | 809,897            | 15,279           |
| Deferred income taxes   | 71,563             | —                |
| Defined benefit pension liabilities   | 6,960              | 28,032           |
| Other long-term liabilities   | 4,805              | 4,016            |
| 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 April 30, 2018: 17,503,922, at April 30, 2017: 16,232,775 | 361,158            | 168,835          |
| Retained earnings   | 269,576            | 224,031          |
| Accumulated other comprehensive loss -  |                    |                  |
| Defined benefit pension plans   | (49,069)           | (40,417)         |

|  |             |           |
|--|-------------|-----------|
| Total Shareholders' Equity                 | 581,665     | 352,449   |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | \$1,645,345 | \$501,273 |

See notes to consolidated financial statements.

## CONSOLIDATED STATEMENTS OF INCOME

|                                       | FISCAL YEARS ENDED APRIL<br>30 |             |           |
|---------------------------------------|--------------------------------|-------------|-----------|
| (in thousands, except per share data) | 2018                           | 2017        | 2016      |
| Net sales                             | \$1,250,274                    | \$1,030,248 | \$947,045 |
| Cost of sales and distribution        | 994,871                        | 805,612     | 747,351   |
| Gross Profit                          | 255,403                        | 224,636     | 199,694   |
| Selling and marketing expenses        | 77,843                         | 70,979      | 66,489    |
| General and administrative expenses   | 69,855                         | 45,419      | 40,045    |
| Operating Income                      | 107,705                        | 108,238     | 93,160    |
| Interest expense (income), net        | 13,054                         | (521        | )129      |
| Other (income) expense                | (109                           | )(166       | )1,245    |
| Income Before Income Taxes            | 94,760                         | 108,925     | 91,786    |
| Income tax expense                    | 31,619                         | 37,726      | 33,063    |
| Net Income                            | \$63,141                       | \$71,199    | \$58,723  |

## SHARE INFORMATION

|                    |        |        |        |
|--------------------|--------|--------|--------|
| Earnings per share |        |        |        |
| Basic              | \$3.80 | \$4.38 | \$3.61 |
| Diluted            | 3.77   | 4.34   | 3.57   |

See notes to consolidated financial statements.

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

|   | FISCAL YEARS ENDED<br>APRIL 30 |          |          |
|---|--------------------------------|----------|----------|
| (in thousands)  | 2018                           | 2017     | 2016     |
| Net income  | \$63,141                       | \$71,199 | \$58,723 |
| Other comprehensive income (loss) net of tax:<br>Change in pension benefits, net of deferred taxes<br>of \$(50), \$(4,391), and \$4,110, respectively | 88                             | 6,868    | (6,428 ) |
| Total Comprehensive Income  | \$63,229                       | \$78,067 | \$52,295 |

See notes to consolidated financial statements.

## CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

| (in thousands, except share data)  | COMMON STOCK |            | RETAINED   | ACCUMULATED<br>OTHER | COMPREHENSIVE | TOTAL                   |
|--|--------------|------------|------------|----------------------|---------------|-------------------------|
|  | SHARES       | AMOUNT     | EARNINGS   | LOSS                 | LOSS          | SHAREHOLDERS'<br>EQUITY |
| Balance, May 1, 2015   | 16,079,671   | \$ 150,001 | \$ 120,698 | \$ (40,857           | )             | \$ 229,842              |
| Net income   | —            | —          | 58,723     | —                    | —             | 58,723                  |
| Other comprehensive loss,<br>net of tax  | —            | —          | —          | (6,428               | )             | (6,428                  |
| Stock-based compensation   | —            | 3,609      | —          | —                    | —             | 3,609                   |
| Adjustments to excess tax<br>benefit from stock-based<br>compensation                | —            | 4,559      | —          | —                    | —             | 4,559                   |
| Exercise of stock-based<br>compensation awards, net of<br>amounts withheld for taxes | 375,928      | 5,288      | —          | —                    | —             | 5,288                   |
| Stock repurchases  | (243,143     | )(1,928    | )(14,665   | )                    | —             | (16,593                 |
| Employee benefit plan<br>contributions   | 31,585       | 1,761      | —          | —                    | —             | 1,761                   |
| Balance, April 30, 2016  | 16,244,041   | \$ 163,290 | \$ 164,756 | \$ (47,285           | )             | \$ 280,761              |
| Net income   | —            | —          | 71,199     | —                    | —             | 71,199                  |
| Other comprehensive loss,<br>net of tax  | —            | —          | —          | 6,868                | —             | 6,868                   |
| Stock-based compensation   | —            | 3,469      | —          | —                    | —             | 3,469                   |
| Exercise of stock-based<br>compensation awards, net of<br>amounts withheld for taxes | 122,772      | 633        | —          | —                    | —             | 633                     |
| Stock repurchases  | (178,118     | )(1,483    | )(11,924   | )                    | —             | (13,407                 |
| Employee benefit plan<br>contributions   | 44,080       | 2,926      | —          | —                    | —             | 2,926                   |
| Balance, April 30, 2017  | 16,232,775   | \$ 168,835 | \$ 224,031 | \$ (40,417           | )             | \$ 352,449              |
| Net income   | —            | —          | 63,141     | —                    | —             | 63,141                  |
| Adoption of ASU 2018-02  | —            | —          | 8,740      | (8,740               | )             | —                       |
| Other comprehensive income,<br>net of tax  | —            | —          | —          | 88                   | —             | 88                      |
| Stock-based compensation   | —            | 3,097      | —          | —                    | —             | 3,097                   |
| Exercise of stock-based<br>compensation awards, net of<br>amounts withheld for taxes | 86,927       | (1,513     | )          | —                    | —             | (1,513                  |
| Stock issuance related to acquisition  | 1,457,568    | 189,849    | —          | —                    | —             | 189,849                 |
| Stock repurchases  | (309,612     | )(2,664    | )(26,336   | )                    | —             | (29,000                 |
| Employee benefit plan<br>contributions   | 36,264       | 3,554      | —          | —                    | —             | 3,554                   |
| Balance, April 30, 2018  | 17,503,922   | \$ 361,158 | \$ 269,576 | \$ (49,069           | )             | \$ 581,665              |

See notes to consolidated financial statements.



## CONSOLIDATED STATEMENTS OF CASH FLOWS

|  | FISCAL YEARS ENDED |          |           |
|--|--------------------|----------|-----------|
|  | APRIL 30           |          |           |
| (in thousands)   | 2018               | 2017     | 2016      |
| <b>OPERATING ACTIVITIES</b>  |                    |          |           |
| Net income   | \$63,141           | \$71,199 | \$58,723  |
| Adjustments to reconcile net income to net cash and cash equivalents provided by operating activities: |                    |          |           |
| Depreciation and amortization  | 45,004             | 18,682   | 16,456    |
| Net loss on disposal of property, plant and equipment  | 615                | 444      | 1,576     |
| Loss on extinguishment of debt   | 257                | —        | —         |
| Stock-based compensation expense   | 3,097              | 3,469    | 3,609     |
| Deferred income taxes  | 21,404             | 9,899    | 11,629    |
| Pension contributions in excess of expense   | (20,928)           | (27,840) | (4,732 )  |
| Excess tax benefit from stock-based compensation   | —                  | —        | (4,968 )  |
| Contributions of employer stock to employee benefit plan   | 3,554              | 2,926    | 1,761     |
| Other non-cash items   | 14                 | 318      | (663 )    |
| Changes in operating assets and liabilities (net of acquired assets and liabilities):                  |                    |          |           |
| Customer receivables   | (18,786)           | (7,780)  | (9,938 )  |
| Inventories  | 2,802              | (4,925)  | (4,276 )  |
| Income taxes receivable  | (7,295)            | )—       | —         |
| Prepaid expenses and other assets  | (7,492)            | (207)    | (4,585 )  |
| Accounts payable   | (858)              | )6,301   | 723       |
| Accrued compensation and related expenses  | (2,525)            | )773     | 5,269     |
| Income taxes payable   | —                  | —        | (1,791 )  |
| Marketing and other accrued expenses   | 4,771              | 3,821    | 5,811     |
| Net Cash Provided by Operating Activities  | 86,775             | 77,080   | 74,604    |
| <b>INVESTING ACTIVITIES</b>  |                    |          |           |
| Payments to acquire property, plant and equipment  | (47,590)           | (21,811) | (28,685 ) |
| Proceeds from sales of property, plant and equipment   | 27                 | 37       | 846       |
| Acquisition of business, net of cash acquired  | (57,200)           | )—       | —         |
| Purchases of certificates of deposit   | (25,000)           | (85,000) | (46,750 ) |
| Maturities of certificates of deposit  | 87,750             | 56,750   | 38,250    |
| Investment in promotional displays   | (2,303)            | (3,720)  | (4,434 )  |
| Net Cash Used by Investing Activities  | (44,316)           | (53,744) | (40,773 ) |
| <b>FINANCING ACTIVITIES</b>  |                    |          |           |
| Payments of long-term debt   | (96,572)           | (11,731) | (1,547 )  |
| Proceeds from long-term debt   | 734                | 3,477    | 3,196     |
| Excess tax benefit from stock-based compensation   | —                  | —        | 4,968     |
| Proceeds from issuance of common stock and other   | 1,289              | 2,366    | 8,114     |
| Repurchase of common stock   | (29,000)           | (13,407) | (16,593 ) |
| Withholding of employee taxes related to stock-based compensation                                      | (2,803)            | (1,734)  | (2,826 )  |
| Debt issuance cost   | (14,675)           | )—       | —         |

|   |             |           |           |        |
|---|-------------|-----------|-----------|--------|
| Notes receivable, net                                   | —           | 208       | (4,221    | )      |
| Net Cash Used by Financing Activities                   | (141,027)   | (20,821   | )         | (8,909 |
| Net (Decrease) Increase in Cash and Cash Equivalents    | (98,568     | )         | 2,515     | 24,922 |
| Cash and Cash Equivalents, Beginning of Year            | 176,978     | 174,463   | 149,541   |        |
| Cash and Cash Equivalents, End of Year                  | \$78,410    | \$176,978 | \$174,463 |        |
| Supplemental cash flow information:                     |             |           |           |        |
| Non-cash investing and financing activities:            |             |           |           |        |
| Long-term debt related to funding acquisition           | \$300,000   | \$—       | \$—       |        |
| Long-term debt issued to satisfy outstanding debt       | \$600,000   | \$—       | \$—       |        |
| Long-term debt satisfied from issuance of debt          | \$(602,750) | \$—       | \$—       |        |
| Stock issuance in connection with acquisition           | \$189,849   | \$—       | \$—       |        |
| Property, plant and equipment                           | \$5,530     | \$—       | \$—       |        |
| Net other assets and liabilities related to acquisition | \$7,169     | \$—       | \$—       |        |
| Cash paid during the period for:                        |             |           |           |        |
| Interest  | \$5,919     | \$596     | \$776     |        |
| Income taxes  | \$18,219    | \$27,302  | \$24,510  |        |

See notes to consolidated financial statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### Note A -- Summary of Significant Accounting Policies

American Woodmark Corporation (“American Woodmark,” the “Company,” “we,” “our” or “us”) 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, builders and through a network of independent dealers and distributors. The Company operates within a single reportable segment primarily within the U.S.; long-lived assets and sales outside the U.S. are not significant.

The following is a description of the Company’s significant accounting policies:

**Principles of Consolidation and Basis of Presentation:** The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. Inter-company accounts and transactions have been eliminated in consolidation.

**Revenue Recognition:** The Company recognizes revenue when product is delivered to the customer and title has passed. Revenue is based on invoice price less allowances for sales returns, cash discounts and other deductions.

**Cost of Sales and Distribution:** Cost of sales and distribution includes all costs associated with the manufacture and distribution of the Company’s products including the costs of shipping and handling.

**Advertising Costs:** Advertising costs are expensed as incurred. Advertising expenses for fiscal years 2018, 2017 and 2016 were \$40.1 million, \$41.0 million and \$38.1 million, respectively.

**Cash and Cash Equivalents:** Cash in excess of operating requirements is invested in money market accounts which are carried at cost (which approximates fair value). The Company considers all highly liquid short-term investments with an original maturity of three months or less when purchased to be cash equivalents. Cash equivalents were \$50.1 million at April 30, 2017. There were no cash equivalents at April 30, 2018.

**Investments in Certificates of Deposit:** The Company invests excess cash in certificates of deposit which are carried at cost (which approximates fair value). Certificates of deposit with original maturities greater than three months and remaining maturities less than one year are classified as current assets. Certificates of deposit with remaining maturities greater than one year are classified as long-term assets.

**Inventories:** Inventories are stated at lower of cost or market. Inventory costs are determined by the last-in, first-out (LIFO) method and for certain subsidiaries by the first-in, first-out (FIFO) method.

The LIFO cost reserve is determined in the aggregate for inventory and is applied as a reduction to inventories determined on the FIFO method. FIFO inventory cost approximates replacement cost.

**Property, Plant and Equipment:** Property, plant and equipment is stated on the basis of cost less accumulated depreciation. Depreciation is provided by the straight-line method over the estimated useful lives of the related assets, which range from 15 to 30 years for buildings and improvements and 3 to 12 years for machinery and equipment. Assets under capital leases are amortized over the shorter of their estimated useful lives or the term of the related lease.

**Impairment of Long-Lived Assets:** The Company reviews its long-lived assets for impairment when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. During fiscal years



2018, 2017 and 2016, the Company concluded no impairment existed.

**Goodwill and Other Intangible Assets:** Goodwill represents the excess of purchase price over the fair value of net assets acquired. 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 the accounting standards, 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 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. During fiscal years 2018, 2017 and 2016, the Company concluded no impairment existed.

Intangible assets consist of customer relationship intangibles and trademarks. The Company amortizes the cost of other intangible assets over their estimated useful lives, which range from 3 to 6 years, unless such lives are deemed indefinite. During fiscal years 2018, 2017 and 2016, the Company concluded no impairment existed.

**Promotional Displays:** The Company invests in promotional displays in retail stores to demonstrate product features, product and quality specifications and to serve as a training tool for retail kitchen designers. The Company invests in these long-lived productive assets to provide the aforementioned benefits. The Company's investment in promotional displays is carried at cost less applicable amortization. Amortization is provided by the straight-line method on an individual display basis over periods of 30 to 60 months (the estimated period of benefit). Promotional display amortization expense for fiscal years 2018, 2017 and 2016 was \$4.5 million, \$3.4 million and \$3.4 million, respectively, and is included in selling and marketing expenses.

**Income Taxes:** The Company accounts for deferred income taxes utilizing the asset and liability method, whereby deferred tax assets and liabilities are recognized based on the tax effects of temporary differences between the financial statement amounts and the tax basis of assets and liabilities, using enacted tax rates in effect for the year in which these items are expected to reverse. At each reporting date, the Company evaluates the need for a valuation allowance to adjust deferred tax assets and liabilities to an amount that more likely than not will be realized.

**Pensions:** The Company has two non-contributory defined benefit pension plans covering many of the Company's employees hired before April 30, 2012. Both defined benefit pension plans were frozen effective April 30, 2012. The Company recognizes the overfunded or underfunded status of its defined benefit pension plans, measured as the difference between the fair value of plan assets and the benefit obligation, in its consolidated balance sheets. The Company also recognizes the actuarial gains and losses and the prior service costs, credits and transition costs as a component of other comprehensive income (loss), net of tax.

**Stock-Based Compensation:** The Company recognizes stock-based compensation expense based on the grant date fair value over the requisite service period.

**Self Insurance:** The Company is self-insured for certain costs related to employee medical coverage, workers' compensation liability, general liability, auto liability and property insurance. The Company maintains stop-loss coverage with third-party insurers to limit total exposure. The Company establishes a liability at each balance sheet date based on estimates for a variety of factors that influence the Company's ultimate cost. In the event that actual experience is substantially different from the estimates, the financial results for the period could be adversely affected. The Company believes that the methodologies used to estimate insurance liabilities are an accurate reflection of the liabilities as of the date of the balance sheet.

**Recent Accounting Pronouncements:** In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, "Revenue from Contracts with Customers: Topic 606." ASU 2014-09 supersedes the revenue recognition requirements in "Accounting Standard Codification 605 - Revenue Recognition" and most industry-specific guidance. The standard requires that entities recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which a company expects to be entitled in exchange for those goods or services. ASU 2014-09 permits the use of either the retrospective or cumulative effect transition method. In August 2015, the FASB issued ASU No. 2015-14, "Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date." ASU 2015-14 defers the effective date of ASU 2014-09 by one year to annual reporting periods beginning after December 15, 2017, including interim reporting periods within that period. The Company does not expect the adoption of ASU 2014-09 and ASU 2015-14 to have a material impact on results of operations, cash flows and financial position. The Company is continuing its assessment of the new standard, including the impact on processes, accounting policies, disclosures and internal controls over financial reporting. The Company is continuing to evaluate the impact of ASU 2014-09 primarily to determine the transition

method to utilize at adoption and the additional disclosures required.

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)." ASU 2016-02 requires lessees to recognize most leases on-balance sheet, which will increase reported assets and liabilities. Lessor accounting remains substantially similar to current U.S. GAAP. ASU 2016-02 supersedes "Topic 840 - Leases." ASU 2016-02 is effective for public companies for annual and interim periods in fiscal years beginning after December 15, 2018. ASU 2016-02 mandates a modified retrospective transition method for all entities. The Company is currently assessing the impact that ASU 2016-02 will have on its consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-09, "Compensation - Stock Compensation (Topic 718): Improvements to Employee Shares-Based Payment Accounting." ASU 2016-09 is intended to improve the accounting for share-based payment transactions as part of the FASB's simplification initiative. ASU 2016-09 changes several aspects of the accounting for share-based payment award transactions, including: (1) accounting for income taxes; (2) classification of excess tax benefits on the statement of cash flows; (3) forfeitures; (4) minimum statutory tax withholding requirements; and (5) classification of employee taxes paid on the

statement of cash flows when an employer withholds shares for tax-withholding purposes. ASU 2016-09 is effective for fiscal years beginning after December 15, 2016, and interim periods within those years for public companies. The Company early adopted this standard as of May 1, 2016. As a result, during fiscal 2017, it recognized the excess tax benefit of \$1.3 million as income tax benefit on the condensed consolidated statements of income (adopted prospectively). The adoption did not impact the existing classification of the awards. Excess tax benefits from stock based compensation is now classified in net income in the statement of cash flows instead of being separately stated in financing activities for the twelve months ended April 30, 2017 (adopted prospectively). Additionally, the Company reclassified \$2.8 million and \$1.4 million of employee withholding taxes paid from operating activities into financing activities in the statement of cash flows for the twelve month periods ended April 30, 2016 and 2015, respectively, as required by ASU 2016-09 (adopted retrospectively). Following the adoption of the new standard, the Company elected to continue estimating the number of awards expected to be forfeited and adjust its estimate on an ongoing basis.

In March 2017, the FASB issued ASU No. 2017-07, "Compensation—Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost." ASU 2017-07 requires an employer to disaggregate the service cost component from the other components of net benefit (income) cost. The other components of net benefit (income) cost are required to be presented in the income statement separately from the service cost component and outside of operating income. The amendments also allow only the service cost component of net benefit (income) cost to be eligible for capitalization. The amendments in this ASU are effective for fiscal years beginning after December 15, 2017. The amendments in this ASU should be applied (1) retrospectively for the presentation of the service cost component and the other components of net periodic pension (income) cost and net periodic postretirement benefit (income) cost on the income statement, and (2) prospectively, on and after the effective date, for the capitalization of the service cost component of net periodic pension (income) cost and net periodic postretirement benefit (income) cost in assets. The Company is evaluating the effect this guidance will have on its results of operations, cash flows and financial position.

In February 2018, the FASB issued ASU No. 2018-02, Income Statement—Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income, to address a specific consequence of the Tax Act by allowing a reclassification from accumulated other comprehensive income (loss) to retained earnings for stranded tax effects resulting from the Tax Act's reduction of the U.S. federal corporate income tax rate. The standard is effective for all entities for annual periods beginning after December 15, 2018, with early adoption permitted, and is to be applied either in the period of adoption or retrospectively to each period in which the effect of the change in the U.S. federal corporate income tax rate in the Tax Act is recognized. The Company early adopted this ASU on April 30, 2018 and as a result recorded a net increase to retained earnings and decrease to accumulated other comprehensive income (loss) of \$8.7 million to reclassify the income tax effects of the Tax Act on the Company's pension plans. Other than those effects related to the Tax Act, the Company's policy is to release stranded tax effects related to its pension plan from other comprehensive income only upon termination or full settlement of the plan.

**Use of Estimates:** The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during each reporting period. Actual results could differ from those estimates.

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

Note B -- Acquisition of RSI Home Products, Inc. (the "RSI Acquisition")

On November 30, 2017, American Woodmark, Alliance Merger Sub, Inc. ("Merger Sub"), RSI Home Products, Inc. ("RSI") and Ronald M. Simon, as the RSI stockholder representative, entered into a merger agreement (the "Merger Agreement"), pursuant to which the parties agreed to merge Merger Sub with and into RSI pursuant to the terms and subject to the conditions set forth in the Merger Agreement, with RSI continuing as the surviving corporation and as a wholly owned subsidiary of American Woodmark. On December 29, 2017 (the "Acquisition Date"), the Company consummated the RSI Acquisition pursuant to the terms of the Merger Agreement. As a result of the merger of Merger Sub with and into RSI, Merger Sub's separate corporate existence ceased, and RSI continued as the surviving corporation and a wholly owned subsidiary of American Woodmark. RSI is a leading manufacturer of kitchen and bath cabinetry and home organization products. The acquisition is expected to enable the Company to make further progress in implementing its business strategy of increasing operational efficiency to drive enhanced profitability, leveraging differentiated service platforms to grow revenue, and continuing to deepen relationships within its existing customer base.

In connection with the RSI Acquisition, on December 29, 2017, the Company entered into a credit agreement (the "Credit Agreement") with a syndicate of lenders and Wells Fargo Bank, National Association ("Wells Fargo"), as administrative agent,

providing for a \$100 million, 5-year revolving loan facility with a \$25 million sub-facility for the issuance of letters of credit (the "Revolving Facility"), a \$250 million, 5-year initial term loan facility (the "Initial Term Loan") and a \$250 million delayed draw term loan facility (the "Delayed Draw Term Loan" and, together with the Revolving Facility and the Initial Term Loan, the "Credit Facilities") (See Note G--Loans Payable and Long-Term Debt for further details). American Woodmark used the full proceeds of the Initial Term Loan and approximately \$50 million in loans under the Revolving Facility, together with cash on its balance sheet, to fund the cash portion of the RSI Acquisition consideration and its transaction fees and expenses.

At the closing of the RSI Acquisition, American Woodmark assumed approximately \$589 million (including accrued interest) of RSI's indebtedness consisting largely of RSI's 6½% Senior Secured Second Lien Notes due 2023 (the "RSI Notes"). (See Note G--Loans Payable and Long-Term Debt).

#### Preliminary Allocation of Purchase Price to Assets Acquired and Liabilities Assumed

As consideration for the RSI Acquisition, American Woodmark paid total accounting consideration of \$554.2 million including cash consideration of \$364.4 million, net of cash acquired, and 1,457,568 newly issued shares of American Woodmark common stock valued at \$189.8 million based on \$130.25 per share, which was the closing stock price on the Acquisition Date. The consideration paid was subject to a working capital adjustment by which the consideration was adjusted as the amount of working capital delivered at the Acquisition Date was less than a target amount. The working capital adjustment has been finalized and the accounting consideration does reflect the adjustment to the estimated working capital reflected in the consideration paid at the Acquisition Date.

The Company accounted for the acquisition of RSI as a business combination, which requires the Company to record the assets acquired and liabilities assumed at fair value. The amount by which the purchase price exceeds the fair value of net assets acquired is recorded as goodwill. The Company has commenced the appraisals necessary to assess the fair values of the tangible and intangible assets acquired and liabilities assumed and the amount of goodwill to be recognized as of the Acquisition Date. The amounts recorded for certain assets and liabilities are preliminary in nature and are subject to adjustment as additional information is obtained about the facts and circumstances that existed as of the Acquisition Date. The final determination of the fair values of certain assets and liabilities will be completed within the measurement period of up to one year from the Acquisition Date permitted under GAAP. The final values may also result in changes to depreciation and amortization expense related to certain assets such as buildings, equipment and intangible assets. Any potential adjustments made could be material in relation to the preliminary values presented in the table below.

The following table summarizes the allocation of the preliminary purchase price as of the Acquisition Date, which is based on the accounting consideration of \$554.2 million, to the estimated fair value of assets acquired and liabilities assumed (in thousands):

|   |           |
|---|-----------|
| Goodwill  | \$767,451 |
| Customer relationship intangibles               | 274,000   |
| Property, plant and equipment                   | 86,275    |
| Inventories                                     | 66,293    |
| Customer receivables                            | 54,649    |
| Income taxes receivable                         | 18,450    |
| Trademarks                                      | 10,000    |
| Prepaid expenses and other                      | 4,571     |
| Leasehold interests                             | 151       |
| Total identifiable assets and goodwill acquired | 1,281,840 |
| Debt  | 602,313   |
| Deferred income taxes                           | 67,368    |
| Accrued expenses                                | 29,777    |
| Accounts payable                                | 25,113    |
| Notes payable                                   | 2,988     |
| Income taxes payable                            | 49        |
| Total liabilities assumed                       | 727,608   |
| Total accounting consideration                  | \$554,232 |

The fair value of the assets acquired and liabilities assumed were preliminarily determined using income, market and cost valuation methodologies. The fair value of debt acquired was determined using Level 1 inputs as quoted prices in active markets for identical liabilities were available. The fair value measurements, aside from debt, were estimated using significant inputs that are not observable in the market and thus represent Level 3 measurements as defined in Accounting Standards Codification (ASC) 820. The income approach was primarily used to value the customer relationship intangibles and trademarks. The income approach determines value for an asset or liability based on the present value of cash flows projected to be generated over the remaining economic life of the asset or liability being measured. Both the amount and the duration of the cash flows are considered from a market participant perspective. Our estimates of market participant net cash flows considered historical and projected product pricing, operational performance including company specific synergies, product life cycles, material and labor pricing, and other relevant customer, contractual and market factors. The net cash flows are discounted to present value using a discount rate that reflects the relative risk of achieving the cash flow and the time value of money. The market approach is a valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities, or a group of assets or liabilities. The cost approach estimates value by determining the current cost of replacing an asset with another of equivalent economic utility. The cost to replace a given asset reflects the estimated reproduction or replacement cost for the property, less an allowance for loss in value due to depreciation. The cost and market approaches were used to value inventory, while the cost approach was the primary approach used to value property, plant and equipment.

The preliminary purchase price allocation resulted in the recognition of \$767.5 million of goodwill, which is not expected to be amortizable for tax purposes. The goodwill recognized is attributable to expected revenue synergies generated by the integration of the Company's products with RSI's, cost synergies resulting from purchasing and manufacturing activities, and intangible assets that do not qualify for separate recognition, such as the assembled workforce of RSI.

Customer receivables were recorded at the contractual amounts due of \$57.1 million, less an allowance for returns and discounts of \$2.4 million, and an allowance for doubtful accounts of \$0.1 million, which approximates their fair value.

Determining the fair value of assets acquired and liabilities assumed requires the exercise of significant judgment, including the amount and timing of expected future cash flows, long-term growth rates and discount rates. The cash flows employed in the valuation are based on the Company's best estimates of future sales, earnings and cash flows after considering factors such as general market conditions, expected future customer orders, contracts with suppliers, labor costs, changes in working capital, long term business plans and recent operating performance. Use of different estimates and judgments could yield different results.



## Impact to Financial Results for the Fiscal Year Ended April 30, 2018

RSI's financial results have been included in our consolidated financial results for the period from the Acquisition Date to April 30, 2018. As a result, our consolidated financial results for the fiscal year ended April 30, 2018 do not reflect a full year of RSI results. From December 29, 2017 to April 30, 2018, RSI generated net sales of approximately \$177.7 million and an operating income of approximately \$9.1 million, inclusive of intangible amortization and adjustments to account for the acquisition, including a \$6.3 million charge to cost of sales as a result of the step-up of inventory as of the Acquisition Date to fair value.

The Company incurred approximately \$12.9 million of transaction costs associated with the RSI Acquisition during the twelve months ended April 30, 2018 which the Company expensed as incurred. These costs are included in general and administrative expenses on the Consolidated Statements of Income.

## Supplemental Pro Forma Financial Information (unaudited)

The following table presents summarized unaudited pro forma financial information as if RSI had been included in the Company's financial results for the entire fiscal years ended April 30, 2018 and 2017:

| (in thousands)                   | FISCAL YEARS<br>ENDED APRIL 30, |             |
|----------------------------------|---------------------------------|-------------|
|                                  | 2018                            | 2017        |
| Net Sales                        | \$1,613,663                     | \$1,623,441 |
| Net Income (1)                   | \$67,388                        | \$93,798    |
| Net earnings per share - basic   | \$3.83                          | \$5.30      |
| Net earnings per share - diluted | \$3.80                          | \$5.26      |

(1) Includes stock compensation expense of \$17.5 million and \$7.4 million for the fiscal year ended April 30, 2018 and 2017, respectively, calculated under the intrinsic value method in measuring stock-based liability awards related to stock-based grants made by RSI prior to the RSI Acquisition.

The unaudited supplemental pro forma financial data above assumes the RSI Acquisition occurred on May 1, 2016 and has been calculated after applying the Company's accounting policies and adjusting the historical results of RSI with pro forma adjustments, net of a statutory tax rate of 34.4% and 40.4% for the fiscal years ended April 30, 2018 and 2017, respectively. Significant pro forma adjustments include the recognition of additional amortization expense related to acquired intangible assets (net of historical amortization expense of RSI), additional interest expense related to the initial term loan facility used to finance the acquisition, and elimination of the inventory fair value step-up expense and transaction related expenses which are non-recurring in nature. These adjustments assume the application of fair value adjustments to intangibles and that the \$300.0 million borrowed under the Credit Agreement occurred on May 1, 2016 and are as follows: amortization expense, net of tax, of \$20.0 million and \$27.2 million for the fiscal years ended April 30, 2018 and 2017, respectively; interest expense, net of tax, (including amortization expense related to \$6.7 million of debt issuance costs, which are being amortized over a period of 5 years) of \$2.4 million and \$4.4 million for the fiscal years ended April 30, 2018 and 2017, respectively. The following amounts have been excluded: inventory fair value step-up expense, net of tax, of \$4.1 million for the fiscal year ended April 30, 2018; and transaction expense add-back, net of tax, of \$8.5 million and \$1.6 million for the fiscal years ended April 30, 2018 and 2017.

The unaudited supplemental pro forma financial information does not reflect the realization of any expected ongoing cost or revenue synergies relating to the integration of the two companies. Further, the pro forma data should not be considered indicative of the results that would have occurred if the RSI Acquisition, related financing and associated issuance of Senior Notes (defined herein) and repurchase or redemption of the RSI Notes had been actually

consummated on May 1, 2016, nor are they indicative of future results.

40

---

## Note C -- Customer Receivables

The components of customer receivables were:

|                                     | APRIL 30   |           |
|-------------------------------------|------------|-----------|
| (in thousands)                      | 2018       | 2017      |
| Gross customer receivables          | \$ 142,622 | \$ 66,373 |
| Less:                               |            |           |
| Allowance for doubtful accounts     | (259 )     | (148 )    |
| Allowance for returns and discounts | (6,008 )   | (3,110 )  |
| Net customer receivables            | \$ 136,355 | \$ 63,115 |

## Note D -- Inventories

The components of inventories were:

|   | APRIL 30   |           |
|---|------------|-----------|
| (in thousands)                              | 2018       | 2017      |
| Raw materials                               | \$ 41,728  | \$ 18,230 |
| Work-in-process                             | 44,905     | 18,704    |
| Finished goods                              | 34,111     | 19,372    |
| Total FIFO inventories                      | 120,744    | 56,306    |
| Reserve to adjust inventories to LIFO value | (15,943 )  | (13,447 ) |
| Total inventories                           | \$ 104,801 | \$ 42,859 |

Of the total inventory of \$104.8 million, \$56.6 million is carried under the FIFO method and \$48.2 is carried under the LIFO methods of accounting.

## Note E -- Property, Plant and Equipment

The components of property, plant and equipment were:

|  | APRIL 30   |            |
|--|------------|------------|
| (in thousands)                                 | 2018       | 2017       |
| Land   | \$ 4,751   | \$ 3,581   |
| Buildings and improvements                     | 112,757    | 81,172     |
| Buildings and improvements - capital leases    | 11,202     | 11,202     |
| Machinery and equipment                        | 274,723    | 187,836    |
| Machinery and equipment - capital leases       | 30,270     | 29,378     |
| Construction in progress                       | 10,931     | 10,838     |
|  | 444,634    | 324,007    |
| Less accumulated amortization and depreciation | (226,532 ) | (216,074 ) |
| Total  | \$ 218,102 | \$ 107,933 |

Amortization and depreciation expense on property, plant and equipment amounted to \$21.9 million, \$14.2 million and \$11.6 million in fiscal years 2018, 2017 and 2016, respectively. Accumulated amortization on capital leases included in the above table amounted to \$30.0 million and \$29.7 million as of April 30, 2018 and 2017, respectively.

Note F -- Intangible Assets and Trademarks

The components of customer relationships intangibles were:

41

---

| (in thousands)  | APRIL 30         |             |
|---|------------------|-------------|
|   | 2018             | 2017        |
| Customer relationship intangibles, acquired December 29, 2017 | \$274,000        | \$ —        |
| Less accumulated amortization                                 | (15,222 )        | —           |
| <b>Total</b>  | <b>\$258,778</b> | <b>\$ —</b> |

The components of trademarks were:

| (in thousands)                         | APRIL 30       |             |
|--|----------------|-------------|
|  | 2018           | 2017        |
| Trademarks, acquired December 29, 2017 | \$10,000       | \$ —        |
| Less accumulated amortization          | (1,111 )       | —           |
| <b>Total</b>                           | <b>\$8,889</b> | <b>\$ —</b> |

Amortization expense on customer relationship intangibles and trademarks amounted to \$16.3 million in fiscal year 2018.

#### Note G -- Loans Payable and Long-Term Debt

Maturities of long-term debt are as follows:

| (in thousands)              | FISCAL YEARS ENDING APRIL 30 |                 |                 |                 |                  |                  | 2024<br>AND<br>THERE-<br>AFTER | TOTAL<br>OUTSTANDING |
|-----------------------------|------------------------------|-----------------|-----------------|-----------------|------------------|------------------|--------------------------------|----------------------|
|                             | 2019                         | 2020            | 2021            | 2022            | 2023             |                  |                                |                      |
| Term loans                  | \$—                          | \$35,000        | \$50,000        | \$62,500        | \$312,500        | \$—              | \$ 460,000                     |                      |
| The Senior Notes            | —                            | —               | —               | —               | —                | 350,000          | 350,000                        |                      |
| Economic development loans  | 2,189                        | 88              | 89              | 201             | 207              | 1,665            | 4,439                          |                      |
| Capital lease obligations   | 1,948                        | 1,786           | 1,342           | 713             | 639              | 817              | 7,245                          |                      |
| Other long-term debt        | —                            | —               | —               | —               | —                | 6,660            | 6,660                          |                      |
| <b>Total</b>                | <b>\$4,137</b>               | <b>\$36,874</b> | <b>\$51,431</b> | <b>\$63,414</b> | <b>\$313,346</b> | <b>\$359,142</b> | <b>\$ 828,344</b>              |                      |
| Debt issuance costs         |                              |                 |                 |                 |                  |                  | \$ (14,304 )                   |                      |
| Current maturities          |                              |                 |                 |                 |                  |                  | \$ (4,143 )                    |                      |
| <b>Total long-term debt</b> |                              |                 |                 |                 |                  |                  | <b>\$ 809,897</b>              |                      |

The Credit Facilities

On December 29, 2017, the Company entered into the Credit Agreement, which provides for the Revolving Facility, the Initial Term Loan and the Delayed Draw Term Loan. Also on December 29, 2017, the Company borrowed the entire \$250 million

available under the Initial Term Loan and approximately \$50 million under the Revolving Facility to fund, in part, the cash portion of the RSI Acquisition consideration and the Company's transaction fees and expenses related to the RSI Acquisition. On February 12, 2018, the Company borrowed the entire \$250 million under the Delayed Draw Term Loan in connection with the refinancing of the RSI Notes as discussed below or to repay, in part, amounts outstanding under the Revolving Facility. In connection with its entry into the Credit Agreement, the Company terminated its prior \$35 million revolving credit facility with Wells Fargo. The Company is required to make specified quarterly installments on both the Initial Term Loan and the Delayed Draw Loan. As of April 30, 2018, \$230 million remained outstanding on each of the Initial Term Loan and Delayed Draw Term Loan and no amount was outstanding on the Revolving Facility. The Credit Facilities mature on December 29, 2022.

Amounts outstanding under the Credit Facilities 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 "Total Funded Debt to EBITDA Ratio." The Company will also incur 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 "Total Funded Debt to EBITDA Ratio." In addition, a letter of credit fee will accrue 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 April 30, 2018, the applicable margin with respect to base rate loans and LIBOR loans was 1.25% and 2.25%, respectively, and the commitment fee was 0.30%.

The Credit Agreement includes negative covenants restricting the ability of the Company and 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 Credit Agreement. The negative covenants further restrict the Company's ability to make certain restricted payments, including the payment of dividends, in certain limited circumstances. As of April 30, 2018, the Company was in compliance with the restrictive covenants included in the Credit Agreement.

The Credit Agreement also includes financial covenants that require the Company to maintain a Fixed Charge Coverage Ratio (as defined in the Credit Agreement) of no less than 1.25 to 1.00 and a Total Secured Debt to EBITDA Ratio (as defined in the Credit Agreement) of no more than 2.50 to 1.00. The Credit Agreement further requires that the Company not exceed a specified Total Funded Debt to EBITDA Ratio (as defined in the Credit Agreement). The Total Funded Debt to EBITDA Ratio currently applicable to the Company is 3.75 to 1.00 and will decrease to 3.50 to 1.00 beginning April 30, 2019 and to 3.25 to 1.00 beginning April 30, 2020.

At April 30, 2018, the Company's Fixed Charge Coverage Ratio was 3.12, its Total Secured Debt to EBITDA Ratio was 1.87 and its Total Funded Debt to EBITDA Ratio was 3.25.

As of April 30, 2018, the Company's obligations under the Credit Agreement were guaranteed by the Company's subsidiaries and the obligations of the Company and its subsidiaries were secured by a pledge of substantially all of their respective personal property.

#### The Senior Notes

On February 12, 2018, the Company issued \$350 million in aggregate principal amount of 4.875% Senior Notes due 2026 (the "Senior Notes"). The Senior Notes will mature on March 15, 2026. Proceeds from the sale of the Senior Notes were used to refinance the RSI Notes, as discussed below, and to repay, in part, amounts outstanding under the Revolving Facility. Interest on the Senior Notes is payable semi-annually in arrears on March 15 and September 15 of each year, beginning on September 15, 2018. The Senior Notes are, and will be, fully and unconditionally guaranteed by each of the Company's current and future wholly-owned domestic subsidiaries that guarantee the Company's

obligations under the Credit Agreement. The indenture governing the Senior Notes restricts the ability of the Company and the Company's "restricted subsidiaries" to, as applicable, (i) incur additional indebtedness or issue certain preferred shares, (ii) create liens, (iii) pay dividends, redeem or repurchase stock or make other distributions or restricted payments, (iv) make certain investments, (v) create restrictions on the ability of the "restricted subsidiaries" to pay dividends to the Company or make other intercompany transfers, (vi) transfer or sell assets, (vii) merge or consolidate with a third party and (viii) enter into certain transactions with affiliates of the Company, subject, in each case, to certain qualifications and exceptions as described in the indenture. As of April 30, 2108, the Company was in compliance with all covenants under the indenture governing the Senior Notes.

At April 30, 2018, the book value of the Senior Notes was \$350 million and the fair value was \$339 million, based on Level 2 inputs. See Note O -- Fair Value Measurements for a discussion of Level 2 inputs.

The RSI Notes

43

---



On December 29, 2017, as a result of the closing of the RSI Acquisition, the Company assumed, through its acquisition of all of the equity interests of RSI, the RSI Notes. As of December 29, 2017, the RSI Notes had a fair value of \$602.3 million.

The Company utilized the proceeds from the issuance of the Senior Notes and borrowings under the Delayed Draw Term Loan, together with cash on hand, to (A) fund (i) the redemption of \$115 million in aggregate principal amount of the RSI Notes on February 26, 2018, (ii) the purchase of approximately \$449.1 million in aggregate principal amount of the RSI Notes on February 12, 2018 pursuant to a tender offer that commenced on January 29, 2018 and (iii) the redemption of approximately \$10.9 million in aggregate principal amount of the RSI Notes on February 28, 2018 pursuant to a make-whole call, and (B) repaid \$30 million of the amount borrowed under the Revolving Facility in connection with the closing of the RSI Acquisition. As a result of these redemptions and the tender offer, none of the RSI Notes remain outstanding.

#### Other RSI Debt

On December 29, 2017, the Company also assumed, through its acquisition of all of the equity interests of RSI, \$2.8 million of subordinated promissory notes payable to certain current and former RSI employees. The promissory notes each have a term of 5 years, bear interest at rates ranging from 1.01% to 2.12% per annum, may be prepaid by RSI at any time without penalty and are due in annual installments of principal and interest on their respective anniversary dates. The notes were issued in exchange for the cancellation of vested stock options of RSI either upon the termination of the applicable employee or immediately prior to the expiration of such options. During the fourth fiscal quarter of fiscal 2018 these notes were repaid in full.

#### Economic Development Loans

In 2005, the Company entered into two separate loan agreements with the Maryland Economic Development Corporation and the County Commissioners of Allegany County as part of the Company's capital investment and operations at the Allegany County, Maryland site. These loan agreements were amended in 2013 and 2008. The aggregate balance of these loan agreements was \$2.2 million as of April 30, 2018 and 2017. The loan agreements expire at December 31, 2018 and bear interest at a fixed rate of 3% per annum. These loan agreements are secured by mortgages on the manufacturing facility constructed in Allegany County, Maryland. These loan agreements defer principal and interest during the term of the obligation and forgive any outstanding balance at December 31, 2018, if the Company complies with certain employment levels at the facility.

In 2015, the Company entered into a \$1.5 million loan agreement with the West Virginia Economic Development Authority as part of the Company's capital investment and operations at the South Branch plant located in Hardy County, West Virginia. The loan agreement expires on February 1, 2025 and bears interest at a fixed rate of 3% per annum. The loan agreement is secured by certain equipment. It defers principal and interest during the term of the obligation and forgives any outstanding balance at December 31, 2018, if the Company complies with certain employment levels at the facility.

In 2016, the Company entered into a \$0.8 million loan agreement with the West Virginia Economic Development authority as part of the Company's capital investment and operations at the South Branch plant located in Hardy County, West Virginia. The loan agreement expires on June 1, 2026 and bears interest at a fixed rate of 3% per annum. The loan agreement is secured by certain equipment. It defers principal and interest during the term of the obligation and forgives any outstanding balance at December 31, 2018, if the Company complies with certain employment levels at the facility.

### Capital Lease Obligations

From 2014 through 2018, the Company entered into a total of 12 capitalized lease agreements in the aggregate amount of \$2.0 million with First American Financial Bancorp related to financing computer equipment. Each lease has a term of 48 months and an interest rate between 3.5% and 6.5%. The leases require quarterly rental payments. The aggregate outstanding amount under all of these leases as of April 30, 2018 and 2017 was \$0.9 million and \$1.4 million, respectively.

From 2014 through 2018, the Company entered into a total of 19 capitalized lease agreements in the aggregate amount of \$3.2 million with e-Plus Group related to financing computer equipment. There are 15 leases with a term of 51 months and 4 leases with a term of 36 months. All leases have an interest rate between 3.5% and 6.5%. The leases require monthly rental payments. The aggregate outstanding amount under all of these leases as of April 30, 2018 and 2017 was \$2.2 million and \$1.0 million, respectively.

In 2004, the Company entered into a lease agreement with the West Virginia Economic Development Authority as part of the Company's capital investment and operations at the South Branch plant located in Hardy County, West Virginia. This capital lease agreement is a \$10 million term obligation, which expires June 30, 2024, bearing interest at a fixed rate of 2% per annum. The

lease requires monthly rental payments. The outstanding amounts owed as of April 30, 2018 and 2017 were \$3.8 million and \$4.4 million, respectively.

#### Other Long-term Debt

On January 25, 2016 the Company entered into a New Markets Tax Credit ("NMTC") financing agreement, pursuant to section 45D of the Internal Revenue Code of 1986, as amended, and Kentucky Revised Statutes Sections 141.432 through 141.434, to take advantage of a tax credit related to working capital and capital improvements at its Monticello, Kentucky facility. This financing agreement was structured with unrelated third party financial institutions (the "Investors"), their wholly-owned investment funds ("Investment Funds") and their wholly-owned community development entities ("CDEs") in connection with our participation in qualified transactions under the NMTC program. In exchange for substantially all of the benefits derived from the tax credits, the Investors made a contribution of \$2.3 million, net of syndication fees, to the project. Upon closing the transaction, a wholly owned subsidiary of the Company provided a \$4.3 million loan receivable to the Investment Funds, which is included in other long term assets in the accompanying consolidated balance sheets. The Company also entered into loan agreements aggregating \$6.6 million payable to the CDEs sponsoring the project. The loans have a term of 30 years with an aggregate interest rate of approximately 1.2%. As of April 30, 2018 and 2017, the Company had drawn \$6.7 million and \$5.9 million, respectively, of the loan proceeds, which is included in long-term debt in the accompanying consolidated balance sheets. The NMTC is subject to recapture for a period of seven years, the compliance period. During the compliance period, the Company is required to comply with various regulations and contractual provisions that apply to the NMTC arrangement. We do not anticipate any credit recaptures will be required in connection with this arrangement. This transaction also includes a put/call feature which becomes enforceable at the end of the compliance period whereby we may be obligated or entitled to repurchase the Investors' interest in the Investment Funds. The value attributable to the put/call is nominal. Direct costs of \$0.3 million incurred in structuring the financing arrangement are deferred and will be recognized as expense over the term of the loans (30 years).

Certain of the Company's loan agreements limit the amount and type of indebtedness the Company can incur and require the Company to maintain specified financial ratios measured on a quarterly basis. In addition to the assets previously discussed, certain of the Company's property, plant and equipment are pledged as collateral under certain loan agreements and the capital lease arrangements. The Company was in compliance with all covenants contained in its loan agreements and capital leases at April 30, 2018.

#### Principle Payments Subsequent to Year End

Since year-end, \$40 million has been paid toward the principle of the Credit Facilities.

#### Note H -- Earnings Per Share

The following table summarizes the computations of basic and diluted earnings per share:

|  | FISCAL YEARS<br>ENDED APRIL 30 |          |          |
|--|--------------------------------|----------|----------|
| (in thousands, except per share amounts)                                     | 2018                           | 2017     | 2016     |
| Numerator used in basic and diluted earnings per common share:               |                                |          |          |
| Net income   | \$63,141                       | \$71,199 | \$58,723 |
| Denominator:   |                                |          |          |
| Denominator for basic earnings per common share -<br>weighted-average shares | 16,631                         | 16,259   | 16,256   |
| Effect of dilutive securities:   |                                |          |          |
| Stock options and restricted stock units                                     | 114                            | 139      | 186      |

|   |        |        |        |
|---|--------|--------|--------|
| Denominator for diluted earnings per common share - weighted-average shares and assumed conversions | 16,745 | 16,398 | 16,442 |
| Net earnings per share  |        |        |        |
| Basic   | \$3.80 | \$4.38 | \$3.61 |
| Diluted   | \$3.77 | \$4.34 | \$3.57 |

There were no potentially dilutive securities for the fiscal years ended April 30, 2018, 2017 and 2016, which were excluded from the calculation of net earnings per share.

#### Note I – Stock-Based Compensation

The Company has two types of stock-based compensation awards in effect for its employees and directors. The Company has issued stock options since 1986 and restricted stock units ("RSUs") since fiscal 2010. Total compensation expense related to stock-based awards for the fiscal years ended April 30, 2018, 2017 and 2016 was \$3.1 million, \$3.5 million and \$3.6 million, respectively. The Company recognizes stock-based compensation costs net of an estimated forfeiture rate for those shares expected to vest on a straight-line basis over the requisite service period of the award. The Company estimates the forfeiture rates based upon its historical experience.

#### Stock Incentive Plans

At April 30, 2018, the Company had stock option and RSU awards outstanding under three different plans: (1) second amended and restated 2004 stock incentive plan for employees; (2) 2006 non-employee directors equity ownership plan; and (3) 2015 non-employee directors equity ownership plan. As of April 30, 2018, there were 841,504 shares of common stock available for future stock-based compensation awards under the Company's stock incentive plans.

#### Methodology Assumptions

For purposes of valuing stock option grants, the Company has identified one employee group and one non-employee director group, based upon observed option exercise patterns. The Company uses the Black-Scholes option-pricing model to value the

Company's stock options for each of the groups. Using this option-pricing model, the fair value of each stock option award is estimated on the date of grant. The fair value of the Company's stock option awards is expensed on a straight-line basis over the vesting period of the stock options. The expected volatility assumption is based on the historical volatility of the Company's stock over a term equal to the expected term of the option granted. The expected term of stock option awards granted is derived from the Company's historical exercise experience and represents the period of time that stock option awards granted are expected to be outstanding for each of the identified groups. The expected term assumption incorporates the contractual term of an option grant, which is generally ten years for employees and from four to ten years for non-employee directors, as well as the vesting period of an award, which is typically three years. The risk-free interest rate is based on the implied yield on a U.S. Treasury constant maturity with a remaining term equal to the expected term of the option granted.

For purposes of determining the fair value of RSUs, the Company uses the closing stock price of its common stock as reported on the NASDAQ Global Select Market on the date of grant. The fair value of the Company's RSU awards is expensed on a straight-line basis over the vesting period of the RSUs to the extent the Company believes it is probable the related performance criteria, if any, will be met. The risk-free interest rate is based on the implied yield on a U.S. Treasury constant maturity with a remaining term equal to the vesting period of the RSU grant.

The Company did not grant stock options during the fiscal years ended April 30, 2018 and 2017.

|                                       | FISCAL<br>YEAR<br>ENDED<br>APRIL<br>30<br>2016 |   |
|---------------------------------------|--|---|
| Weighted-average fair value of grants | \$18.59  |   |
| Expected volatility                   | 29.8   | % |
| Expected term in years                | 5.8  |   |
| Risk-free interest rate               | 2.16   | % |
| Expected dividend yield               | 0.0  | % |

#### Stock Option Activity

Stock options granted and outstanding under each of the Company's plans vest evenly over a three-year period and have contractual terms of ten years. The exercise price of all stock options granted is equal to the fair market value of the Company's common stock on the option grant date.

The following table presents a summary of the Company's stock option activity for the fiscal years ended April 30, 2018, 2017 and 2016 (remaining contractual term in years and exercise prices are weighted-averages):

|   | NUMBER OF OPTIONS | WEIGHTED AVERAGE REMAINING CONTRACTUAL TERM | WEIGHTED AVERAGE EXERCISE PRICE | AGGREGATE INTRINSIC VALUE (in thousands) |
|---|-------------------|---|---------------------------------|--|
| Outstanding at April 30, 2015                               | 398,075           | 5.0   | \$28.46                         | \$ 8,851                                 |
| Granted   | 30,700            | 9.1   | 57.11                           | —  |
| Exercised   | (287,975)         | —   | 27.99                           | 11,089                                   |
| Cancelled or expired  | (14,167)          | —   | 40.43                           | —  |
| Outstanding at April 30, 2016                               | 126,633           | 5.8   | \$35.15                         | \$ 4,773                                 |
| Granted   | —                 | —   | —                               | —  |
| Exercised   | (71,715)          | —   | 33.00                           | 2,597                                    |
| Cancelled or expired  | —                 | —   | —                               | —  |
| Outstanding at April 30, 2017                               | 54,918            | 5.6   | \$37.95                         | \$ 2,963                                 |
| Granted   | —                 | —   | —                               | —  |
| Exercised   | (36,950)          | —   | 34.90                           | 1,748                                    |
| Cancelled or expired  | —                 | —   | —                               | —  |
| Outstanding at April 30, 2018                               | 17,968            | 4.5   | \$44.23                         | \$ 682                                   |
| Vested and expected to vest in the future at April 30, 2018 | 17,968            | 4.5   | \$44.23                         | \$ 682                                   |
| Exercisable at April 30, 2018                               | 9,266             | 2.1   | \$32.14                         | \$ 464                                   |

The aggregate intrinsic value in the previous table of the outstanding options on April 30, 2018 represents the total pre-tax intrinsic value (the excess, if any, of the Company's closing stock price on the last trading day of fiscal 2018 over the exercise price, multiplied by the number of in-the-money options) of the shares of the Company's common stock that would have been received by the option holders had all option holders exercised their options on April 30, 2018. This amount changes based upon the fair market value of the Company's common stock. The total fair value of options vested for the fiscal years ended April 30, 2018, 2017 and 2016 was \$0.3 million, \$0.6 million and \$0.7 million, respectively.

Cash received from option exercises for the fiscal years ended April 30, 2018, 2017 and 2016, was an aggregate of \$1.3 million, \$2.4 million and \$8.1 million, respectively. The actual tax benefit realized for the tax deduction from option exercises of stock option awards totaled \$0.0 million, \$1.0 million and \$4.3 million for the fiscal years ended April 30, 2018, 2017 and 2016, respectively.

The following table summarizes information about stock options outstanding at April 30, 2018 (remaining lives in years and exercise prices are weighted-averages):

| OPTION PRICE PER SHARE | OPTIONS OUTSTANDING |                                 | OPTIONS EXERCISABLE |                                 |
|------------------------|---------------------|---------------------------------|---------------------|---------------------------------|
|                        | NUMBER OF OPTIONS   | WEIGHTED AVERAGE EXERCISE PRICE | NUMBER OF OPTIONS   | WEIGHTED AVERAGE EXERCISE PRICE |
| \$22.77-\$23.96        | 6,800               | 0.2                             | 6,800               | \$23.09                         |
| \$57.11                | 11,168              | 7.1                             | 2,466               | \$57.11                         |
|                        | 17,968              |                                 | 9,266               |                                 |

Restricted Stock Unit Activity:

The Company's RSUs granted to employees cliff-vest over a three-year period from date of grant, while RSUs granted to non-employee directors vest daily over a two-year period from date of grant. Directors were granted service-based RSUs only, while employees were awarded both service-based and performance-based RSUs ("PBRsUs") in fiscal years 2018, 2017 and 2016. The PBRsUs granted in fiscal 2018 and 2017 are earned based on achievement of a number of goals pertaining to the Company's

financial performance during three one-year performance periods and the achievement of certain cultural goals for the three-year period. Employees who satisfy the vesting criteria will receive a proportional amount of PBRsUs based upon the Compensation Committee's assessment of the Company's achievement of the performance criteria.

The following table contains a summary of the Company's RSU activity for the fiscal years ended April 30, 2018, 2017 and 2016:

|   | PERFORMANCE-BASED<br>RSUs | SERVICE-BASED<br>RSUs | TOTAL<br>RSUs | WEIGHTED AVERAGE<br>GRANT<br>DATE FAIR VALUE |
|---|---------------------------|-----------------------|---------------|--|
| Issued and outstanding, April 30, 2015                | 210,944                   | 103,850               | 314,794       | \$27.15                                      |
| Granted   | 48,201                    | 22,349                | 70,550        | \$57.83                                      |
| Cancelled due to non-achievement of performance goals | (19,657)                  | ) —                   | (19,657)      | )\$29.92                                     |
| Settled in common stock                               | (89,665)                  | ) (46,950)            | ) (136,615)   | )\$19.57                                     |
| Forfeited   | (9,056)                   | ) (3,537)             | ) (12,593)    | )\$40.99                                     |
| Issued and outstanding, April 30, 2016                | 140,767                   | 75,712                | 216,479       | \$40.88                                      |
| Granted   | 36,058                    | 25,322                | 61,380        | \$66.58                                      |
| Cancelled due to non-achievement of performance goals | (4,270)                   | ) —                   | (4,270)       | )\$64.55                                     |
| Settled in common stock                               | (45,509)                  | ) (32,300)            | ) (77,809)    | )\$37.09                                     |
| Forfeited   | (1,979)                   | ) (1,280)             | ) (3,259)     | )\$49.40                                     |
| Issued and outstanding, April 30, 2017                | 125,067                   | 67,454                | 192,521       | \$50.09                                      |
| Granted   | 33,080                    | 22,250                | 55,330        | \$95.62                                      |
| Cancelled due to non-achievement of performance goals | —                         | —                     | —             | —  |
| Settled in common stock                               | (51,191)                  | ) (28,447)            | ) (79,638)    | )\$32.96                                     |
| Forfeited   | (9,305)                   | ) (6,198)             | ) (15,503)    | )\$71.91                                     |
| Issued and outstanding, April 30, 2018                | 97,651                    | 55,059                | 152,710       | \$73.34                                      |

As of April 30, 2018, there was \$4.9 million of total unrecognized compensation expense related to unvested RSUs granted under the Company's stock-based compensation plans. This expense is expected to be recognized over a weighted-average period of 1.6 years.

For the fiscal years ended April 30, 2018, 2017 and 2016 stock-based compensation expense was allocated as follows:

| (in thousands)  | 2018    | 2017    | 2016    |
|---|---------|---------|---------|
| Cost of sales and distribution                        | \$667   | \$665   | \$608   |
| Selling and marketing expenses                        | 756     | 1,066   | 1,079   |
| General and administrative expenses                   | 1,674   | 1,738   | 1,922   |
| Stock-based compensation expense, before income taxes | \$3,097 | \$3,469 | \$3,609 |

#### Restricted Stock Tracking Units:

During fiscal 2018, the Board of Directors of the Company approved grants of 4,496 cash-settled performance-based restricted stock tracking units ("RSTUs") and 2,519 cash-settled service-based RSTUs for more junior level employees who previously received RSU grants under the Company's shareholder approved plan. Each performance-based RSTU entitles the recipient to receive a payment in cash equal to the fair market value of a share



of the Company's common stock as of the payment date if applicable performance and cultural 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 a

share of our common stock as of the payment date if they remain continuously employed with the Company until the units vest. 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 Company recognized expense of \$0.4 million, \$0.8 million and \$0.8 million related to RSTUs for the fiscal years ended April 30, 2018, 2017 and 2016, respectively. A liability for payment of the RSTUs is included in the Company's balance sheets in the amount of \$1.0 million and \$1.5 million as of April 30, 2018 and 2017, respectively.

## Note J – Employee Benefit and Retirement Plans

### Retirement Savings Plans

#### American Woodmark

In fiscal 1990, the Company instituted the American Woodmark Investment Savings Stock Ownership Plan and effective January 1, 2016 the plan name was changed to the American Woodmark Corporation Retirement Savings Plan. Under this plan, all employees who are at least 18 years old and have been employed by the Company for at least six consecutive months are eligible to receive Company stock through a discretionary profit-sharing contribution and a 401(k) matching contribution based upon the employee's contribution to the plan.

Discretionary profit-sharing contributions ranging from 0-5% of net income, based on predetermined net income levels of the Company, may be made annually in the form of Company stock. The Company recognized expenses for profit-sharing contributions of \$3.7 million, \$3.6 million and \$2.9 million in fiscal years 2018, 2017 and 2016, respectively.

The Company matches 100% of an employee's annual 401(k) contributions to the plan up to 4% of annual compensation.

#### RSI

The Company has a defined-contribution 401(k) profit sharing plan ("401(k) plan") for all non-union employees. Employees are eligible to contribute to the 401(k) plan 60 days after starting employment. Under the 401(k) plan, employees may contribute up to 60 percent of their compensation, subject to an annual contribution limit prescribed by the Internal Revenue Service. The Company has elected to make safe harbor matching contributions of up to four percent of each participant's eligible compensation. The Company's safe harbor contributions vest immediately.

The expense for 401(k) matching contributions for both plans was \$8.0 million, \$7.2 million and \$6.6 million, in fiscal years 2018, 2017 and 2016, respectively.

#### Pension Benefits

The Company has two defined benefit pension plans covering many of the Company's employees hired prior to April 30, 2012. These plans provide defined benefits based on years of service and final average earnings (for salaried employees) or benefit rate (for hourly employees).

Effective April 30, 2012, the Company froze all future benefit accruals under the Company's hourly and salaried defined benefit pension plans.

Included in accumulated other comprehensive loss at April 30, 2018 is \$66.1 million (\$49.1 million net of tax) related to net unrecognized actuarial losses that have not yet been recognized in net periodic pension benefit costs. The Company expects to recognize \$1.6 million (\$1.2 million net of tax) in net actuarial losses in net periodic pension benefit costs during fiscal 2019. The Company uses an April 30 measurement date for its benefit plans.

The following provides a reconciliation of benefit obligations, plan assets and funded status of the Company's non-contributory defined benefit pension plans as of April 30:

| (in thousands)                                    | APRIL 30   |            |
|---|------------|------------|
|   | 2018       | 2017       |
| <b>CHANGE IN PROJECTED BENEFIT OBLIGATION</b>     |            |            |
| Projected benefit obligation at beginning of year | \$ 165,173 | \$ 174,096 |
| Interest cost                                     | 5,727      | 5,772      |

| (in thousands)                                 | APRIL 30   |             |
|--|------------|-------------|
|  | 2018       | 2017        |
| <b>CHANGE IN PROJECTED BENEFIT OBLIGATION</b>  |            |             |
| Actuarial gains                                | (2,596 )   | (4,672 )    |
| Benefits paid                                  | (4,881 )   | (10,023 )   |
| Projected benefit obligation at end of year    | \$ 163,423 | \$ 165,173  |
| <b>CHANGE IN PLAN ASSETS</b>                   |            |             |
| Fair value of plan assets at beginning of year | \$ 137,141 | \$ 106,965  |
| Actual return on plan assets                   | 4,884      | 12,895      |
| Company contributions                          | 19,319     | 27,304      |
| Benefits paid                                  | (4,881 )   | (10,023 )   |
| Fair value of plan assets at end of year       | \$ 156,463 | \$ 137,141  |
| Funded status of the plans                     | \$(6,960 ) | \$(28,032 ) |

The accumulated benefit obligation for both pension plans was \$163.4 million and \$165.2 million at April 30, 2018 and 2017, respectively.

| (in thousands)   | APRIL 30  |          |          |
|--|-----------|----------|----------|
|  | 2018      | 2017     | 2016     |
| <b>COMPONENTS OF NET PERIODIC PENSION BENEFIT COST</b> |           |          |          |
| Interest cost  | \$5,727   | \$5,772  | \$7,014  |
| Expected return on plan assets                         | (8,936 )  | (8,079 ) | (8,142 ) |
| Recognized net actuarial loss                          | 1,601     | 1,771    | 1,412    |
| Pension benefit cost                                   | \$(1,608) | \$(536 ) | \$284    |

The components of net periodic pension benefit cost do not include service costs or prior service costs due to the plans being frozen.

Actuarial Assumptions: The discount rate at April 30 was used to measure the year-end benefit obligations and the earnings effects for the subsequent year. Actuarial assumptions used to determine benefit obligations and earnings effects for the pension plans follow:

|  | FISCAL<br>YEARS<br>ENDED<br>APRIL 30             |        |        |
|--|--|--------|--------|
|  | 2018   | 2017   | 2016   |
| <b>WEIGHTED-AVERAGE ASSUMPTIONS TO DETERMINE BENEFIT OBLIGATIONS</b>                   |  |        |        |
| Discount rate  | 4.18 %   | 4.12 % |        |
|  | FISCAL YEARS<br>ENDED APRIL 30<br>2018 2017 2016 |        |        |
| <b>WEIGHTED-AVERAGE ASSUMPTIONS TO DETERMINE NET PERIODIC PENSION<br/>BENEFIT COST</b> |  |        |        |
| Discount rate  | 4.12 %   | 4.06 % | 4.19 % |
| Expected return on plan assets   | 6.5 %  | 7.5 %  | 7.5 %  |

The Company bases the discount rate on a current yield curve developed from a portfolio of high-quality fixed-income investments with maturities consistent with the projected benefit payout period. The long-term rate of return on assets is determined based on consideration of historical and forward-looking returns and the current and expected asset allocation strategy.

Beginning with the April 30, 2016 measurement, the Company refined the method used to determine the service and interest cost components of its net periodic benefit cost. Previously, the cost was determined using a single weighted-average discount rate derived from the yield curve. Under the refined method, known as the spot rate approach, individual spot rates along the yield curve that correspond with the timing of each benefit payment will be used. The Company believes this change provides a more precise measurement of service and interest costs by improving the correlation between projected cash outflows and corresponding spot rates on the yield curve. Compared to the previous method, the spot rate approach decreased the service and interest components of the benefit costs in fiscal 2017. There was no impact on the total benefit obligation. The Company accounted for this change prospectively as a change in accounting estimate.

In developing the expected long-term rate of return assumption for the assets of the defined benefit pension plans, the Company evaluated input from its third party pension plan asset managers, including their review of asset class return expectations and long-term inflation assumptions.

The Company amortizes experience gains and losses, as well as the effects of changes in actuarial assumptions and plan provisions, over the average remaining lifetime of the active participants.

Contributions: The Company funds the pension plans in amounts sufficient to meet minimum funding requirements under applicable employee benefit and tax laws plus additional amounts the Company deems appropriate.

The Company expects to contribute \$2.3 million to its pension plans in fiscal 2019. The Company made contributions of \$19.3 million and \$27.3 million to its pension plans in fiscal 2018 and 2017, respectively.

Estimated Future Benefit Payments: The following benefit payments are expected to be paid:

| FISCAL YEAR     | BENEFIT<br>PAYMENTS<br>(in thousands) |
|-----------------|---------------------------------------|
| 2019            | \$ 6,251                              |
| 2020            | 6,625                                 |
| 2021            | 7,037                                 |
| 2022            | 7,395                                 |
| 2023            | 7,768                                 |
| Years 2024-2028 | 43,988                                |

Plan Assets: Pension assets by major category and the type of fair value measurement as of April 30, 2018 and 2017 are presented in the following tables:

FAIR VALUE MEASUREMENTS AT APRIL 30, 2018

| (in thousands)       | TOTAL  | QUOTED<br>PRICES IN<br>ACTIVE<br>MARKETS<br>(LEVEL 1) | SIGNIFICANT<br>OBSERVABLE<br>INPUTS<br>(LEVEL 2) | SIGNIFICANT<br>UNOBSERVABLE<br>INPUTS<br>(LEVEL 3) |
|----------------------|--------|---|--|--|
| Cash Equivalents     | \$448  | \$ 448  | —  | —  |
| Equity Funds:        |        |   |  |  |
| US Equity            | 37,421 | 37,421  | —  | —  |
| International Equity | 25,135 | 25,135  | —  | —  |

Fixed Income Funds:

|                               |            |            |   |   |
|-------------------------------|------------|------------|---|---|
| Investment Grade Fixed Income | 93,459     | 93,459     | — | — |
| Total plan assets             | \$ 156,463 | \$ 156,463 | — | — |

FAIR VALUE MEASUREMENTS AT APRIL 30, 2017

| FAIR VALUE MEASUREMENTS AT             | FAIR VALUE MEASUREMENTS AT | FAIR VALUE MEASUREMENTS AT | FAIR VALUE MEASUREMENTS AT                | FAIR VALUE MEASUREMENTS AT | FAIR VALUE MEASUREMENTS AT              | FAIR VALUE MEASUREMENTS AT                |
|--|----------------------------|----------------------------|---|----------------------------|---|---|
|  |                            |                            | QUOTED PRICES IN ACTIVE MARKETS (LEVEL 1) |                            | SIGNIFICANT OBSERVABLE INPUTS (LEVEL 2) | SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3) |
| (in thousands)                         | TOTAL                      |                            |   |                            |   |   |
| Cash Equivalents                       | \$ 295                     |                            | \$ 295                                    |                            | —                                       | —   |
| Equity Funds:                          |                            |                            |   |                            |   |   |
| Mutual Fund Equity                     | 78,335                     |                            | 78,335                                    |                            | —                                       | —   |
| Fixed Income Funds:                    |                            |                            |   |                            |   |   |
| Mutual Fund Tax Income                 | 45,290                     |                            | 45,290                                    |                            | —                                       | —   |
| Plan assets at fair value              | 123,920                    |                            | \$ 123,920                                |                            | —                                       | —   |
| Common Collective Funds:               |                            |                            |   |                            |   |   |
| Capital Preservation Fund <sup>1</sup> | 13,221                     |                            |   |                            |   |   |
| Total plan assets                      | \$ 137,141                 |                            |   |                            |   |   |

<sup>1</sup>As discussed in Note A, investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have been removed from the total plan assets in the fair value hierarchy.

Investment Strategy: The Company has established formal investment policies for the assets associated with its pension plans. The objectives of the investment strategies include preservation of capital and long-term growth of capital while avoiding excessive risk. Target allocation percentages are established at an asset class level by the Company's Pension Committee. Target allocation ranges are guidelines, not limitations, and the Pension Committee may approve allocations above or below a target range.

During a period of uncertainty in the equity and fixed income markets, the Pension Committee may suspend the Target Asset Allocation and manage the investment mix as it sees reasonable, prudent and in the best interest of the plans to better protect the value of the plan assets.

The Company's pension plans' weighted-average asset allocations at April 30, 2018 and 2017, by asset category, were as follows:

| APRIL 30           | PLAN ASSET ALLOCATION |             |             |
|--------------------|-----------------------|-------------|-------------|
|                    | 2018 TARGET           | 2018 ACTUAL | 2017 ACTUAL |
| Equity Funds       | 40.0 %                | 40.0 %      | 57.0 %      |
| Fixed Income Funds | 60.0 %                | 60.0 %      | 43.0 %      |
| Total              | 100.0 %               | 100.0 %     | 100.0 %     |



Within the broad categories outlined in the preceding table, the Company has the following specific allocations as a percentage of total funds invested: 60% Bond and 40% Equity.

Note K -- Income Taxes

Comprehensive tax legislation enacted through the Tax Act on December 22, 2017, significantly modified U.S. corporate income tax law. In addition to the law's corporate income tax rate reduction, several other provisions are pertinent to the Company's financial statements and related disclosures for the year ended April 30, 2018 or will have an impact on taxes in future years.

The Company recognized the income tax effects of the 2017 Tax Act in accordance with Staff Accounting Bulletin No. 118 ("SAB 118") which provides SEC guidance on the application of ASC 740, Income Taxes, in the reporting period in which the 2017 Tax Act was signed into law. Accordingly, the Company's financial statements as of January 31, 2018 reflected provisional amounts for those impacts for which the accounting under ASC 740 was incomplete, but a reasonable estimate could be determined. For items under the Tax act for which no reasonable estimate could be determined at the time, the Company continued to apply the

tax law in effect prior to the enactment of the Tax Act. As of April 30, 2018, the Company is still in the process of completing the accounting for the impact of the Tax Act.

We recorded a provisional expense of \$1.6 million related to the re-valuation of U.S. deferred taxes as of January 31, 2018. During the three months ending April 30, 2018, we have further refined the calculation of the impact to reflect actual full-year activity and adjusted the provisional expense to \$1.0 million. The Company may further adjust these amounts in future periods if our interpretation of the Tax Act changes or as additional guidance from the U.S. Treasury becomes available.

We had not recorded an estimate of the impact of the Tax Act on the existing deferred tax assets related to executive compensation as of January 31, 2018 as no reasonable estimate could be made at the time. During the three months ending April 30, 2018, we have determined that a reasonable estimate of the impact is a reduction in deferred tax asset and a related expense of \$0.1 million. This estimate is provisional and the Company may further adjust these amounts in future periods if our interpretation of the Tax Act changes or as additional guidance from the U.S. Treasury becomes available.

Income tax expense was comprised of the following:

| (in thousands)                         | FISCAL YEARS ENDED |          |          |
|--|--------------------|----------|----------|
|  | APRIL 30           |          |          |
|  | 2018               | 2017     | 2016     |
| <b>CURRENT EXPENSE</b>                 |                    |          |          |
| Federal                                | \$8,668            | \$23,638 | \$18,239 |
| State                                  | 1,290              | 4,189    | 3,195    |
| Foreign                                | 257                | —        | —        |
| Total current expense                  | 10,215             | 27,827   | 21,434   |
| <b>DEFERRED EXPENSE</b>                |                    |          |          |
| Federal                                | 17,833             | 8,607    | 10,179   |
| State                                  | 3,642              | 1,292    | 1,450    |
| Foreign                                | (71)               | —        | —        |
| Total deferred expense                 | 21,404             | 9,899    | 11,629   |
| Total expense                          | 31,619             | 37,726   | 33,063   |
| Other comprehensive income (loss)      | 50                 | 4,391    | (4,110)  |
| Total comprehensive income tax expense | \$31,669           | \$42,117 | \$28,953 |

The Company's effective income tax rate varied from the federal statutory rate as follows:

|                                   | FISCAL YEARS   |         |        |
|-----------------------------------|----------------|---------|--------|
|                                   | ENDED APRIL 30 |         |        |
|                                   | 2018           | 2017    | 2016   |
| Federal statutory rate            | 30.4 %         | 35.0 %  | 35.0 % |
| Effect of:                        |                |         |        |
| Federal income tax credits        | (0.5) %        | (0.2) % | — %    |
| Acquisition and integration costs | 1.2            | —       | —      |
| Stock compensation                | (2.4)          | (1.3)   | —      |
| Meals and entertainment           | 0.3            | 0.3     | 0.3    |
| Effect of Tax Act                 | 1.2            | —       | —      |
| Domestic production deduction     | (0.8)          | (2.2)   | (2.5)  |
| Other                             | 0.4            | (0.3)   | (0.1)  |

|   |         |         |         |
|---|---------|---------|---------|
| Total   | (0.6 )% | (3.7 )% | (2.3 )% |
| Effective federal income tax rate             | 29.8 %  | 31.3 %  | 32.7 %  |
| State income taxes, net of federal tax effect | 3.6     | 3.3     | 3.3     |
| Effective income tax rate                     | 33.4 %  | 34.6 %  | 36.0 %  |

53

---

Note that the Company's federal statutory rate for 2018 is calculated by using a blended rate comprising of the pre-Tax Act 35% federal statutory rate from May 1, 2017 through December 31, 2017 and 21% for the period from January 1, 2018 through April 30, 2018.

Due to the adoption of ASU 2016-09 in fiscal year 2017, excess tax benefits of stock compensation were recorded in tax expense while in previous years excess benefits were recorded in additional paid-in-capital and therefore, did not impact the effective tax rate.

The significant components of deferred tax assets and liabilities were as follows:

| (in thousands)  | APRIL 30   |          |
|---|------------|----------|
|   | 2018       | 2017     |
| Deferred tax assets:                                  |            |          |
| Pension benefits                                      | \$—        | \$8,852  |
| Accounts receivable                                   | 4,772      | 6,938    |
| Product liability                                     | 2,180      | 1,272    |
| Employee benefits                                     | 6,513      | 7,914    |
| State tax credit carryforwards                        | 3,937      | 4,083    |
| Other   | 2,865      | 862      |
| Gross deferred tax assets, before valuation allowance | 20,267     | 29,921   |
| Valuation allowance                                   | (2,467)    | (2,446)  |
| Gross deferred tax assets, after valuation allowance  | 17,800     | 27,475   |
| Deferred tax liabilities:                             |            |          |
| Pension benefits                                      | 1,035      | —        |
| Inventory   | 240        | 297      |
| Depreciation  | 21,076     | 9,131    |
| Intangibles   | 65,294     | —        |
| Other   | 986        | —        |
|   | 88,631     | 9,428    |
| Net deferred tax (liability) asset                    | \$(70,831) | \$18,047 |

We have not recorded deferred income taxes applicable to undistributed earnings of foreign subsidiaries that are indefinitely reinvested in foreign operations. Undistributed earnings that are indefinitely reinvested in foreign operations are not significant as of April 30, 2018.

The Company has recorded a valuation allowance related to deferred tax assets for certain state investment tax credit (ITC) carryforwards. Deferred tax assets are reduced by a valuation allowance when, after considering all positive and negative evidence, it is determined that it is more likely than not that some portion, or all, of the deferred tax asset will not be realized. In fiscal 2018, the Company reassessed the valuation allowance related to ITCs and released \$21 thousand of the valuation allowance recorded in fiscal 2016.

The gross amount of state tax credit carryforwards related to state ITCs as of April 30, 2018 and 2017 was \$5.2 million and \$6.1 million. These credits expire in various years beginning in fiscal 2020. Net of the federal impact and related valuation allowance, the Company recorded \$1.5 million and \$1.6 million of deferred tax assets related to these credits, as of April 30, 2018 and 2017. The Company accounts for ITCs under the deferral method, under which the tax benefit from the ITC is deferred and amortized into income tax expense over the book life of the related property. As of April 30, 2018 and 2017, a deferred credit balance of \$1.3 million and \$1.5 million, respectively, is

included in other liabilities on the balance sheet.

Note L -- Accounting for Uncertainty in Income Taxes

54

---

The Company accounts for its income tax uncertainties in accordance with ASC Topic 740, "Income Taxes."

The following table summarizes the activity related to unrecognized tax benefits, excluding the federal tax benefit of state tax deductions:

| (in thousands)                              | April 30 |      |
|---|----------|------|
|   | 2018     | 2017 |
| Change in Unrecognized Tax Benefits         |          |      |
| Balance at beginning of year                | \$28     | \$30 |
| Reductions for tax positions of prior years | —        | (2 ) |
| Acquisitions, divestures, and other         | 900      | —    |
| Balance at end of year                      | \$928    | \$28 |

The Company operates in multiple tax jurisdictions and, in the normal course of business, its tax returns are subject to examination by various taxing authorities. Such examinations may result in future assessments by these taxing authorities, and the Company has accrued a liability when it believes that it is not more likely than not that it will realize the benefits of tax positions that it has taken or for the amount of any tax benefit that exceeds the cumulative probability threshold in accordance with accounting standards. As of April 30, 2018, Federal tax years 2014 through 2017 remain subject to examination. The Company believes that adequate provisions have been made for all tax returns subject to examination. The Company is currently not under federal audit. If the liability for uncertain tax positions is released the entire amount would impact the Company's effective tax rate.

#### Note M -- Commitments and Contingencies

##### Legal Matters

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 ASC Topic 450, "Contingencies" (ASC 450), 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 consultation with independent counsel.

The Company believes that the aggregate range of loss stemming from the various suits and asserted and unasserted claims which were deemed to be either probable or reasonably possible is not material as of April 30, 2018.

##### 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:



| (in thousands)                    | APRIL 30 |          |
|-----------------------------------|----------|----------|
|                                   | 2018     | 2017     |
| <b>PRODUCT WARRANTY RESERVE</b>   |          |          |
| Beginning balance                 | \$3,262  | \$2,926  |
| Acquisition                       | 119      | —        |
| Accrual for warranties            | 21,374   | 18,552   |
| Settlements                       | (20,710) | (18,216) |
| Ending balance at fiscal year end | \$4,045  | \$3,262  |

#### Lease Agreements

The Company leases certain office buildings, manufacturing buildings, service centers and equipment. Total rental expenses under operating leases amounted to approximately \$17.0 million, \$10.9 million and \$9.8 million, in fiscal years 2018, 2017 and 2016, respectively. Minimum rental commitments as of April 30, 2018, under noncancellable leases with terms in excess of one year are as follows:

| FISCAL YEAR                                    | OPERATING<br>(in thousands) | CAPITAL<br>thousands) | (in |
|--|-----------------------------|-----------------------|-----|
| 2019   | \$ 15,536                   | \$ 2,138              |     |
| 2020   | 15,416                      | 1,889                 |     |
| 2021   | 14,132                      | 1,422                 |     |
| 2022   | 9,321                       | 750                   |     |
| 2023   | 7,410                       | 662                   |     |
| 2024 (and thereafter)                          | 32,026                      | 828                   |     |
|  | \$ 93,841                   | \$ 7,689              |     |
| Less amounts representing interest (2% - 6.5%) |                             | (444)                 | )   |
| Total obligations under capital leases         |                             | \$ 7,245              |     |

#### Related Parties

During fiscal 1985, prior to becoming a publicly held corporation, the Company entered into an agreement with a partnership which includes certain former executive officers and current significant shareholders of the Company to lease the Company's headquarters building which was constructed and is owned by the partnership. The Company has subsequently renewed this lease in accordance with Company policy and procedures which includes approval by the Board of Directors. In considering the renewal of this lease, the Company assessed the lease terms in relation to market terms for comparable properties. Based upon this review, the Company believes that the rent under the lease was in line with market rates that could be obtained at arm's length from unaffiliated third parties. In April 2017, the Company gave notice that it would be terminating the lease on May 31, 2018 and the lease was terminated on that date. Under this agreement, rental expense was \$0.5 million, \$0.5 million and \$0.5 million, in fiscal years 2018, 2017 and 2016, respectively. As of April 30, 2018 rent due during the remaining term of the lease is approximately \$43 thousand (included in the preceding table).

#### Note N -- Credit Concentration

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 bad debt 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 of 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.

At April 30, 2018, the Company's two largest customers, Customers A and B, represented 30.8% and 25.5% of the Company's gross customer receivables, respectively. At April 30, 2017, Customers A and B represented 8.2% and 20.7% of the Company's gross customer receivables, respectively.

56

---

The following table summarizes the percentage of sales to the Company's two largest customers for the last three fiscal years:

|            | PERCENT OF<br>ANNUAL GROSS<br>SALES |       |       |
|------------|-------------------------------------|-------|-------|
|            | 2018                                | 2017  | 2016  |
| Customer A | 25.4%                               | 20.7% | 23.9% |
| Customer B | 16.4%                               | 16.5% | 17.2% |

Note O -- 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 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. The Company has no Level 2 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.

The fair value measurement of assets held by the Company's defined benefit pension plans is discussed in Note J.

The Company's financial instruments include cash and equivalents, marketable securities and other investments; accounts receivable and accounts payable; and short- and long-term debt. The carrying values of cash and equivalents, accounts receivable and payable and short-term debt on the Consolidated Balance Sheets approximate their fair value due to the short maturities of these items. The following table summarizes the fair value of assets that are recorded in the Company's consolidated financial statements as of April 30, 2018 and 2017 at fair value on a recurring basis:

| FAIR VALUE<br>MEASUREMENTS AS OF<br>APRIL 30, 2018 |           |         |         |   |
|--|-----------|---------|---------|---|
| (in thousands)                                     | LEVEL 1   | LEVEL 2 | LEVEL 3 |   |
| ASSETS:  |           |         |         |   |
| Certificates of deposit                            | \$ 9,500  | \$ —    | \$ —    | — |
| Mutual funds                                       | 1,057     | —       | —       | — |
| Total assets at fair value                         | \$ 10,557 | \$ —    | \$ —    | — |

| FAIR VALUE<br>MEASUREMENTS AS OF<br>APRIL 30, 2017 |         |         |         |  |
|--|---------|---------|---------|--|
| (in thousands)                                     | LEVEL 1 | LEVEL 2 | LEVEL 3 |  |

ASSETS:

|                            |            |    |   |    |   |
|----------------------------|------------|----|---|----|---|
| Money market funds         | \$ 50,146  | \$ | — | \$ | — |
| Mutual funds               | 1,038      | —  | — | —  | — |
| Certificates of deposit    | 72,250     | —  | — | —  | — |
| Total assets at fair value | \$ 123,434 | \$ | — | \$ | — |

Note P -- Quarterly Financial Data (Unaudited)

57

---

| FISCAL 2018                              | 07/31/17  | 10/31/17  | 01/31/18  | 04/30/18  |
|--|-----------|-----------|-----------|-----------|
| (in thousands, except per share amounts) |           |           |           |           |
| Net sales                                | \$276,827 | \$274,769 | \$292,791 | \$405,887 |
| Gross profit                             | 58,494    | 57,335    | 50,379    | 89,195    |
| Income before income taxes               | 31,372    | 31,463    | 3,764     | 28,161    |
| Net income                               | 22,281    | 19,755    | 1,996     | 19,109    |
| Earnings per share                       |           |           |           |           |
| Basic                                    | \$1.37    | \$1.22    | \$0.12    | \$1.09    |
| Diluted                                  | \$1.36    | \$1.21    | \$0.12    | \$1.08    |

| FISCAL 2017                              | 07/31/16  | 10/31/16  | 01/31/17  | 04/30/17  |
|--|-----------|-----------|-----------|-----------|
| (in thousands, except per share amounts) |           |           |           |           |
| Net sales                                | \$258,150 | \$264,076 | \$249,285 | \$258,737 |
| Gross profit                             | 59,317    | 56,152    | 51,596    | 57,571    |
| Income before income taxes               | 31,960    | 28,430    | 21,773    | 26,762    |
| Net income                               | 21,661    | 17,637    | 14,553    | 17,348    |
| Earnings per share                       |           |           |           |           |
| Basic                                    | \$1.33    | \$1.08    | \$0.90    | \$1.07    |
| Diluted                                  | \$1.32    | \$1.07    | \$0.89    | \$1.06    |

#### Note Q -- Subsequent Events

On June 1, 2018, the Company implemented a reduction in force of approximately 69 employees nationwide. Severance and outplacement charges relating to the reduction in force will total approximately \$2.5 million and is expected to be completed during fiscal 2019.

In May 2018, the Company entered into 12 foreign currency contracts maturing from May 2018 to April 2019 to purchase 405.7 million Mexican pesos at exchange rates ranging from 19.51 to 20.47 Mexican pesos to the U.S. dollar. The Company does not expect to apply hedge accounting for these contracts.

Report of Independent Registered Public Accounting Firm  
To the Stockholders and Board of Directors  
American Woodmark Corporation:

#### Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of American Woodmark Corporation and subsidiaries (the Company) as of April 30, 2018 and 2017, the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the years in the three-year period ended April 30, 2018, and the related notes and financial statement schedule II (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of April 30, 2018 and 2017, and the results of their operations and their cash flows for each of the years in the three-year period ended April 30, 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 April 30, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated June 29, 2018 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

#### Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG LLP

We have served as the Company's auditor since 2004.  
McLean, Virginia  
June 29, 2018

Management's Annual Report on Internal Control over Financial Reporting

Management has responsibility for establishing and maintaining adequate internal control over financial reporting. 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 reporting purposes in accordance with U.S. generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Management has assessed the effectiveness of the Company's internal control over financial reporting as of April 30, 2018. In making its assessment, Management has utilized the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control—Integrated Framework (2013). Management concluded that based on its assessment, American Woodmark Corporation's internal control over financial reporting was effective as of April 30, 2018. Pursuant to the Securities and Exchange Commission's general guidance that an assessment of a recently acquired business may be omitted from the scope of an assessment in the year of acquisition, the scope of our assessment of the effectiveness of our internal control over financial reporting does not include internal control over financial reporting related to RSI Home Products, Inc. (RSI). RSI constituted approximately 15% of total assets and approximately 14% of total revenue included in the consolidated financial statements of the Company as of and for the year ended April 30, 2018. The Company's internal control over financial reporting as of April 30, 2018 has been audited by KPMG LLP, an independent registered public accounting firm, as stated in their report, which appears in this Annual Report on Form 10-K.

/s/ S. CARY DUNSTON

S. Cary Dunston  
Chairman and Chief Executive Officer

/s/ M. SCOTT CULBRETH

M. Scott Culbreth  
Senior Vice President and Chief Financial Officer

Report of Independent Registered Public Accounting Firm  
To the Stockholders and Board of Directors  
American Woodmark Corporation:

#### Opinion on Internal Control Over Financial Reporting

We have audited American Woodmark Corporation and subsidiaries' (the Company) internal control over financial reporting as of April 30, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of April 30, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of April 30, 2018 and 2017, the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the years in the three-year period ended April 30, 2018, and the related notes and financial statement schedule II (collectively, the consolidated financial statements), and our report dated June 29, 2018 expressed an unqualified opinion on those consolidated financial statements.

The Company acquired RSI Home Products, Inc. (RSI) during the year ended April 30, 2018, and management excluded from its assessment of the effectiveness of the Company's internal control over financial reporting as of April 30, 2018, RSI's internal control over financial reporting associated with approximately 15% of total assets and approximately 14% of total revenues included in the consolidated financial statements of the Company as of and for the year ended April 30, 2018. Our audit of internal control over financial reporting of the Company also excluded an evaluation of the internal control over financial reporting of RSI.

#### 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 Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We 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 of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included 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/ KPMG LLP  
McLean, Virginia  
June 29, 2018

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. 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 April 30, 2018. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective.

Management's Annual Report on Internal Control over Financial Reporting. Management has conducted an assessment of the Company's internal control over financial reporting as of April 30, 2018. Management's report regarding that assessment is included with the Consolidated Financial Statements included in this report under Item 8, "Financial Statements and Supplementary Data," and is incorporated in this Item by reference.

Report of Registered Public Accounting Firm. The Company's independent registered public accounting firm, KPMG LLP (KPMG), audited the Consolidated Financial Statements included in this report and has issued an audit report on the effectiveness of the Company's internal control over financial reporting. KPMG's report is included with the Consolidated Financial Statements included in this report under Item 8, "Financial Statements and Supplementary Data," and is incorporated in this Item by reference.

Changes in Internal Control over Financial Reporting. There has been no change in the Company's internal control over financial reporting during the fiscal quarter ended April 30, 2018, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. OTHER INFORMATION

None.

PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

In response to this Item, and in accordance with General Instruction G(3) of Form 10-K:

(1)the information concerning the Company's directors is set forth under the caption "Item 1 - Election of Directors - Information Regarding Nominees" in the Company's Proxy Statement for its Annual Meeting of Shareholders to be held on August 23, 2018 ("Proxy Statement") and is incorporated in this Item by reference;

(2)the information concerning the Company's executive officers is set forth under the caption "Executive Officers of the Registrant" in Part I of this report and is incorporated in this Item by reference;



(3)the information concerning compliance with Section 16(a) of the Exchange Act is set forth under the caption “Section 16(a) Beneficial Ownership Reporting Compliance” in the Proxy Statement and is incorporated in this Item by reference;

(4)the information concerning the Code of Business Conduct and Ethics governing the Company’s Chief Executive Officer, Chief Financial Officer, Controller, and Treasurer is set forth under the caption “Corporate Governance – Codes of Business Conduct and Ethics” in the Proxy Statement and is incorporated in this Item by reference;

(5)the information concerning material changes, if any, in the procedures by which security holders may recommend nominees to the Company’s Board of Directors is set forth under the caption “Corporate Governance – Procedures for Shareholder Nominations of Directors” in the Proxy Statement and is incorporated in this Item by reference; and

(6)the information concerning the Audit Committee of the Company’s Board of Directors, including the members of the Audit Committee and the Board’s determination concerning whether certain members of the Audit Committee are “audit committee financial experts” as that term is defined under Item 407(d)(5) of Regulation S-K is set forth under the captions “Corporate

Governance – Board of Directors and Committees – Audit Committee” in the Proxy Statement and is incorporated in this Item by reference.

#### Item 11. EXECUTIVE COMPENSATION

In response to this Item, and in accordance with General Instruction G(3) of Form 10-K, the information set forth under the captions “Executive Compensation,” “Report of the Compensation Committee,” “Compensation Committee Interlocks and Insider Participation,” “Company's Compensation Policies and Practices Relating to Risk Management” and “Non-Management Directors' Compensation” in the Proxy Statement is incorporated in this Item by reference.

#### Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

In response to this Item, and in accordance with General Instruction G(3) of Form 10-K, the information set forth under the caption “Security Ownership” in the Proxy Statement is incorporated in this Item by reference.

#### Equity Compensation Plans

The following table summarizes information about the Company’s equity compensation plans as of April 30, 2018:

#### Equity Compensation Plan Information

| Plan Category   | Number of securities to be issued upon exercise of outstanding options, warrants and rights |          | Weighted average exercise price of outstanding warrants and rights | Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) |
|---|---|----------|--|---|
|   | (a)   | (b)      |  |   |
| Equity compensation plans approved by security holders <sup>(1)</sup>     | —   | —        |  | 841,504   |
| Options   | 17,968  | \$ 42.23 |  | —   |
| Performance-based restricted stock units                                  | 97,651  | N/A      | <sup>(2)</sup>   | —   |
| Service-based restricted stock units                                      | 55,059  | N/A      | <sup>(2)</sup>   | —   |
| Equity compensation plans not approved by security holders <sup>(3)</sup> | —   | —        |  | —   |
| Total   | 170,678   | \$42.23  |  | 841,504   |

<sup>(1)</sup> At April 30, 2018, the Company had stock option and restricted stock unit awards outstanding under three different plans: Amended and Restated 2004 Stock Incentive Plan for Employees, 2006 Non-Employee Directors Equity Ownership Plan, and 2015 Non-Employee Directors Restricted Stock Unit Plan.

(2) Excludes exercise price for restricted stock units issued under the Amended and Restated 2004 Stock Incentive Plan for Employees, 2006 Non-Employee Directors Equity Ownership Plan and 2015 Non-Employee Directors Restricted Stock Unit Plan because they are converted into common stock on a one-for-one basis at no additional cost.

(3) The Company does not have equity compensation plans that have not been approved by the Company's security holders.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

In response to this Item, and in accordance with General Instruction G(3) of Form 10-K, the information set forth under the captions "Certain Related Party Transactions," and "Corporate Governance – Director Independence" in the Proxy Statement is incorporated in this Item by reference.

62

---

Item 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

In response to this Item, and in accordance with General Instruction G(3) of Form 10-K, the information concerning fees and services of the Company's principal accounting firm set forth under the captions "Report of the Audit Committee - Independent Auditor Fee Information" and "Report of the Audit Committee - Pre-Approval Policies and Procedures" in the Proxy Statement is incorporated in this Item by reference.

PART IV

Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a)1. Financial Statements

The following consolidated financial statements of American Woodmark Corporation are incorporated by reference to Item 8 of this report:

Consolidated Balance Sheets as of April 30, 2018 and 2017

Consolidated Statements of Income – for each year of the three-year period ended April 30, 2018.

Consolidated Statements of Comprehensive Income – for each year of the three-year period ended April 30, 2018.

Consolidated Statements of Shareholders' Equity – for each year of the three-year period ended April 30, 2018.

Consolidated Statements of Cash Flows – for each year of the three-year period ended April 30, 2018.

Notes to Consolidated Financial Statements.

Report of Independent Registered Public Accounting Firm.

Management's Annual Report on Internal Control over Financial Reporting.

Report of Independent Registered Public Accounting Firm – Internal Control over Financial Reporting.

(a)2. Financial Statement Schedules

The following financial statement schedule is filed as a part of this Form 10-K:

Schedule II – Valuation of Qualifying Accounts for each year of the three-year period ended April 30, 2018.

Schedules other than the one listed above are omitted either because they are not required or are inapplicable.

(a)3. Exhibits

2.1 Agreement and Plan of Merger, dated as of November 30, 2017, among RSI Home Products, Inc., American Woodmark Corporation, Alliance Merger Sub, Inc. and Ronald M. Simon, solely in his capacity as the Stockholder Representative (incorporated by reference to Exhibit 2.1 to the Registrant's Form 8-K as filed on December 1, 2017; Commission File No. 000-14798)

3.1 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 and restated effective August 24, 2017 (incorporated by reference to Exhibit 3.1 to the Registrant's Form 8-K as filed on May 26, 2017; Commission File No. 000-14798).

4.1 The Articles of Incorporation and Bylaws of the Registrant as currently in effect (incorporated by reference to Exhibits 3.1 and 3.2).

4.2(a) Indenture, dated as of March 16, 2015, by and among RSI Home Products, Inc., the guarantors from time to time party thereto and Wells Fargo Bank, National Association, as Trustee and Collateral Agent (incorporated by reference to Exhibit 4.2 to the Registrant's Form 10-Q for the quarter ended January 31, 2018; Commission



4.2(b) Supplemental Indenture, dated as of December 15, 2017, among RSI Home Products, Inc., the guarantors party thereto and Wells Fargo Bank, National Association, as Trustee and Collateral Agent (incorporated by reference to Exhibit 4.3 to the Registrant's Form 10-Q for the quarter ended January 31, 2018; Commission File No. 000-14798).

4.2(c) Second Supplemental Indenture, dated as of February 9, 2018, among RSI Home Products, Inc., the guarantors party thereto and Wells Fargo Bank, National Association, as Trustee and Collateral Agent (incorporated by reference to Exhibit 4.4 to the Registrant's Form 10-Q for the quarter ended January 31, 2018; Commission File No. 000-14798).

4.3 Indenture, dated as of February 12, 2018, among American Woodmark Corporation, the guarantors from time to time party thereto and Wells Fargo Bank, National Association, as Trustee (incorporated by reference to Exhibit 4.1 to the Registrant's Form 8-K as filed on February 14, 2018; Commission File No. 000-14798).

Pursuant to Regulation S-K, Item 601(b)(4)(iii), instruments that define the rights of holders of the Registrant's long-term debt securities, where the long-term debt securities authorized under each such instrument do not exceed 10% of the Registrant's total assets, have been omitted and will be furnished to the Securities and Exchange Commission upon request.

10.1 (a) Credit Agreement, dated as of December 2, 2009, between the Company and Wells Fargo Bank, N.A. (incorporated by reference to Exhibit 10.1 to the Registrant's Form 10-Q for the quarter ended October 31, 2009; Commission File No. 000-14798).

10.1 (b) Revolving Line of Credit Note, dated as of December 2, 2009, made by the Company in favor of Wells Fargo Bank, N.A. (incorporated by reference to Exhibit 10.3 to the Registrant's Form 10-Q for the quarter ended October 31, 2009; Commission File No. 000-14798).

10.1 (c) Amendment to Revolving Line of Credit Note and Credit Agreement, dated as of January 3, 2012, made by the Company in favor of Wells Fargo Bank, N.A. (incorporated by reference to Exhibit 10.1 to the Registrant's Form 10-Q for the quarter ended January 31, 2012; Commission File No. 000-14798).

10.1 (d) Second Amendment to Revolving Line of Credit Note and Credit Agreement, dated as of May 29, 2012, between the Company and Wells Fargo Bank, N.A. (incorporated by reference to Exhibit 10.1(e) of the Registrant's Form 10-K for the fiscal year ended April 30, 2012; Commission File No. 000-14798 ).

10.1 (e) Third Amendment to Revolving Line of Credit Note and Credit Agreement, dated as of March 18, 2013, between the Company and Wells Fargo Bank, N.A. (incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K as filed on March 19, 2013; Commission File No. 000-14798).

10.1 (f) Security Agreement (Financial Assets), dated as of April 26, 2012, between the Company and Wells Fargo Bank, N.A. (incorporated by reference to Exhibit 10.1 of the Registrant's Form 10-Q for the quarter ended July 31, 2012; Commission File No. 000-14798).

10.1 (g) Addendum to Security Agreement (Financial Assets), effective as of April 26, 2012, made by the Company in favor of Wells Fargo Bank, N.A. (incorporated by reference to Exhibit 10.1(i) of the Registrant's Form 10-K for the fiscal year ended April 30, 2012; Commission File No. 000-14798).

10.1 (h) Security Agreement, dated as of May 29, 2012, made by the Company in favor of Wells Fargo Bank, N.A. (incorporated by reference to Exhibit 10.1(j) of the Registrant's Form 10-K for the fiscal year ended April 30,

2012; Commission File No. 000-14798).

10.1 (i) Fifth Amendment to Revolving Line of Credit Note and Fourth Amendment to Credit Agreement, dated as of September 26, 2014, effective as of September 1, 2014, between the Company and Wells Fargo Bank, N.A. (incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K as filed on September 30, 2014; Commission File No. 000-14798).

10.1 (j) Loan Agreement, dated as of February 9, 2005, by and between the Company and the Maryland Economic Development Corporation (incorporated by reference to Exhibit 10.1(n) to the Registrant's Form 10-K for the fiscal year ended April 30, 2005; Commission File No. 000-14798).

10.1 (k) First Amendment to Loan Agreement, dated as of April 4, 2008, by and between the Company and Maryland Economic Development Corporation (incorporated by reference to Exhibit 10.1(d) to the Registrant's Form 10-K for the fiscal year ended April 30, 2008; Commission File No. 000-14798).

10.1 (l) Second Amendment to Loan Agreement, dated as of April 23, 2013, by and between the Company and Maryland Economic Development Corporation (incorporated by reference to Exhibit 10.1(k) to the Registrant's Form 10-K for the fiscal year ended April 30, 2013; Commission File No. 000-14798).

10.1 (m) Commitment Letter, dated as of November 30, 2017, among American Woodmark Corporation, Wells Fargo Bank, National Association, and Wells Fargo Securities, LLC (incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K as filed on December 1, 2017; Commission File No. 000-14798).

- 10.1(n) Credit Agreement, dated as of December 29, 2017, by and among American Woodmark Corporation, as Borrower, the Lenders referred to therein as Lenders and Wells Fargo Bank, National Association, as Administrative Agent, Swingline Lender and Issuer Lender (incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K as filed on January 5, 2018; Commission File No. 000-14798).
- 10.1(o) Collateral Agreement, dated as of December 29, 2017, by American Woodmark Corporation and certain of its subsidiaries, as Grantors, in favor of Wells Fargo Bank, National Association, as Administrative Agent (incorporated by reference to Exhibit 10.2 to the Registrant's Form 8-K as filed on January 5, 2018; Commission File No. 000-14798).
- 10.1(p) Joinder Agreement, dated as of February 12, 2018, by American Woodmark Corporation and each of its subsidiary named therein in favor of Wells Fargo Bank, National Association, as Administrative Agent, for the benefit of the Secured Parties (incorporated by reference to Exhibit 10.3 to the Registrant's Form 10-Q for the quarter ended January 31, 2018; Commission File No. 000-14798).
- 10.6 (a)(i) Lease and Agreement, dated as of November 1, 1984, between the Company and Amwood Associates (incorporated by reference to Exhibit 10.6(a) to the Registrant's Form S-1 for the fiscal year ended April 30, 1986; Commission File No. 33-6245).
- 10.6 (a)(ii) Fourth Amendment to Lease and Agreement, dated as of April 1, 2011, between the Company and Amwood Associates (incorporated by reference to Exhibit 10.6 of the Registrant's Form 10-K for the fiscal year ended April 30, 2012; Commission File No. 000-14798).
- 10.6 (b) Lease, dated as of December 15, 2000, between the Company and the Industrial Development Board of The City of Humboldt, Tennessee (incorporated by reference to Exhibit 10.6(d) to the Registrant's Form 10-K for the fiscal year ended April 30, 2001; Commission File No. 000-14798).
- 10.7 (a) Second Amended and Restated 2004 Stock Incentive Plan for Employees (incorporated by reference to Appendix A to the Registrant's DEF-14A as filed on June 28, 2013; Commission File No. 000-14798).\*
- 10.7 (b) 2006 Non-Employee Directors Equity Ownership Plan (incorporated by reference to Appendix A to the Registrant's DEF-14A as filed on July 12, 2006; Commission File No. 000-14798).\*
- 10.7 (c) Amendment to 2006 Non-Employee Directors Equity Ownership Plan, dated as of August 27, 2009 (incorporated by reference to Exhibit 10.4 to the Registrant's Form 10-Q for the quarter ended July 31, 2009; Commission File No. 000-14798).\*
- 10.7 (d) 2015 Non-Employee Directors Restricted Stock Unit Plan (incorporated by reference to Appendix A to the Registrant's Definitive Proxy Statement on Schedule 14A as filed on June 30, 2015; Commission File No. 000-14798).
- 10.8 (a) Form of Grant Letter used in connection with awards of stock options granted under the Company's Second Amended and Restated 2004 Stock Incentive Plan for Employees (incorporated by reference to Exhibit 10.5 to the Registrant's Form 8-K as filed on June 5, 2013; Commission File No. 000-14798).\*
- 10.8 (b) Form of Grant Letter used in connection with awards of service-based restricted stock units granted under the Company's Second Amended and Restated 2004 Stock Incentive Plan for Employees (incorporated by reference to Exhibit 10.6 to the Registrant's Form 8-K as filed on June 5, 2013; Commission File No.



000-14798).\*

10.8(c) Form of Grant Letter used in connection with awards of performance-based restricted stock units granted under the Company's Second Amended and Restated 2004 Stock Incentive Plan for Employees (incorporated by reference to Exhibit 10.7 to the Registrant's Form 8-K as filed on June 5, 2013; Commission File No. 000-14798).\*

10.8(d) Form of Grant Letter used in connection with restricted stock unit awards granted under the Company's Second Amended and Restated 2004 Stock Incentive Plan for Employees (incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K as filed on June 10, 2016; Commission File No. 000-14798).\*

10.8(e) Employment Agreement for Mr. M. Scott Culbreth (incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K as filed on August 27, 2014; Commission File No. 000-14798).\*

10.8(f) Employment Agreement for Mr. R. Perry Campbell (incorporated by reference to Exhibit 10.2 to the Registrant's Form 8-K as filed on August 27, 2014; Commission File No. 000-14798).\*

10.8(g) Employment Agreement for Mr. S. Cary Dunston (incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K as filed on August 31, 2015; Commission File No. 000-14798).\*

10.8(h) Letter of Understanding for Mr. Kent Guichard (incorporated by reference to Exhibit 10.2 to the Registrant's Form 8-K as filed on August 31, 2015; Commission File No. 000-14798).\*

10.8(i) Employment Agreement for Mr. Robert Adams (incorporated by reference to Exhibit 10.3 to the Registrant's Form 8-K as filed on August 31, 2015; Commission File No. 000-14798).\*

- 10.10  
(a) Promissory Note, dated July 30, 1998, made by the Company in favor of Amende Cabinet Corporation, a wholly owned subsidiary of the Company (incorporated by reference to Exhibit 10.10(f) to the Registrant's Form 10-K for the fiscal year ended April 30, 1999; Commission File No. 000-14798).
- 10.10  
(b) Loan Agreement, dated as of December 31, 2001, between the Company and Amende Cabinet Corporation, a wholly owned subsidiary of the Company (incorporated by reference to Exhibit 10.10(k) to the Registrant's Form 10-K for the fiscal year ended April 30, 2002; Commission File No. 000-14798).
- 10.10  
(c) Equipment Lease, dated as of June 30, 2004, between the Company and the West Virginia Economic Development Authority (incorporated by reference to Exhibit 10.1(l) to the Registrant's Form 10-Q for the quarter ended July 31, 2004; Commission File No. 000-14798).
- 10.10  
(d) West Virginia Facility Lease, dated as of July 30, 2004, between the Company and the West Virginia Economic Development Authority (incorporated by reference to Exhibit 10.1(m) to the Registrant's Form 10-Q for the quarter ended July 31, 2004; Commission File No. 000-14798).
- 10.11 2016 Employee Stock Incentive Plan (incorporated by reference to Exhibit A to the Registrant's Definitive Proxy Statement on Schedule 14A as filed on June 29, 2016; Commission File No. 000-14798).
- 10.11(a) Form of Grant Letter used in connection with awards of service-based restricted stock units granted under the Company's 2016 Employee Stock Incentive Plan (incorporated by reference to Exhibit 10.1(a) to the Registrant's Form 10-Q for the quarter ended July 31, 2017; Commission File No. 000-14798).\*
- 10.11(b) Form of Grant Letter used in connection with awards of performance-based restricted stock units granted under the Company's 2016 Employee Stock Incentive Plan (incorporated by reference to Exhibit 10.1(b) to the Registrant's Form 10-Q for the quarter ended July 31, 2017; Commission File No. 000-14798).\*
- 10.11(c) Form of Grant Letter used in connection with awards of cultural-based restricted stock units granted under the Company's 2016 Employee Stock Incentive Plan (incorporated by reference to Exhibit 10.1(c) to the Registrant's Form 10-Q for the quarter ended July 31, 2017; Commission File No. 000-14798).\*
- 10.12 Shareholders Agreement, dated as of November 30, 2017, by and among American Woodmark Corporation and the shareholders party thereto (incorporated by reference to Exhibit 10.4 to the Registrant's Form 10-Q for the quarter ended January 31, 2018; Commission File No. 000-14798).
- 21 Subsidiary of the Company (Filed Herewith).
- 23.1 Consent of KPMG LLP, Independent Registered Public Accounting Firm (Filed Herewith).
- 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 Annual Report on Form 10-K for the year ended April 30, 2018 formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Comprehensive Income (Loss); (iv) Consolidated Statements of Shareholders' Equity, (v) Consolidated Statements of Cash Flows, and (vi) Notes to Consolidated Financial Statements (Filed Herewith).

\*Management contract or compensatory plan or arrangement.

## Schedule II - Valuation and Qualifying Accounts

AMERICAN WOODMARK CORPORATION  
(In Thousands)

| Description (a)                          | Balance at<br>Beginning<br>of Year | Additions<br>(Reductions)<br>Charged to<br>Cost and<br>Expenses | Other      | Deductions | Balance<br>at End<br>of Year |
|--|------------------------------------|---|------------|------------|------------------------------|
| Year ended April 30, 2018:               |                                    |   |            |            |                              |
| Allowance for doubtful accounts          | \$ 148                             | \$ 169  | \$78       | \$(136)    | (b)\$259                     |
| Reserve for cash discounts               | \$ 979                             | \$ 11,999   | (c)\$584   | \$(11,935) | (d)\$1,627                   |
| Reserve for sales returns and allowances | \$ 2,131                           | \$ 11,318   | (c)\$1,829 | \$(10,897) | \$ 4,381                     |
| Year ended April 30, 2017:               |                                    |   |            |            |                              |
| Allowance for doubtful accounts          | \$ 171                             | \$ 200  | \$—        | \$(223)    | (b)\$148                     |
| Reserve for cash discounts               | \$ 827                             | \$ 10,027   | (c)\$—     | \$(9,875)  | (d)\$979                     |
| Reserve for sales returns and allowances | \$ 1,782                           | \$ 7,962  | (c)\$—     | \$(7,613)  | \$ 2,131                     |
| Year ended April 30, 2016:               |                                    |   |            |            |                              |
| Allowance for doubtful accounts          | \$ 173                             | \$ 108  | \$—        | \$(110)    | (b)\$171                     |
| Reserve for cash discounts               | \$ 746                             | \$ 9,570  | (c)\$—     | \$(9,489)  | (d)\$827                     |
| Reserve for sales returns and allowances | \$ 1,594                           | \$ 7,833  | (c)\$—     | \$(7,645)  | \$ 1,782                     |

(a) All reserves relate to accounts receivable.

(b) Principally write-offs, net of collections.

(c) Reduction of gross sales.

(d) Cash discounts granted.

## 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.

American Woodmark Corporation  
(Registrant)

June 29, 2018 /s/ S. CARY DUNSTON  
S. Cary Dunston  
Chairman and Chief Executive Officer

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.

June 29,  
2018 /s/ S. CARY DUNSTON  
  
S. Cary Dunston Chairman and Chief Executive  
Officer (Principal Executive Officer) Director

June 29,  
2018 /s/ M. SCOTT CULBRETH  
  
M. Scott Culbreth  
Senior Vice President and Chief  
Financial Officer  
(Principal Financial Officer and  
Principal Accounting Officer)

June 29,  
2018 /s/ ANDREW B. COGAN  
  
Andrew B. Cogan  
Director

June 29,  
2018 /s/ JAMES G. DAVIS, JR.  
  
James G. Davis, Jr.  
Director

June 29,  
2018 /s/ MARTHA M. HAYES  
  
Martha M. Hayes  
Director

June 29,  
2018 /s/ DANIEL T. HENDRIX  
  
Daniel T. Hendrix  
Director

June 29,  
2018 /s/ CAROL B. MOERDYK  
  
Carol B. Moerdyk  
Director

June 29,  
2018 /s/ DAVID W. MOON  
  
David W. Moon  
Director

June 29,  
2018 /s/ VANCE W. TANG  
  
Vance W. Tang  
Director

In accordance with Securities and Exchange Commission requirements, the Company will furnish copies of all exhibits to its Form 10-K not contained herein upon receipt of a written request and payment of \$0.10 per page to:

Mr. Kevin Dunnigan  
Treasury Director  
American Woodmark Corporation  
P.O. Box 1980  
Winchester, Virginia 22604-8090

68