

**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, 2023

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 26, 2023: 17,570,164

**ENCORE WIRE CORPORATION**  
**FORM 10-Q**  
**FOR THE QUARTER ENDED MARCH 31, 2023**

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**PART I—FINANCIAL INFORMATION**

**Item 1. Financial Statements.**

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

	March 31, 2023	December 31, 2022
	(Unaudited)	(Audited)
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 697,424	\$ 730,557
Accounts receivable, net of allowance of \$3,800 and \$3,800	479,831	498,762
Inventories, net	173,878	153,187
Income tax receivable	—	15,143
Prepaid expenses and other	2,485	3,992
Total current assets	1,353,618	1,401,641
Property, plant and equipment, net	642,446	616,601
Other assets	541	490
Total assets	\$ 1,996,605	\$ 2,018,732
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Trade accounts payable	\$ 41,594	\$ 62,780
Accrued liabilities	63,969	81,381
Income taxes payable	23,610	—
Total current liabilities	129,173	144,161
Long-term liabilities:		
Deferred income taxes and other	53,528	55,905
Total long-term liabilities	53,528	55,905
Total liabilities	182,701	200,066
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 – 27,242,118 and 27,139,611	272	271
Additional paid-in capital	87,978	83,622
Treasury stock, at cost – 9,702,210 and 8,999,732	(530,891)	(402,639)
Retained earnings	2,256,545	2,137,412
Total stockholders' equity	1,813,904	1,818,666
Total liabilities and stockholders' equity	\$ 1,996,605	\$ 2,018,732

See accompanying notes.

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

	Quarter Ended March 31,	
	2023	2022
	(Unaudited)	
Net sales	\$ 660,492	\$ 723,072
Cost of goods sold	455,407	479,325
Gross profit	205,085	243,747
Selling, general, and administrative expenses	58,704	36,212
Operating income	146,381	207,535
Net interest and other income	9,174	115
Income before income taxes	155,555	207,650
Provision for income taxes	36,072	46,119
Net income	<u>\$ 119,483</u>	<u>\$ 161,531</u>
Earnings per common and common equivalent share – basic	<u>\$ 6.60</u>	<u>\$ 8.08</u>
Earnings per common and common equivalent share – diluted	<u>\$ 6.50</u>	<u>\$ 7.96</u>
Weighted average common and common equivalent shares outstanding – basic	18,099	20,003
Weighted average common and common equivalent shares outstanding – diluted	18,369	20,302
Cash dividends declared per share	<u>\$ 0.02</u>	<u>\$ 0.02</u>

*See accompanying notes.*

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

2023 (Unaudited)	Common Stock		Additional Paid-In Capital	Treasury Stock		Retained Earnings	Total Stockholders' Equity
	Shares	Amount		Shares	Amount		
Balance at December 31, 2022	27,139	\$ 271	\$ 83,622	(9,000)	\$ (402,639)	\$2,137,412	\$ 1,818,666
Net income	—	—	—	—	—	119,483	119,483
Exercise of stock options	10	—	316	—	—	—	316
Stock-based compensation	93	1	4,040	—	—	—	4,041
Dividend declared—\$0.02 per share	—	—	—	—	—	(350)	(350)
Purchase of treasury stock	—	—	—	(702)	(128,252)	—	(128,252)
Balance at March 31, 2023	27,242	\$ 272	\$ 87,978	(9,702)	\$ (530,891)	\$2,256,545	\$ 1,813,904

2022 (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

See accompanying notes.

Encore Wire Corporation  
Statements of Cash Flow  
(In thousands)

Three Months Ended March 31,

2023                      2022

(Unaudited)

<b>Operating Activities:</b>		
Net income	\$ 119,483	\$ 161,531
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	7,692	6,210
Deferred income taxes	(2,391)	(3,224)
Stock-based compensation attributable to equity awards	4,040	1,939
Other	673	186
Changes in operating assets and liabilities:		
Accounts receivable	18,931	(58,278)
Inventories	(20,691)	(15,515)
Other assets	1,478	(252)
Trade accounts payable and accrued liabilities	(41,031)	(24,234)
Current income taxes receivable / payable	38,753	49,344
Net cash provided by operating activities	<u>126,937</u>	<u>117,707</u>
<b>Investing Activities:</b>		
Purchases of property, plant and equipment	(31,768)	(31,972)
Net cash used in investing activities	<u>(31,768)</u>	<u>(31,972)</u>
<b>Financing Activities:</b>		
Purchase of treasury stock	(128,252)	(58,383)
Proceeds from issuance of common stock, net	317	155
Dividends paid	(367)	(403)
Net cash used in financing activities	<u>(128,302)</u>	<u>(58,631)</u>
Net increase (decrease) in cash and cash equivalents	(33,133)	27,104
Cash and cash equivalents at beginning of period	730,557	438,990
Cash and cash equivalents at end of period	<u>\$ 697,424</u>	<u>\$ 466,094</u>

*See accompanying notes.*

ENCORE WIRE CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Unaudited)  
March 31, 2023

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, 2022.

In March 2020, the World Health Organization declared COVID-19 a global pandemic and recommended containment and mitigation measures worldwide. The Company has not experienced a material impact on its business or its liquidity on account of COVID-19 and is unable to predict any reemergence of any outbreak or its potential long-term impact on our business.

*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 2023.

## 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, 2023	December 31, 2022
Raw materials	\$ 74,455	\$ 69,567
Work-in-process	68,458	42,611
Finished goods	152,779	138,943
Total Inventory at FIFO cost	295,692	251,121
Adjust to LIFO cost	(121,814)	(97,934)
Inventory, net	\$ 173,878	\$ 153,187

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, 2023, 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 2023, LIFO adjustments were recorded that increased cost of sales by \$23.9 million, compared to LIFO adjustments that increased cost of sales by \$12.8 million in the first quarter of 2022.

## NOTE 3 - PROPERTY, PLANT and EQUIPMENT

Property, plant and equipment consists of the following:

In Thousands	March 31, 2023	December 31, 2022
Land and land improvements	\$ 85,286	\$ 85,286
Construction-in-progress	110,474	125,809
Buildings and improvements	276,470	232,758
Machinery and equipment	440,552	438,303
Furniture and fixtures	16,457	15,178
Property, plant and equipment, gross	929,239	897,334
Accumulated depreciation	(286,793)	(280,733)
Property, plant and equipment, net	\$ 642,446	\$ 616,601

In the first quarter of 2023, depreciation expense was \$7.7 million, compared to \$6.2 million in the first quarter of 2022.



#### NOTE 4 – ACCRUED LIABILITIES

Accrued liabilities consist of the following:

In Thousands	March 31, 2023	December 31, 2022
Sales rebates payable	\$ 27,450	\$ 40,909
SAR Liability	17,441	20,282
Property taxes payable	1,334	5,287
Accrued salaries	11,601	7,616
Other accrued liabilities	6,143	7,287
Total accrued liabilities	<u>\$ 63,969</u>	<u>\$ 81,381</u>

#### NOTE 5 – INCOME TAXES

Income taxes were accrued at an effective rate of 23.2% in the first quarter of 2023 versus 22.2% in the first quarter of 2022, 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 and the Section 162(m) limitation on executive compensation.

#### 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, 2023	2022
<b>Numerator:</b>		
Net income	<u>\$ 119,483</u>	<u>\$ 161,531</u>
<b>Denominator:</b>		
Denominator for basic earnings per share – weighted average shares	18,099	20,003
<b>Effect of dilutive securities:</b>		
Employee stock awards	270	299
Denominator for diluted earnings per share – weighted average shares	<u>18,369</u>	<u>20,302</u>

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 2023 or 2022.

#### 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.

The 2021 Credit Agreement contains provisions to replace LIBOR with a replacement rate as described in the 2021 Credit Agreement. On October 20, 2022, the Company entered into the First Amendment to the 2021 Credit Agreement (the "Amended 2021 Credit Agreement") which replaced LIBOR with BSBY as permitted under the 2021 Credit Agreement. Borrowings under the line of credit bear interest, at the Company's option, at either (1) BSBY 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 BSBY 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. As of March 31, 2023, there were no borrowings outstanding under the Amended 2021 Credit Agreement, and letters of credit outstanding in the amount of \$0.4 million left \$199.6 million of credit available under the Amended 2021 Credit Agreement. Obligations under the Amended 2021 Credit Agreement are the only contractual borrowing obligations or commercial borrowing commitments of the Company. The foregoing description of the Amended 2021 Credit Agreement is not complete and is qualified in its entirety by reference to the full text of the Amended 2021 Credit Agreement (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2022, and incorporated herein by reference).

Obligations under the Amended 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, 2023.

#### 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, 2023, authorizing the repurchase of up to 2,000,000 shares of our common stock. As of March 31, 2023, 1,297,522 shares remained authorized for repurchase through March 31, 2024. The Company repurchased 702,478 shares of its stock in the three months ended March 31, 2023 compared to 500,917 shares in the three months ended March 31, 2022.

#### 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 Wire Corporation is a leading manufacturer of a broad range of copper and aluminum electrical wire and cables, supplying power generation and distribution solutions to meet our customers' needs today and in the future. The Company focuses on maintaining a low-cost of production while providing exceptional customer service and quickly shipping complete orders coast-to-coast. Our products are proudly made in America at our vertically-integrated, single-site, Texas campus.

As discussed in Note 1, the reemergence of an outbreak of COVID-19, or any of its ongoing variants, and its potential long-term impact on our business remains uncertain. Although the Company has not experienced a material impact on its business or its liquidity on account of COVID-19, we have limited visibility into the extent to which market demand for our products, as well as sector manufacturing and distribution capacity, would be impacted by the reemergence of an outbreak.

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. 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 2023

	January 2023	February 2023	March 2023	Quarter Ended March 31, 2023
High	\$ 4.27	\$ 4.23	\$ 4.17	\$ 4.27
Low	3.74	3.96	3.86	3.74
Average	4.12	4.09	4.05	4.08

#### 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

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, 2023 and 2022. 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, 2022.

### **Results of Operations**

#### Quarter Ended March 31, 2023 Compared to Quarter Ended March 31, 2022

Net sales were \$660.5 million in the first quarter of 2023 compared to \$723.1 million in the first quarter of 2022. The 8.7% decrease in net sales was due to an 11.8% decrease in the average selling price of wire per copper pound shipped, with copper wire unit volume shipped flat in the first quarter of 2023 as compared to the first quarter of 2022. Unit volume is measured in pounds of copper contained in the wire shipped during the period. Additionally, aluminum wire represented 14.6% of net sales in the first quarter of 2023 compared to 11.5% of net sales in the first quarter of 2022.

Cost of goods sold was \$455.4 million, or 68.9% of net sales, in the first quarter of 2023, compared to \$479.3 million, or 66.3% of net sales, in the first quarter of 2022. Gross profit decreased to \$205.1 million, or 31.1% of net sales, in the first quarter of 2023 from \$243.7 million, or 33.7% of net sales, in the first quarter of 2022.

Gross profit percentage for the first quarter of 2023 was 31.1% compared to 33.7% during the first quarter of 2022. The average selling price of wire per copper pound sold decreased 11.8% in the first quarter of 2023 versus the first quarter of 2022, while the average cost of copper per pound purchased decreased 8.2%. This resulted in the gradual abatement of copper spreads in the quarter, primarily driven by a decrease in the average selling price noted above, offset somewhat by increased aluminum spreads, which resulted in the decreased gross profit margin in the first quarter of 2023 compared to the first quarter of 2022.

Total raw materials cost as a percentage of sales increased to 60.0% in the first quarter of 2023, from 59.3% in the first quarter of 2022. Overhead costs increased to 8.9% of net sales in the first quarter of 2023, from 7.0% of net sales in the first quarter of 2022. Overhead costs 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 2023 were \$28.9 million, or 4.4% of net sales, compared to \$31.0 million, or 4.3% of net sales, in the first quarter of 2022. 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 as a percentage of net sales were flat in the first quarter of 2023 compared to the first quarter of 2022. General and administrative ("G&A") expenses for the first quarter of 2023 were \$29.8 million, or 4.5% of net sales, compared to \$5.2 million, or 0.7% of net sales, in the first quarter of 2022. The increase in G&A in the quarter was primarily due to an increase in Stock Appreciation Rights ("SARs") charges driven by the increase in our stock price at March 31, 2023 versus December 31, 2022. We recorded \$13.2 million in SARs expense in the first quarter of 2023 compared to a \$4.8 million SARs benefit recorded in the first quarter of 2022, resulting in an \$18 million increase in expenses period-over-period. No SARs were granted subsequent to January of 2020.

Net interest and other income was \$9.2 million in the first quarter of 2023 compared to \$0.1 million in the first quarter of 2022. The increase in net interest and other income was primarily driven by an increase in interest income.

## **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 \$126.9 million in the first three months of 2023 compared to cash provided of \$117.7 million in the first three months of 2022. The following changes in components of cash flow from operations were notable. The Company had net income of \$119.5 million in the first three months of 2023 compared to net income of \$161.5 million in the first three months of 2022. Accounts receivable decreased \$18.9 million in the first three months of 2023 compared to increasing \$58.3 million in the first three months of 2022. Accounts receivable generally fluctuates 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 \$20.7 million in the first three months of 2023 compared to increasing \$15.5 million in the first three months of 2022. Trade accounts payable and accrued liabilities negatively impacted cash by \$41.0 million in the first three months of 2023 versus negatively impacting cash by \$24.2 million in the first three months of 2022. In the first three months of 2023, changes in current and deferred taxes favorably impacted cash by \$36.4 million versus \$46.1 million of favorable impact in the first three months of 2022. These changes in cash flow were the primary drivers of the \$9.2 million increase in cash flows provided by operating activities in the first three months of 2023 compared to the first three months of 2022.

Cash used in investing activities decreased slightly to \$31.8 million in the first three months of 2023 compared to \$32.0 million in the first three months of 2022.

Cash used in financing activities in the first three months of 2023 consisted of \$128.3 million paid to purchase our own stock, \$0.4 million of cash dividends paid, and \$0.3 million of proceeds from exercised stock options. These activities in cash flow used \$128.3 million cash in financing activities for the first three months of 2023 compared to \$58.6 million used in the first three months of 2022. For the quarters ended March 31, 2023 and 2022, the Company did not access its revolving line of credit.

The Company's cash balance was \$697.4 million at March 31, 2023 compared to \$466.1 million at March 31, 2022.

During the remainder of 2023, 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 incremental investments announced in July 2021 continue in earnest, focused on broadening our position as a low-cost manufacturer in the sector and increasing manufacturing capacity to drive growth. In 2022 we began construction on a new, state of the art, cross-link polyethylene (XLPE) compounding facility to deepen vertical integration related to wire and cable insulation. XLPE insulation today is used in many applications including Data Centers, Oil

and Gas, Transit, Waste-Water Treatment facilities, Utilities and Wind and Solar applications. We anticipate the new facility will be substantially completed by the end of the third quarter of 2023. Capital spending in 2023 through 2025 will further 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 company. Total capital expenditures were \$148.4 million in 2022. We expect total capital expenditures to range from \$160 - \$180 million in 2023, \$150 - \$170 million in 2024, and \$80 - \$100 million in 2025. 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, 2023, 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, 2022.

### **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 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, 2022, 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, 2022.

### **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, 2022.

### 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, 2023.

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 2023	—	—	—	1,052,552
February 2023	64,378	188.31	64,378	1,935,622
March 2023	638,100	180.21	638,100	1,297,522
	<u>702,478</u>	\$ 180.95	<u>702,478</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, 2023, authorizing the repurchase of up to 2,000,000 shares of our common stock. As of March 31, 2023, 1,297,522 shares remained authorized for repurchase through March 31, 2024. The Company repurchased 702,478 shares of its stock in the three months ended March 31, 2023 compared to 500,917 shares in the three months ended March 31, 2022.

## 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 27, 2023 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, Executive Vice President and Chief Financial Officer of the Company, dated April 27, 2023 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 27, 2023 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, Executive Vice President and Chief Financial Officer of the Company, dated April 27, 2023 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 27, 2023

/s/ DANIEL L. JONES

Daniel L. Jones  
Chairman, President and Chief Executive Officer

Dated: April 27, 2023

/s/ BRET J. ECKERT

Bret J. Eckert  
Executive Vice President and Chief Financial Officer