

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

**FORM 10-Q**

(Mark One)

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

**For the quarterly period ended March 31, 2022**

**or**

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

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission File Number: 000-20278**

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

**Delaware**

**(State or other jurisdiction of  
incorporation or organization)**

**75-2274963**

**(I.R.S. Employer  
Identification No.)**

**1329 Millwood Road**

**McKinney Texas**

**(Address of principal executive offices)**

**75069**

**(Zip Code)**

**Registrant's telephone number, including area code: (972) 562-9473**

**N/A**

**(Former name, former address and former fiscal year, if changed since last report)**

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$.01 per share	WIRE	The NASDAQ Global Select Market

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

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

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

Large accelerated Filer ☒ Accelerated filer ☐

Non-accelerated filer ☐ Smaller reporting company ☐

Emerging growth company ☐

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

Number of shares of Common Stock, par value \$0.01, outstanding as of April 27, 2022: 19,727,671

**ENCORE WIRE CORPORATION**  
**FORM 10-Q**  
**FOR THE QUARTER ENDED MARCH 31, 2022**

**Table of Contents**

	<u>Page No.</u>
<b>PART I—FINANCIAL INFORMATION</b>	
Item 1. Financial Statements	
Balance Sheets - March 31, 2022 (Unaudited) and December 31, 2021	1
Statements of Income - Quarter Ended March 31, 2022 and 2021 (Unaudited)	2
Statements of Stockholders' Equity - Quarter Ended March 31, 2022 and 2021 (Unaudited)	3
Statements of Cash Flow - Quarter Ended March 31, 2022 and 2021 (Unaudited)	4
Notes to Financial Statements	5
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	8
Item 3. Quantitative and Qualitative Disclosures About Market Risk	11
Item 4. Controls and Procedures	11
<b>PART II—OTHER INFORMATION</b>	
Item 1. Legal Proceedings	12
Item 1A. Risk Factors	12
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	12
Item 6. Exhibits	13
Signatures	14

# **PART I—FINANCIAL INFORMATION**

## **Item 1. Financial Statements.**

### Encore Wire Corporation Balance Sheets (In thousands, except share and per share data)

	March 31, 2022	December 31, 2021
	(Unaudited)	(Audited)
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 466,094	\$ 438,990
Accounts receivable, net of allowance of \$3,800 and \$3,800	549,404	491,126
Inventories, net	116,331	100,816
Income tax receivable	—	951
Prepaid expenses and other	3,391	3,167
Total current assets	1,135,220	1,035,050
Property, plant and equipment, net	524,465	494,916
Other assets	539	570
Total assets	<u>\$ 1,660,224</u>	<u>\$ 1,530,536</u>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Trade accounts payable	\$ 73,189	\$ 75,353
Accrued liabilities	61,525	78,747
Income taxes payable	48,393	—
Total current liabilities	183,107	154,100
Deferred income taxes and other	33,180	37,347
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$.01 par value:		
Authorized shares – 2,000,000; none issued	—	—
Common stock, \$.01 par value:		
Authorized shares – 40,000,000;		
Issued shares – 27,127,850 and 27,083,100	271	271
Additional paid-in capital	74,847	72,753
Treasury stock, at cost – 7,445,179 and 6,944,262 shares	(213,397)	(155,014)
Retained earnings	1,582,216	1,421,079
Total stockholders' equity	1,443,937	1,339,089
Total liabilities and stockholders' equity	<u>\$ 1,660,224</u>	<u>\$ 1,530,536</u>

*See accompanying notes.*

Encore Wire Corporation  
Statements of Income  
(In thousands, except per share data)

	Quarter Ended March 31,	
	2022	2021
	(Unaudited)	
Net sales	\$ 723,072	\$ 444,140
Cost of goods sold	479,325	359,636
Gross profit	243,747	84,504
Selling, general, and administrative expenses	36,212	31,152
Operating income	207,535	53,352
Net interest and other income	115	25
Income before income taxes	207,650	53,377
Provision for income taxes	46,119	12,188
Net income	\$ 161,531	\$ 41,189
Earnings per common and common equivalent share – basic	\$ 8.08	\$ 2.00
Earnings per common and common equivalent share – diluted	\$ 7.96	\$ 1.99
Weighted average common and common equivalent shares outstanding – basic	20,003	20,568
Weighted average common and common equivalent shares outstanding – diluted	20,302	20,719
Cash dividends declared per share	\$ 0.02	\$ 0.02

*See accompanying notes.*

Encore Wire Corporation  
Statements of Stockholders' Equity  
(In thousands, except per share data)

<b>2022</b> (Unaudited)	Common Stock		Additional Paid-In Capital	Treasury Stock		Retained Earnings	Total Stockholders' Equity
	Shares	Amount		Shares	Amount		
Balance at December 31, 2021	27,083	\$ 271	\$ 72,753	(6,944)	\$(155,014)	\$1,421,079	\$ 1,339,089
Net income	—	—	—	—	—	161,531	161,531
Exercise of stock options	3	—	155	—	—	—	155
Stock-based compensation	42	—	1,939	—	—	—	1,939
Dividend declared—\$0.02 per share	—	—	—	—	—	(394)	(394)
Purchase of treasury stock	—	—	—	(501)	(58,383)	—	(58,383)
Balance at March 31, 2022	27,128	\$ 271	\$ 74,847	(7,445)	\$(213,397)	\$1,582,216	\$ 1,443,937

<b>2021</b> (Unaudited)	Common Stock		Additional Paid-In Capital	Treasury Stock		Retained Earnings	Total Stockholders' Equity
	Shares	Amount		Shares	Amount		
Balance at December 31, 2020	27,025	\$ 270	\$ 67,885	(6,468)	\$(111,718)	\$ 881,292	\$ 837,729
Net income	—	—	—	—	—	41,189	41,189
Exercise of stock options	3	—	155	—	—	—	155
Stock-based compensation	13	—	737	—	—	—	737
Dividend declared—\$0.02 per share	—	—	—	—	—	(413)	(413)
Balance at March 31, 2021	27,041	\$ 270	\$ 68,777	(6,468)	\$(111,718)	\$ 922,068	\$ 879,397

See accompanying notes.

Encore Wire Corporation  
Statements of Cash Flow  
(In thousands)

	Quarter Ended March 31,	
	2022	2021
	(Unaudited)	
Operating Activities:		
Net income	\$ 161,531	\$ 41,189
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	6,210	5,300
Deferred income taxes	(3,224)	(2,276)
Stock-based compensation attributable to equity awards	1,939	737
Other	186	48
Changes in operating assets and liabilities:		
Accounts receivable	(58,278)	(72,928)
Inventories	(15,515)	1,979
Other assets	(252)	907
Trade accounts payable and accrued liabilities	(24,234)	9,753
Current income taxes receivable / payable	49,344	14,446
Net cash provided by (used in) operating activities	117,707	(845)
Investing Activities:		
Purchases of property, plant and equipment	(31,972)	(26,504)
Proceeds from sale of assets	—	—
Net cash used in investing activities	(31,972)	(26,504)
Financing Activities:		
Deferred financing fees	—	(550)
Purchase of treasury stock	(58,383)	—
Proceeds from issuance of common stock, net	155	155
Dividends paid	(403)	(411)
Net cash used in financing activities	(58,631)	(806)
Net increase (decrease) in cash and cash equivalents		
Cash and cash equivalents at beginning of period	438,990	183,123
Cash and cash equivalents at end of period	\$ 466,094	\$ 154,968

*See accompanying notes.*

ENCORE WIRE CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Unaudited)  
March 31, 2022

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

*Basis of Presentation*

The unaudited financial statements of Encore Wire Corporation (the “Company”) have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim information and the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete annual financial statements. In the opinion of management, all adjustments, consisting only of normal recurring adjustments considered necessary for a fair presentation, have been included. Results of operations for interim periods presented do not necessarily indicate the results that may be expected for the entire year. These financial statements should be read in conjunction with the audited financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2021.

In March 2020, the World Health Organization declared COVID-19 a global pandemic and recommended containment and mitigation measures worldwide. The Company is unable to predict the impact that COVID-19, or any ongoing variants, may have on our financial position and operating results in future periods. The duration or re-emergence of the outbreak and its long-term impact on our business remain uncertain.

*Revenue Recognition*

Our revenue is derived by fulfilling customer orders for the purchase of our products, which include electrical building wire and cable. We recognize revenue at the point in time that control of the ordered products is transferred to the customer, which is typically upon shipment to the customer from our manufacturing facilities and based on agreed upon shipping terms on the related purchase order. Amounts billed and due from our customers are classified as accounts receivables on the balance sheet and require payment on a short-term basis through standard payment terms.

Revenue is measured as the amount of consideration we expect to receive in exchange for fulfilling product orders. The amount of consideration we expect to receive and revenue we recognize includes estimates for trade payment discounts and customer rebates which are estimated using historical experience and other relevant factors and is recorded within the same period that the revenue is recognized. We review and update these estimates regularly and the impact of any adjustments are recognized in the period the adjustments are identified. The adjustments resulting from updated estimates of trade payment discounts and customer rebates were not material.

*Recent Accounting Pronouncements*

The Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) is the sole source of authoritative U.S. GAAP, along with the Securities and Exchange Commission (“SEC”) and Public Company Accounting Oversight Board (“PCAOB”) issued rules and regulations that apply only to SEC registrants. The FASB issues an Accounting Standard Update (“ASU”) to communicate changes to the codification. The Company considers the applicability and impact of all ASUs. No new standards have been adopted in 2022.

NOTE 2 – INVENTORIES

Inventories are stated at the lower of cost, determined by the last-in, first-out (LIFO) method, or market.

Inventories consist of the following:

In Thousands	March 31, 2022	December 31, 2021
Raw materials	\$ 43,063	\$ 54,012
Work-in-process	46,150	40,422
Finished goods	156,977	123,401
Total Inventory at FIFO cost	246,190	217,835
Adjust to LIFO cost	(129,859)	(117,019)
Inventory, net	\$ 116,331	\$ 100,816

Inventories are stated at the lower of cost, using the last-in, first out (“LIFO”) method, or market. The Company maintains two inventory pools for LIFO purposes. As permitted by U.S. GAAP, the Company maintains its inventory costs and cost of goods sold on a first-in, first-out (“FIFO”) basis and makes a monthly adjustment to adjust total inventory and cost of goods sold from FIFO to LIFO. The Company applies the lower of cost or market (“LCM”) test by comparing the LIFO cost of its raw materials, work-in-process and finished goods inventories to estimated market values, which are based primarily upon the most recent quoted market price of copper and other material prices as of the end of each reporting period. The Company performs a lower of cost or market calculation quarterly. As of March 31, 2022, no LCM adjustment was required. However, decreases in copper and other material prices could necessitate establishing an LCM reserve in future periods. Additionally, future reductions in the quantity of inventory on hand could cause copper or other raw materials that are carried in inventory at costs different from the cost of copper and other raw materials in the period in which the reduction occurs to be included in costs of goods sold for that period at the different price.

In the first quarter of 2022, LIFO adjustments were recorded, increasing cost of sales by \$12.8 million, compared to LIFO adjustments increasing cost of sales by \$22.0 million in the first quarter of 2021.

### NOTE 3 - PROPERTY, PLANT and EQUIPMENT

Property, plant and equipment consists of the following:

In Thousands	March 31, 2022	December 31, 2021
Land and land improvements	\$ 72,897	\$ 72,897
Construction-in-progress	120,090	92,414
Buildings and improvements	219,752	217,985
Machinery and equipment	368,463	362,996
Furniture and fixtures	14,056	13,805
Property, plant and equipment, gross	795,258	760,097
Accumulated depreciation	(270,793)	(265,181)
Property, plant and equipment, net	\$ 524,465	\$ 494,916

In the first quarter of 2022, depreciation expense was \$6.2 million, compared to \$5.3 million in the first quarter of 2021.

### NOTE 4 – ACCRUED LIABILITIES

Accrued liabilities consist of the following:

In Thousands	March 31, 2022	December 31, 2021
Sales rebates payable	\$ 29,883	\$ 40,657
SAR Liability	14,571	22,095
Property taxes payable	1,263	5,018
Accrued salaries	7,401	4,778
Other accrued liabilities	8,407	6,199
Total accrued liabilities	\$ 61,525	\$ 78,747

### NOTE 5 – INCOME TAXES

Income taxes were accrued at an effective rate of 22.2% in the first quarter of 2022 versus 22.8% in the first quarter of 2021, consistent with the Company’s estimated liabilities. In all periods, the differences between the provisions for income taxes and the income taxes computed using the federal income tax statutory rate are due primarily to the incremental taxes accrued for state and local taxes.

### NOTE 6 – EARNINGS PER SHARE

Earnings per common and common equivalent share are computed using the weighted average number of shares of common stock and common stock equivalents outstanding during each period. If dilutive, the effect of stock awards, treated as common stock equivalents, is calculated using the treasury stock method.



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

In Thousands	Quarter Ended March 31,	
	2022	2021
Numerator:		
Net income	\$ 161,531	\$ 41,189
Denominator:		
Denominator for basic earnings per share – weighted average shares	20,003	20,568
Effect of dilutive securities:		
Employee stock awards	299	151
Denominator for diluted earnings per share – weighted average shares	20,302	20,719

There were no anti-dilutive employee stock awards excluded from the determination of diluted earnings per common and common equivalent shares for the first quarter of 2022 or 2021.

#### NOTE 7 – DEBT

On February 9, 2021, the Company terminated its previous credit agreement and entered into a new Credit Agreement (the “2021 Credit Agreement”) with two banks, Bank of America, N.A., as administrative agent and letter of credit issuer, and Wells Fargo Bank, National Association, as syndication agent. The 2021 Credit Agreement extends through February 9, 2026 and provides for maximum borrowings of \$200.0 million. At our request, and subject to certain conditions, the commitments under the 2021 Credit Agreement may be increased by a maximum of up to \$100.0 million as long as existing or new lenders agree to provide such additional commitments. Borrowings under the line of credit bear interest, at the Company’s option, at either (1) LIBOR plus a margin that varies from 1.000% to 1.875% depending upon the Leverage Ratio (as defined in the 2021 Credit Agreement), or (2) the base rate (which is the highest of the federal funds rate plus 0.5%, the prime rate, or LIBOR plus 1.0%) plus 0% to 0.375% (depending upon the Leverage Ratio). A commitment fee ranging from 0.200% to 0.325% (depending upon the Leverage Ratio) is payable on the unused line of credit. At March 31, 2022, there were no borrowings outstanding under the 2021 Credit Agreement, and letters of credit outstanding in the amount of \$0.6 million left \$199.4 million of credit available under the 2021 Credit Agreement. Obligations under the 2021 Credit Agreement are the only contractual borrowing obligations or commercial borrowing commitments of the Company. The 2021 Credit Agreement contains provisions to replace LIBOR with a replacement rate as described in the 2021 Credit Agreement.

Obligations under the 2021 Credit Agreement are unsecured and contain customary covenants and events of default. The Company was in compliance with the covenants as of and for the period ended March 31, 2022.

#### NOTE 8 – STOCKHOLDERS’ EQUITY

On November 10, 2006, the Board of Directors approved a stock repurchase program authorizing the Company to repurchase up to an authorized number of shares of its common stock from time to time in open market or private transactions, at the Company’s discretion. This authorization originally expired on December 31, 2007, and the Company’s Board of Directors has authorized several increases and annual extensions of this stock repurchase program, most recently on February 14, 2022, authorizing the repurchase of up to 2,000,000 shares of our common stock. As of March 31, 2022, 1,499,083 shares remained authorized for repurchase through March 31, 2023. The Company repurchased 500,917 shares of its stock in the three months ended March 31, 2022 compared to zero shares in the three months ended March 31, 2021.

#### NOTE 9 - CONTINGENCIES

There are no material pending proceedings to which the Company is a party or to which any of its property is subject. However, the Company is from time to time involved in litigation, certain other claims and arbitration matters arising in the ordinary course of its business.

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

Encore believes it is a low-cost manufacturer of electrical building wire and cable. The Company is a significant supplier of building wire for interior electrical wiring in commercial and industrial buildings, homes, apartments, and manufactured housing.

As discussed in Note 1, in the notes to the financial statements, the duration or re-emergence of the COVID-19, or any of its ongoing variants, outbreak and their long-term impact on our business remain uncertain. Developments surrounding COVID-19, and any of the ongoing variants, continue to change, and we have limited visibility into the extent to which market demand for our products, as well as sector manufacturing and distribution capacity, will be impacted.

The Company's operating results in any given period are driven by several key factors, including the volume of product produced and shipped, the cost of copper and other raw materials, the competitive pricing environment in the wire industry and the resulting influence on gross margin and the efficiency with which the Company's plants operate during the period, among others. Price competition for electrical wire and cable is intense, and the Company sells its products in accordance with prevailing market prices. Copper, a commodity product, is the principal raw material used by the Company in manufacturing its products. The price of copper fluctuates depending on general economic conditions and in relation to supply and demand and other factors, which causes monthly variations in the cost of the Company's purchased copper. Additionally, the SEC allows shares of certain physically backed copper exchange-traded funds ("ETFs") to be listed and publicly traded. Such funds and other copper ETFs like them hold copper cathode as collateral against their shares. The acquisition of copper cathode by copper ETFs may materially decrease or interrupt the availability of copper for immediate delivery in the United States, which could materially increase the Company's cost of copper. In addition to raising copper prices and potential supply shortages, we believe that ETFs and similar copper-backed derivative products could lead to increased price volatility for copper. The Company cannot predict copper prices or the effect of fluctuations in the cost of copper on the Company's future operating results. Wire prices can, and frequently do, change on a daily basis. This competitive pricing market for wire does not always mirror changes in copper prices, making margins highly volatile. With the volatility of both raw material prices and wire prices in the Company's end market, hedging raw materials can be risky. Historically, the Company has not engaged in hedging strategies for raw material purchases. The tables below highlight the range of closing prices of copper on a per pound basis on the Comex exchange for the periods shown.

### COMEX COPPER CLOSING PRICE 2022

	January 2022	February 2022	March 2022	Quarter Ended March 31, 2022
High	\$ 4.58	\$ 4.66	\$ 4.93	\$ 4.93
Low	4.30	4.43	4.50	4.30
Average	4.43	4.50	4.68	4.55

### COMEX COPPER CLOSING PRICE 2021

	January 2021	February 2021	March 2021	Quarter Ended March 31, 2021
High	\$ 3.70	\$ 4.30	\$ 4.23	\$ 4.30
Low	3.55	3.54	3.98	3.54
Average	3.62	3.86	4.09	3.87

The following discussion and analysis relate to factors that have affected the operating results of the Company for the quarters and three months ended March 31, 2022 and 2021. Reference should also be made to the audited financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2021.

## Results of Operations

### Quarter Ended March 31, 2022 Compared to Quarter Ended March 31, 2021

Net sales were \$723.1 million in the first quarter of 2022 compared to \$444.1 million in the first quarter of 2021. The increase in net sales dollars is the result of a 43.3% increase in the average selling price of copper wire and an 8.6% increase in copper wire unit volume shipped. Unit volume is measured in pounds of copper contained in the wire shipped during the period. Fluctuations in selling prices are primarily a result of changing prices for copper and other raw materials and product price competition. The average cost per pound of raw copper purchased increased 19.3% in the first quarter of 2022 compared to the first quarter of 2021 and was a driver of the increased average selling price of copper wire.

Cost of goods sold was \$479.3 million, or 66.3% of net sales, in the first quarter of 2022, compared to \$359.6 million, or 81.0% of net sales, in the first quarter of 2021. Gross profit increased to \$243.7 million, or 33.7% of net sales, in the first quarter of 2022 from \$84.5 million, or 19.0% of net sales, in the first quarter of 2021.

The increase in gross profit margin was the result of an 8.6% increase in copper unit volume and an 86.1% increase in the spread between the average price paid for a pound of raw copper and the average selling price for a pound of copper contained in finished wire in the first quarter of 2022 when compared to the first quarter of 2021. The spread increased as a result of the average selling price per pound of copper sold in the first quarter of 2022 increasing 43.3% while the per pound cost of raw copper purchased increased 19.3% in the same period compared to the first quarter of 2021. The percentage change on sales is on a higher nominal dollar amount than on purchases and, therefore, spreads change on a nominal dollar basis.

Total raw materials cost as a percentage of sales decreased to 59.3% in the first quarter of 2022, from 71.6% in the first quarter of 2021. Overhead costs decreased to 7.0% of net sales in the first quarter of 2022, from 9.4% of net sales in the first quarter of 2021. Overheads contain some fixed and semi-fixed components which do not fluctuate as much as sales dollars fluctuate.

Selling expenses, consisting of commissions and freight, for the first quarter of 2022 were \$31.0 million, or 4.3% of net sales, compared to \$20.7 million, or 4.7% of net sales, in the first quarter of 2021. Commissions paid to independent manufacturers' representatives are paid as a relatively stable percentage of sales dollars and, therefore, exhibited little change as a percentage of sales. Freight costs decreased to 1.9% of net sales in the first quarter of 2022 from 2.2% of net sales in the first quarter of 2021. General and administrative ("G&A") expenses for the first quarter of 2022 were \$5.2 million, or 0.7% of net sales, compared to \$10.5 million, or 2.4% of net sales, in the first quarter of 2021. The G&A expense reduction was primarily due to decreased stock compensation expense associated with our stock appreciation rights as our stock price decreased from \$143.10 on December 31, 2021 to \$114.07 on March 31, 2022.

## Liquidity and Capital Resources

The Company maintains a substantial inventory of finished products to satisfy customers' delivery requirements promptly. As is customary in the building wire industry, the Company provides payment terms to most of its customers that exceed terms that it receives from its suppliers. Copper suppliers generally give very short payment terms (less than 15 days) while the Company and the building wire industry give customers much longer terms. In general, the Company's standard payment terms result in the collection of a significant majority of net sales within approximately 75 days of the date of invoice. As a result of this timing difference, building wire companies must have sufficient cash and access to capital resources to finance their working capital needs, thereby creating a barrier to entry for companies who do not have sufficient liquidity and capital resources. The two largest components of working capital, receivables and inventory, and to a lesser extent, capital expenditures, are the primary drivers of the Company's liquidity needs. Generally, these needs will cause the Company's cash balance to rise and fall inversely to the receivables and inventory balances. The Company's receivables and inventories will rise and fall in concert with several factors, most notably the price of copper and other raw materials and the level of unit sales. Capital expenditures have historically been necessary to expand and update the production capacity of the Company's manufacturing operations. The Company has historically satisfied its liquidity and capital expenditure needs with cash generated from operations and borrowings under its various debt arrangements. The Company historically uses its revolving credit facility to manage day to day operating cash needs as required by daily fluctuations in working capital and has the facility in place should such a need arise in the future. We believe that the Company has sufficient liquidity, and will continue to have sufficient liquidity beyond the short-term outlook, and do not believe COVID-19, or any of the ongoing variants, will materially impact our liquidity, but we continue to assess COVID-19, and any ongoing variants, and their impact on our business, including on our customer base and suppliers.

For more information on the Company's revolving credit facility, see Note 7 to the Company's financial statements included in Item 1 to this report, which is incorporated herein by reference.

Cash provided by operating activities was \$117.7 million in the first three months of 2022 compared to cash used of \$0.8 million in the first three months of 2021. The following changes in components of cash flow from operations were notable. The Company had net income of \$161.5 million in the first three months of 2022 compared to net income of \$41.2 million in the first three months of 2021. Accounts receivable increased \$58.3 million in the first three months of 2022 compared to increasing \$72.9 million in the first three months of 2021. Accounts receivable generally fluctuate in proportion to dollar sales and, to a lesser extent, are affected by the timing of when sales occur during a given quarter. With an average of 60 to 75 days of sales outstanding, quarters in which sales are more back-end loaded will have higher accounts receivable balances outstanding at quarter-end. Inventory, net increased \$15.5 million in the first three months of 2022 compared to decreasing \$2.0 million in the first three months of 2021. Trade accounts payable and accrued liabilities negatively impacted cash by \$24.2 million in the first three months of 2022 versus favorably impacting cash by \$9.8 million in the first three months of 2021. In the first three months of 2022, changes in current and deferred taxes favorably impacted cash by \$46.1 million versus \$12.2 million of favorable impact in the first three months of 2021. These changes in cash flow were the primary drivers of the \$118.6 million increase in positive cash flow provided by operations in the first three months of 2022 compared to the first three months of 2021.

Cash used in investing activities increased to \$32.0 million in the first three months of 2022 from \$26.5 million in the first three months of 2021 due to higher capital expenditures on plant and equipment, among other factors.

Cash used in financing activities in the first three months of 2022 consisted of \$58.4 million paid to purchase our own stock, \$0.4 million of cash dividends paid, and \$0.2 million of proceeds from exercised stock options. These activities in cash flow used \$58.6 million cash in financing activities for the first three months of 2022 compared to \$0.8 million used in the first three months of 2021. For the quarter ended March 31, 2022 and 2021, the Company did not access its revolving line of credit.

The Company's cash balance was \$466.1 million at March 31, 2022 versus \$155.0 million at March 31, 2021.

During the remainder of 2022, the Company expects its capital expenditures will consist primarily of expenditures related to the purchases of manufacturing equipment throughout its facilities to update equipment and the previously-announced expansion plans which remain on schedule. The repurposing of our vacated distribution center to expand manufacturing capacity and extend our market reach will be completed in the second quarter of 2022. The incremental investments announced in July 2021 continue in earnest, focused on broadening our position as a low-cost, sustainable manufacturer in the sector and increasing manufacturing capacity to drive growth. Capital spending in 2022 through 2024 will expand vertical integration in our manufacturing processes to reduce costs as well as modernize select wire manufacturing facilities to increase capacity and efficiency, and improve our position as a sustainable and environmentally responsible leader in our industry. Total capital expenditures were \$118 million in 2021. We expect total capital expenditures to range from \$150 - \$170 million in 2022, \$150 - \$170 million in 2023, and \$80 - \$100 million in 2024. We expect to continue to fund these investments with existing cash reserves and operating cash flows.

### **Critical Accounting Estimates and Policies**

Management's discussion and analysis of its financial condition and results of operations are based upon the Company's financial statements, which have been prepared in accordance with U.S. GAAP. The Company's unaudited financial statements are impacted by the accounting policies used and the estimates and assumptions made by management in their preparation. See Note 1 to the notes to the financial statements for information on the Company's significant accounting policies.

As of March 31, 2022, there have been no significant changes to the Company's critical accounting policies and related estimates previously disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2021.

## **Information Regarding Forward-Looking Statements**

This quarterly report on Form 10-Q contains various “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements can be identified by words such as: “anticipate”, “intend”, “plan”, “goal”, “seek”, “believe”, “project”, “estimate”, “expect”, “strategy”, “future”, “likely”, “may”, “should”, “will” and similar references to future periods. Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based only on our current beliefs, expectations and assumptions regarding the future of our business, future plans and strategies, projections, anticipated events and trends, the economy and other future conditions. Because forward-looking statements relate to the future, such statements are subject to certain risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated or projected. Therefore, you should not rely on any of these forward-looking statements. Examples of such uncertainties and risks include, but are not limited to, statements about the pricing environment of copper, aluminum and other raw materials, the duration, magnitude and impact of the ongoing COVID-19 global pandemic, along with any ongoing variants, our order fill rates, profitability and stockholder value, payment of future dividends, future purchases of stock, the impact of competitive pricing and other risks detailed from time to time in the Company’s reports filed with the Securities and Exchange Commission (the “SEC”). Actual results may vary materially from those anticipated. Any forward-looking statement made by us in this report is based only on information currently available to us and speaks only as of the date on which it is made. We undertake no obligation to publicly update any forward-looking statement, whether written or oral, that may be made from time to time, whether as a result of new information, future developments or otherwise. For more information regarding “forward-looking statements,” see “Information Regarding Forward-Looking Statements” in Part II, Item 7 of the Company’s Annual Report on Form 10-K for the year ended December 31, 2021, which is hereby incorporated by reference.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

There have been no material changes from the information provided in Item 7A, “Quantitative and Qualitative Disclosures About Market Risk,” of the Company’s Annual Report on Form 10-K for the year ended December 31, 2021.

### **Item 4. Controls and Procedures.**

The Company maintains controls and procedures designed to ensure that information required to be disclosed by it in the reports it files with or submits to the SEC is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and to ensure that information required to be disclosed by the Company in such reports is accumulated and communicated to the Company’s management, including the Chief Executive and Chief Financial Officers, as appropriate, to allow timely decisions regarding required disclosure. Based on an evaluation of the Company’s disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this report conducted by the Company’s management, with the participation of the Chief Executive and Chief Financial Officers, the Chief Executive and Chief Financial Officers concluded that the Company’s disclosure controls and procedures were effective to ensure that information required to be disclosed by the Company in the reports it files with or submits to the SEC is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and to ensure that information required to be disclosed by the Company in such reports is accumulated and communicated to the Company’s management, including the Chief Executive and Chief Financial Officers, as appropriate, to allow timely decisions regarding required disclosure.

There have been no changes in the Company’s internal control over financial reporting or in other factors that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting during the period covered by this report.

## PART II – OTHER INFORMATION

### Item 1. Legal Proceedings.

For information on the Company's legal proceedings, see Note 9 to the Company's financial statements included in Item 1 to this report and incorporated herein by reference.

### Item 1A. Risk Factors.

There have been no material changes to the Company's risk factors as disclosed in Item 1A, "Risk Factors," in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2021.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Note 8 to the Company's financial statements included in Item 1 to this report is hereby incorporated herein by reference.

The following table provides information relating to our purchases of shares of our common stock during the three months ended March 31, 2022.

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid Per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	(d) Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (1)
January 2022	—	\$ —	—	1,000,000
February 2022	315,400	115.14	315,400	1,684,600
March 2022	185,517	118.96	185,517	1,499,083
	<u>500,917</u>	<u>\$ 116.55</u>	<u>500,917</u>	

(1) On November 10, 2006, the Board of Directors approved a stock repurchase program authorizing the Company to repurchase up to an authorized number of shares of its common stock from time to time in open market or private transactions, at the Company's discretion. This authorization originally expired on December 31, 2007, and the Company's Board of Directors has authorized several increases and annual extensions of this stock repurchase program, most recently on February 14, 2022, authorizing the repurchase of up to 2,000,000 shares of our common stock. As of March 31, 2022, 1,499,083 shares remained authorized for repurchase through March 31, 2023. The Company repurchased 500,917 shares of its stock in the three months ended March 31, 2022 compared to zero shares in the three months ended March 31, 2021.

**Item 6. Exhibits.**

Exhibit Number	Description
3.1	Certificate of Incorporation of Encore Wire Corporation and all amendments thereto (filed as Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2009, and incorporated herein by reference).
3.2	Third Amended and Restated Bylaws of Encore Wire Corporation, as amended through February 27, 2012 (filed as Exhibit 3.2 to the Company's Annual Report on Form 10-K for the year ended December 31, 2011, and incorporated herein by reference).
4.1	Form of certificate for Common Stock (filed as Exhibit 1 to the Company's registration statement on Form 8-A, filed with the SEC on June 4, 1992, and incorporated herein by reference).
31.1	Certification by Daniel L. Jones, Chairman, President and Chief Executive Officer of the Company, dated April 28, 2022 and submitted pursuant to Rule 13a-14(a)/15d-14(a) and pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification by Bret J. Eckert, Vice President – Finance, Treasurer, Secretary and Chief Financial Officer of the Company, dated April 28, 2022 and submitted pursuant to Rule 13a-14(a)/15d-14(a) and pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification by Daniel L. Jones, Chairman, President and Chief Executive Officer of the Company, dated April 28, 2022 as required by 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification by Bret J. Eckert, Vice President – Finance, Treasurer, Secretary and Chief Financial Officer of the Company, dated April 28, 2022 as required by 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File - the cover page XBRL tags are embedded within the Inline XBRL document.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

### ENCORE WIRE CORPORATION

(Registrant)

Dated: April 28, 2022

/s/ DANIEL L. JONES

---

Daniel L. Jones  
Chairman, President and Chief Executive Officer

Dated: April 28, 2022

/s/ BRET J. ECKERT

---

Bret J. Eckert  
Vice President-Finance, Treasurer,  
Secretary and Chief Financial Officer