

Risk Factors Comparison 2025-02-24 to 2024-02-26 Form: 10-K

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Risk Discussion Description The demand for our products is influenced by the home improvement market and could be adversely affected by conditions that negatively impact this market. **Impact** We cannot predict conditions that may negatively impact the home remodeling and new home construction environment. Any economic downturn or adverse changes in the home improvement market could reduce consumer income or equity capital available for spending on discretionary items, which could adversely affect the demand for our products. The demand for our composite decking and railing products is influenced by the general health of the economy, the level of home improvement activity and, to a much lesser extent, new home construction. These factors are affected by home equity values, credit availability and interest rates, consumer confidence, income and spending habits, employment, inflation, and general economic conditions. **Risk Discussion Description** We may not be able to fully maintain or expand our wholesaler and dealer channels. **Impact** If we fail to compete successfully for wholesale distributors and dealers, our business could experience material adverse effects, which could negatively impact profitability and cash flows. We sell most of our composite decking and railing products through our network of wholesale distributors who, in turn, sell to retail lumber outlets. Our growth strategy depends on maintaining and expanding this network and on our ability to compete with other entities for these channels. **In order to successfully compete for wholesaler distributors, dealers and retail lumber outlets, we must accurately assess their customers' needs and preferences.** **Risk Discussion Description** Certain of our customers account for a significant portion of our sales, and the loss of one or more of these customers could have an adverse effect on our business. **Impact** The loss of a significant customer could have a significant negative impact on our business, results of operations and financial condition. A limited number of our customers account for a significant percentage of our sales. For the years ended December 31, **2024, 2023, and 2022, and 2021**, three customers of Trex Residential represented approximately **81 %, 72 %, and 64 %, and 61 %**, respectively, of the Company's total net sales. We expect that a significant portion of our sales will continue to be sold through a small number of customers, and certain customers will continue to account for a significant portion of our sales. **Risk Discussion Description** Our operating results may vary quarter to quarter due to the level of inventory maintained in our distribution channel. **Impact** We have limited visibility to project inventory levels in our two- step distribution channel. Any sudden fluctuation in demand from our distribution partners may require us to quickly increase or decrease our manufacturing inputs and outputs. If we are unable to effectively respond in a timely manner our short- term results of operations may be negatively impacted. We sell our composite decking and railing products through our distribution channel who, in turn, sell to end- use consumers. Our distribution partners manage their inventory levels by forecasting demand for our products, placing orders for the products, and maintaining product inventories in order to meet consumer demand. Inventory levels respond to a number of factors, including, without limitation, changes in product price, the number of competitors, product innovation, and the level of discretionary spending by consumers. Therefore, our operating results are subject to inventory stocking decisions made by our distribution partners and may vary quarter to quarter. Past performance will not necessarily indicate future performance. **Risk Discussion Description** The demand for our outdoor living products may be negatively affected by ~~seasonal, erratic, or prolonged adverse weather conditions~~ , **and our operating results may vary quarter to quarter due to seasonality** . **Impact** Seasonal, erratic, or prolonged adverse weather conditions may **reduce the level of home improvement and construction activity and can** shift sales of our products to ~~future a later periods- period~~ or decrease overall sales in affected locations, which could have a negative impact on our results of operations and liquidity. Our products are generally purchased shortly before installation and used in outdoor environments. As a result, there is a correlation between the amount of product we sell and weather conditions during the time they are to be installed. ~~Seasonal, erratic~~ **Erratic** or prolonged adverse weather conditions may interfere with **home improvement or** ordinary construction, delay projects , or lead to cessation of construction involving our products. **14 In addition, our operating results have historically varied from quarter to quarter due to seasonality. As part of normal business practice and consistent with industry practice, we have historically offered incentive programs to our distributors and dealers to build inventory before the start of the prime deck- building season in order to ensure adequate availability of our products to meet anticipated seasonal consumer demand. The seasonal effects are often offset by the positive effect of the incentive programs.** **Risk Discussion Description** We depend on third parties for transportation services and the lack of availability of transportation and / or increases in cost could materially adversely affect our business and operations. **Impact** If the required supply of third- party transportation services is unavailable when needed, we may be unable to deliver our products in a timely manner and, therefore, unable to sell our products at full value, or at all. Similarly, if any of these providers were unavailable to deliver raw materials to us in a timely manner, we may be unable to manufacture our products in response to customer demand. This could harm our reputation, negatively impact our customer relationships and have a material adverse effect on our financial condition and results of operations. In addition, a material increase in transportation rates or fuel surcharges could have a material adverse effect on our profitability. Our business depends on the transportation by third parties of both raw materials to us and finished goods to our customers. In particular, a significant portion of our finished goods are transported by flatbed trucks, which are occasionally in high demand (especially at the end of calendar quarters) and / or subject to price fluctuations based on market conditions and the price of fuel. **Risks Related to the Manufacture of Our Product** **Risk Discussion Description** Our business is dependent on consistently producing a product which is available when needed to meet the demands of our customers. As our business grows, we must adjust capacity to meet customer needs and provide increased throughput on our existing capacity. **Impact** Our sales

growth and profitability could suffer from our failure to effectively pair supply and demand for our products. Our customers' demands for varying quantities of products and delivery items throughout the year, and increased demand year to year, require monitoring and the ability to adjust production in accordance with these demands. Failure to do so can lead to lost or reduced sales and have a negative effect on earnings. In order to meet customer demand in a timely manner, we must adjust capacity to meet customer needs and provide increased throughput on our existing capacity. Our sourcing team must obtain raw materials on a timely basis at an appropriate volume.

15-Risk Discussion Description We have made and may continue to make significant capital investments in new and existing manufacturing facilities, that may become impaired or obsolete and result in a charge to our earnings. In addition, underutilization of any such investments may result in reduced profitability through reduced gross profit and lower gross margins. **Impact** Our ability to achieve the expected benefits and returns from our capital investments, such as increased production, improved efficiency, cost savings, or diversification into new product markets, is subject to estimates, assumptions, and market risks. If the actual results differ from our estimates and assumptions, we may not achieve the benefits from the investments within the estimated time frame, if at all, which could adversely affect our financial condition and results of operations. We have made and may continue to make significant investments in new manufacturing facilities, upgrading our existing facilities and acquiring businesses or operations. These investments sometimes involve the implementation of new technologies and replacement of existing equipment. While we anticipate that these investments will increase production, improve efficiency, achieve cost savings, or allow us to diversify into new product markets, we cannot be certain we will realize the benefits of these initiatives when anticipated or at all. Failure to achieve the expected benefits from our investments may result in reduced cash flows in future periods, obsolete or impaired assets, and charges to our earnings.

Risk Discussion Description Our prospects for sales growth and profitability may be adversely affected if we fail to maintain product quality and product performance at an acceptable cost. **Impact** If we are unable to produce high-quality products at standard manufacturing rates and yields, unit costs may be higher. A lack of product performance could impede acceptance of our products in the marketplace and negatively affect our profitability. Future material increases to our warranty reserve could have a significant adverse effect on our profitability and cash flows. In the event lawsuits relating to alleged product quality issues are brought against us in the future, such lawsuits may be costly and could cause adverse publicity, which in turn could result in a loss of consumer confidence in our products and reduce our sales. Product quality claims could increase our expenses, have a material adverse effect on demand for our products and decrease net sales, net income and liquidity. In order to expand our net sales and sustain profitable operations we must maintain the quality and performance of our products. We continue to receive and settle claims and maintain a warranty reserve related to decking product produced at our Nevada facility prior to 2007 that exhibits surface flaking. We have limited our financial exposure by settling a nationwide class action lawsuit that provides that a consumer's remedy is limited to the replacement of product and a partial labor reimbursement. However, because the establishment of reserves is an inherently uncertain process involving estimates of the number of future claims and the average cost of claims, our ultimate losses may differ from our warranty reserve. Increases to the warranty reserve and payments for related claims have had a material adverse effect on our profitability and cash flows. A number of class action lawsuits alleging defects in our products have been brought against us, all of which have been settled.

16-Risk Discussion Description Our business is subject to risks in obtaining the raw materials we use. In addition, to the extent we source raw materials internationally, changes in trade policies, including the imposition of tariffs, could negatively impact our business, financial condition, and results of operations. **Impact** Our business could suffer from the termination of significant sources of raw materials, the payment of higher prices for raw materials, the quality of available raw materials, or from the failure to obtain sufficient additional raw materials to meet planned increases in production. The manufacture of our composite decking and railing products requires substantial amounts of wood fiber and scrap polyethylene. Our business strategy is to create a substantial cost advantage over our competitors by using scrap polyethylene. Our ability to obtain adequate supplies of wood fiber and scrap polyethylene depends on our success in developing new sources that meet our quality requirements, maintaining favorable relationships with suppliers and managing the collection of supplies from geographically dispersed locations. In addition to wood fiber and scrap polyethylene, we also use a small percentage of other materials in making our products, which are sometimes subject to volatility in supply and could negatively affect our profitability. We procure certain of the raw materials we use in the manufacturing of our products from suppliers located outside of the United States. The imposition of tariffs and other potential changes in U. S. trade policy could increase the cost and / or limit the availability of raw materials, which could hurt our competitive position and adversely impact our business, financial condition and results of operations.

Risk Discussion Description Periods of significant or prolonged inflation could affect our ability to obtain manufacturing inputs at acceptable prices and may negatively impact our profitability. **Impact** In a competitive environment, we may be unable to increase prices of our products to offset higher costs resulting from significant or prolonged inflationary pressures, which could have a material adverse effect on our business, financial condition, and operating results. In addition, periods of sustained or rapidly increasing inflation may result in decreased spending in the residential and commercial markets and reduce demand for our products, which could further adversely impact our business. Our business may be directly affected by significant or prolonged inflationary pressures on raw materials and transportation. We will look to offset increased input costs through cost reduction projects, purchasing strategies, and increased production efficiencies and improvement opportunities to enhance our margins. Specifically, our efforts would primarily center on increased automation, modernization, enhanced energy efficiency and improvements to raw material processing. To the extent that these actions would not offset the impact of inflation we would seek to increase the price of our products to our customers. At the same time, we would expand our marketing campaigns, including campaigns to highlight the advantages of our decking over wood, as well as campaigns focused on innovation and new product development that further strengthens our consumer brand and distribution advantages.

17-In general, we believe that an effect of inflation would be a short-term disruption and that, over time, we would offset increased input costs through cost reduction projects, purchasing strategies, and increased production efficiencies and improvement opportunities to enhance our

margins. In addition, we would be able to increase prices to counteract the majority of any inflationary effects of increasing costs and to generate sufficient cash flows to maintain our productive capability. Risk Discussion Description Labor shortages or increases in labor costs could adversely impact our business and results of operations. Impact We rely heavily on our employees and any shortage of qualified labor could adversely affect our business. If we are not successful in our recruiting and retention efforts, we could encounter a shortage of qualified employees in future periods. Any such shortage would decrease our ability to produce sufficient quantities of our product to serve our customers effectively. Such a shortage may also require us to pay higher wages for employees and incur a corresponding reduction in our profitability. Labor is one of the primary components of our production process. Our success is dependent upon recruiting qualified employees to manufacture our product. Our future success depends on, among other things, our ability to identify, attract, hire, train, retain and motivate operational personnel on a timely basis as we continue our pace of growth. If we fail to do so, our ability to maintain and grow our business could be adversely impacted. Further, improvements in the economy and labor markets could impact our ability to attract and retain key personnel. Risks Related to the Availability of Capital Risk Discussion Description Our ability to continue to obtain financing on favorable terms, and the level of any outstanding indebtedness, could adversely affect our financial condition and ability to compete. Impact Our ability to make future principal and interest payments, borrow and repay amounts under our senior credit facility and continue to comply with our loan covenants will depend primarily on our ability to generate sufficient cash flow from operations. Our failure to comply with our loan covenants might cause our lenders to accelerate our repayment obligations under our senior credit facility, which may be declared payable immediately based on a default. Our ability to continue to obtain financing on favorable terms may limit our discretion on some business matters, which could make it more difficult for us to expand, finance our operations and engage in other business activities that may be in our interest. In addition, our senior credit facility may impose operating and financial restrictions. At certain periods during the year, we may borrow significant amounts on our senior credit facility for working capital purposes. In addition, we may borrow on the senior credit facility to pursue strategic opportunities or other general business matters. Accordingly, our future level of indebtedness and the terms of our borrowings could have important consequences. 18-Risks Related to Other Matters Risk Discussion Description Our business, results of operations and financial condition may be disrupted and adversely affected by global public health pandemics or geopolitical conflicts. Impact If our employees or the employees of our suppliers or transportation providers are unable to work because of illness related to a global public health pandemic, or if we or our suppliers or transportation providers are forced to temporarily cease operations, either on a voluntary or mandatory basis, then we may have a period of reduced operations and be unable to supply our customers in a timely manner, which could have a material negative impact on our business. If geopolitical conflicts disrupt the operations of our distributors and retail outlets or negatively impacts economies in the United States, Canada and the rest of the world, our business, results of operations and financial condition may be adversely affected. Our business, results of operations and financial condition may be adversely affected if a global public health pandemic interferes with the ability of our employees, suppliers and other business partners to perform their respective responsibilities and obligations relative to the conduct of our business. We monitor the outbreak of any global public health pandemic or global political conflicts and evaluate the impact on our business as information emerges. The extent to which the impact of a global public health pandemic or a continuing global political conflict may have on our business, supply chains, commodity and fuel prices, and prices of raw materials will depend on future developments, which may be highly uncertain and cannot be predicted. Risk Discussion Description Climate change and legal or regulatory responses thereto may have a long-term adverse impact on our business and results of operations. Impact There is increasing concern that a gradual increase in global average temperatures due to increased concentration of carbon dioxide and other greenhouse gases in the atmosphere could cause significant changes in weather patterns and an increase in the frequency, duration, and severity of natural disasters. In addition, the increasing concern over climate change may result in additional laws or regulations designed to reduce or mitigate the effects of carbon dioxide and other greenhouse gas emissions on the environment. Compliance with newly enacted laws and regulations could impose operational and compliance burdens which may negatively impact our financial condition and results of operations. We continue to strive to minimize the environmental impact of Trex operations, remain one of the largest recyclers of polyethylene in the U. S. and continue to benefit from increasing consumer interest in our environmentally friendly composite product offerings that leverage recycled and reclaimed materials. Any significant changes in weather patterns or increases in the frequency, duration and severity of natural disasters are beyond our control and could disrupt our supply chain, increase our product costs, impact demand for our product, or impair our ability to deliver product to our customers. In addition, we cannot predict what environmental legislation or regulations will be enacted in the future related to climate issues, or how existing or future laws or regulations will be administered or interpreted. Compliance with more stringent laws or regulations, or stricter interpretation of existing laws, may require additional expenditures. Any increased energy or compliance costs and expenses may cause disruptions in, or an increase in the costs associated with, the manufacturing and distribution of our products. 19-Risk Discussion Description Cyberattacks and other security breaches could compromise our proprietary and confidential information which could harm our business and reputation. Impact While we have certain safeguards in place to reduce the risk of and detect cyber- attacks, our information technology networks and infrastructure may be vulnerable to unpermitted access by hackers or other breaches, or employee error or malfeasance. Any such compromise of our data security and access to, or public disclosure or loss of, confidential business or proprietary information could disrupt our operations, damage our reputation, provide our competitors with valuable information and subject us to additional costs, which could adversely affect our business. In the ordinary course of our business, we generate, collect and store confidential and proprietary information, including intellectual property, business information and employee data. The secure storage, maintenance, and transmission of and access to this information is important to our operations and reputation. Computer hackers may attempt to penetrate our computer systems and, if successful, misappropriate our proprietary and confidential information including e- mails and other electronic communications. In addition, an employee, contractor, competitor, or other third party with whom we do business may attempt

to obtain such information and may purposefully or inadvertently cause a breach involving such information. We also collect limited information on consumers. Although we do not collect any highly sensitive information, there is a risk that a cybersecurity attack could compromise consumer's names, addresses and other personal information. Proactive measures that reduce our risk of a cybersecurity incident include:

- Maintaining cybersecurity insurance to protect against risks related to cyber-attacks and other security breaches.
- Partnering with an enterprise grade security solutions integrator (SSI) that leverages deep industry expertise to help us build and run holistic cybersecurity programs designed to reduce our overall risk profile. The SSI performs regular audits to evaluate our current security posture and prioritize our improvement plans.
- Implementing an information security training and compliance program for employees. We test our employees monthly with simulated "phishing" attacks. Additionally, we run annual security awareness video training programs and occasional ad hoc awareness sessions as needed.

Despite these proactive measures, there is no guarantee that these measures will prevent a cybersecurity incident that could have a material adverse effect on the Company.

~~20-Item 1B. Unresolved Staff Comments None.~~

~~Item 1C. Cybersecurity Risk Management~~ The Company has systems and processes for identification, assessment, and management of material risks from cybersecurity threats, as such term is defined in Item 106 (a) of Regulation S-K. The Company's multi-faceted approach includes deploying applications and control activities to actively monitor and mitigate potential threats to the Company's IT environment. These activities include, but are not limited to, engaging an external third-party to monitor information systems security events, conducting annual security training of employees, testing employees via periodic phishing campaigns, conducting system vulnerability scanning, utilizing a patching program to remediate critical patches, and utilizing an external third-party to perform testing to identify gaps in the Company's security program. The Company also performs third-party risk management to identify and mitigate risks from third parties such as vendors, suppliers, and other business partners. Additionally, for providers of software-as-a-service and other services that hold Company data, the Company reviews and assesses industry standard certifications such as System and Organization Controls (SOC) 1 or SOC 2 reports and cybersecurity preparedness questionnaires. Mitigation of risk efforts are coordinated by the Company's Director of Information Security, utilizing internal resources and third-party providers. The Company has not had any cybersecurity risks that have materially affected the Company, including its business strategy, results of operations, or financial condition.

~~Cybersecurity Governance~~ Our cybersecurity programs, including the cross-functional management committees responsible for identifying, assessing, and mitigating cybersecurity risks and incidents, are owned by our Chief Information Officer. Day-to-day administration of the cybersecurity programs are led by our Director of Information Security, a direct report to the Chief Information Officer. The Chief Information Officer has 27 years of technology leadership experience and a Master of Business Administration with a concentration in Management Information Systems. The Director of Information Security has 26 years of experience in infrastructure and security operations and a degree in Information Technology Management. The Director of Information Security is the chair of the Company's Information Security Committee. The activities of the Information Security Committee are reviewed by the Executive Information Security Oversight Committee, which is comprised of members of our senior leadership team including our Chief Information Officer, the Senior Vice President, Chief Financial Officer, Senior Vice President, Chief Legal Officer and Secretary and Senior Vice President, Chief Human Resources Officer. The Executive Information Security Oversight Committee facilitates notification to the Audit Committee of emerging cybersecurity risks, and threats, the status of projects to strengthen the Company's information security systems, and updates on any cybersecurity incidents. The Audit Committee of the Board of Directors oversees cybersecurity related risks. Members of the Audit Committee receive the above referenced notifications and updates on a quarterly basis from the Company's Chief Information Officer as the designated representative of the Executive Information Security Oversight Committee. Additionally, the Company has a Written Information Security Policy and a Cybersecurity Incident Response Plan that provides the above-referenced processes by which such committees are informed of and monitor the prevention, detection, mitigation, and remediation of cybersecurity incidents and material risks from cybersecurity threats.

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