ENCORE WIRE®

2023
Annual Report

ENCORE WIRE®

March 28, 2024

To Our Stockholders:

We cordially invite you to attend the annual meeting of stockholders of Encore Wire Corporation, which will be held in a live virtual meeting format only, via webcast, at www.virtualshareholdermeeting.com/WIRE2024, on Tuesday, May 7, 2024, at 9:00 a.m., central time. As always, we encourage you to vote your shares prior to the virtual annual meeting. The purposes of the meeting are to elect a Board of Directors for the ensuing year, to approve, in a non-binding advisory vote, the compensation of Encore's named executive officers, to approve an amendment to the Company's Certificate of Incorporation to reflect Delaware law provisions regarding officer exculpation, to approve an amendment to the Company's 2020 Long Term Incentive Plan to increase the number of shares available under the 2020 plan, to ratify the appointment of auditors for 2024, and to conduct other business that may properly come before the meeting.

Our results in 2023 mark another year of exceptional earnings, strong cash flow and consistent volume growth. Our single-site, vertically integrated business model affords us the flexibility and agility to adapt quickly to changing market conditions while continuing to serve our customers at a level consistent with our high standards. Net sales for the year ended December 31, 2023 were $2.568 billion, while net income for the year was $372.4 million, with fully diluted net earnings per common share of $21.62. By continuing to execute on our core values of providing unbeatable customer service and high order fill rates, we were able to increase copper volumes sold on an annual basis over 2022 levels. We will continue our efforts to grow Encore organically while providing our customers superior order fill rates and innovative products. As orders come in from electrical contractors, our distributors can depend on us for quick shipments coast to coast.

Our balance sheet remains strong with $560.6 million of cash on hand at December 31, 2023. We have no long-term debt, and our revolving line of credit remains untapped. Our low-cost structure and strong balance sheet have allowed us the flexibility to adapt quickly to changing market conditions, and we believe they are continuing to prove valuable now.

During 2023, we repurchased 2,661,792 shares of our common stock for a total cash outlay of $460.2 million. Since the first quarter of 2020, we have repurchased 5,634,069 shares of our common stock for a total cash outlay of $771.7 million.

Sustainability remains a vital part of Encore Wire's rich history and long-term commitment to our community. Our corporate culture, which is grounded in efficiency, rigorous cost management and unparalleled customer service, has provided us the opportunity to grow into a leader in our industry. Our environmental, social, and governance (ESG) initiatives over the past decade, from our Zero Waste initiative to our Target Zero safety initiative to our deep-rooted culture of 'doing the right thing,' have allowed us to produce and deliver innovative, high-quality products to our customers. These results and our experience have demonstrated that responsible corporate citizenship and sustainable performance are fundamental to the future health of our Company.

In March 2024, the Company's 2023 Environmental, Social, and Governance Report was published. This comprehensive report outlines the Company's approach to integrating ESG management into our corporate strategy and highlights our sustainability achievements to date. The strategies detailed in the 2023 ESG Report have formalized our commitment to sustainability. We look forward to continuing to improve our position as a sustainable and responsible company in our industry.

We would like to thank our stockholders for their support and investment. We also wish to recognize the many contributions of all our employees and supply partners whose efforts have resulted in our continued growth and success.

Daniel L Jones

Daniel L. Jones
Chairman, President and Chief Executive Officer

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

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 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	**75-2274963**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
1329 Millwood Road McKinney, Texas	**75069**
(Address of principal executive offices)	**(Zip Code)**

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

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**

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

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ☐ Yes ☒ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. ☐ Yes ☒ No

Note – Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Exchange Act from their obligations under those Sections.

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 companyv	☐

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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of these error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). ☐ Yes ☒ No

The aggregate market value of the Common Stock held by non-affiliates of the registrant computed by reference to the price at which the Common Stock was last sold as of the last business day of the registrant's most recently completed second fiscal quarter was $2,125,052,538 (Note: The aggregate market value of Common Stock held by the Company's directors, executive officers, immediate family members of such directors and executive officers, 10% or greater stockholders and other stockholders deemed to be affiliates was excluded from the computation of the foregoing amount. The characterization of such persons as "affiliates" should not be construed as an admission that any such person is an affiliate of the Registrant for any other purpose).

Number of shares of Common Stock outstanding as of February 15, 2024: 15,763,916

DOCUMENTS INCORPORATED BY REFERENCE

Listed below are documents, parts of which are incorporated herein by reference, and the part of this report into which the document is incorporated:

(1) Proxy statement for the 2024 annual meeting of stockholders – Part III

ENCORE WIRE CORPORATION

FORM 10-K

FOR THE YEAR ENDED DECEMBER 31, 2023

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PART I

Item 1. Business.

General

Encore Wire Corporation is a Delaware corporation, incorporated in 1989, with its principal executive office and manufacturing plants located at 1329 Millwood Road, McKinney, Texas 75069. The Company's telephone number is (972) 562-9473. As used in this annual report, unless otherwise required by the context, the terms "we," "our," "Company," "Encore," and "Encore Wire" refer to Encore Wire Corporation.

The Company manufactures a broad range of electrical wire and cables, used to distribute power from the transmission grid to the wall outlet or switch. Encore's diversified product portfolio and low-cost of production positions it exceptionally well to play a key role in the transition to a more sustainable and reliable energy infrastructure. Our products are proudly made in America at our vertically-integrated, single-site, Texas campus.

The Company sells its products through manufacturers' representatives to wholesale electrical distributors servicing the residential, commercial, and industrial sectors.

Strategy

Encore Wire's strategy is to combine its industry-leading service model with its world-class operations to meet demand profitability with loyal electrical distributor customers in a high-performance industry. Encore's customer service, expansive single-campus model, low-cost production, centralized distribution, product innovation, and deep company culture have promoted Encore's growth and should contribute to its future success.

Customer Service: Customer loyalty has been a key driver of Encore's success, which it has earned through an intense focus on customer needs, building and maintaining strong relationships, exceeding performance and service expectations with an industry-leading order fill rate, and rapidly handling customer orders, shipments, and inquiries. Encore maintains broad and deep product inventories based on our customers' needs, and believes that the speed and completeness with which it fills orders are critical to marketing its products.

Single-Campus Model: Encore's single-site campus is a key competitive advantage. It enables a cohesive culture of collaboration and performance, low-cost manufacturing, distribution and administration efficiencies, speed to manufacture and ship products, exceptional quality and safety programs, manufacturing flexibility and agility, acute cost control, optimized raw material planning and usage, and a resilience to supply chain issues experienced by others in our industry.

Product Innovation: Encore has been a leader in bringing new ideas and innovative products to a "commodity" product line.

Encore pioneered the widespread use of **Colored Insulation** on feeder sizes of commercial wire, as well as colors on residential (non-metallic) cable. Encore's colors have become the industry standard and have improved job-site safety, provided handling efficiencies for electrical distributors, and reduced installation times for electrical contractors. Use of colors also enables building inspectors to immediately identify installed wire.

Encore Wire's patented **SmartColor ID**® system for metal-clad and armor-clad cables allows for quick and accurate identification of gauge, number of conductors, wire and jacket type.

Our spool-free **PullPro®** is a lightweight, portable, durable case weighing less than thirty pounds that requires no additional tools for a tangle-free wire pull. With no spools to crack or discard, it improves job-site scrap rates and reduces trash and waste.

We believe our **Reel Payoff**® is the industry's first self-spinning wooden reel, which allows pulling on or off the pallet with no additional tools.

Additionally, Encore currently has multiple patents and patent-pending innovations that range from process improvements to packaging solutions.

Low-Cost Production: Encore's low-cost production capability features an efficient plant design and an incentivized work force.

Efficient Plant Design: Encore's automated wire manufacturing equipment is integrated in an efficient design that reduces material handling, labor and in-process inventory.

Incentivized Work Force: The Company has a long term incentive plan that enhances the motivation of its salaried manufacturing supervisors. The Company also has a comprehensive safety program creating a world-class culture by engaging employees, identifying and eliminating risk, and training employees to be successful. The Company provides a 401(k) retirement savings plan to all employees and a monthly operations incentive plan for hourly employees.

Products

Encore offers an electrical building wire product line that consists primarily of NM-B cable, UF-B cable, THHN/THWN-2, XHHW-2, USE-2, RHH/RHW-2 and other types of wire products, including SEU, SER, Photovoltaic, URD, tray cable, metal-clad and armored cable. All of these products are manufactured with copper or aluminum as the current-carrying component of the conductor. The principal bases for differentiation among stock-keeping units are product type, conductor type, diameter, insulation, length, color, and packaging.

Manufacturing

The efficiency of Encore's manufacturing facility is a key element of its low-cost production capability. Encore's wire manufacturing lines have been integrated so that the handling of product is substantially reduced throughout the production process. The manufacturing process for the Company's various products involves multiple steps, including casting, drawing, stranding, compounding, insulating, cabling, jacketing and armoring.

Encore manufactures and tests all of its products in accordance with the Underwriters Laboratories (UL) standards, a nationally recognized testing and standards agency.

Customers

Encore sells its wire to wholesale electrical distributors throughout the United States. Most distributors supply products to electrical contractors. Encore's customers are numerous and diversified. Encore has two customers, each of whom slightly exceeds 10% of the Company's total sales. Encore has no customer, the loss of which would have a material adverse effect on the Company.

Encore believes that the speed and completeness with which it fills customers' orders is crucial to its ability to service demand for its products. The Company also believes that, for a variety of reasons, many customers strive to maintain lean inventories. Because of this trend, the Company seeks to maintain sufficient inventories to satisfy customers' orders promptly.

Marketing and Distribution

Encore markets its products throughout the United States through independent manufacturers' representatives.

Encore maintains the majority of its finished product inventory at its service center in McKinney, Texas. In order to provide flexibility in handling customer requests for immediate shipment, additional finished product inventories are maintained at warehouses owned and operated by some of the Company's independent manufacturers' representatives located strategically across the United States.

Finished goods are typically shipped to customers by trucks operated by common carriers. The decision regarding the carrier to be used is based primarily on availability and cost.

The Company invoices its customers directly for products purchased and pays the manufacturer's representative a commission based on pre-established rates. The Company determines customer credit limits. The Company lowered its reserve for credit losses by $1.3 million and recorded credit losses of $0.05 million in 2023. The company recorded no reserve for credit losses in 2022, but reserved $1.5 million for credit losses in 2021. The manufacturers' representatives have no discretion to determine prices charged for the Company's products and all sales are subject to Company approval.

Human Capital

General

The Company fosters a culture for our employees based on the old-fashioned values of service, professionalism and stewardship. We encourage our employees to do the right thing under any circumstances and to conform to our Code of Conduct and Ethics. These values are a key aspect of our human capital retention and they inform our employment and compensation philosophies.

Employees

Encore believes that its hourly employees are highly motivated and that their motivation contributes significantly to Encore's efficient operation. The Company believes that competitive hourly compensation coupled with sound management practices focuses its employees on maintaining high production standards and product quality.

As of December 31, 2023, Encore had 1,629 employees, 1,350 of whom were paid hourly wages and were primarily engaged in the operation and maintenance of the Company's manufacturing and warehouse facilities. The Company's remaining employees were executive, supervisory, administrative, sales and clerical personnel. The Company considers its relations with its employees to be good. The Company has no collective bargaining agreements with any of its employees.

Compensation and Benefits

The Company rewards employees with competitive compensation and benefits packages, including attractive medical plans, a 401(K) retirement savings plan, opportunities for annual bonuses, and, for eligible employees, long-term incentives and a deferred compensation plan. The Company believes that long term incentives, like stock-based compensation, are a critical part of its compensation program and allows the Company to attract and retain talented employees.

Health and Safety

Employee health and safety is a top priority for the Company. The Company is committed to providing a safe and healthy work environment and to conducting its business in a safe and environmentally protective manner. All employees and officers are expected to perform their duties consistent with site specific safety and environmental rules and regulations and site application of Company best practices. The Company understands how the health of its employees impacts not only their work, but their family life, too. The Company offers an Occumed On-Site Clinic with a nurse practitioner for employees and their immediate families. For many, the Occumed On-Site Clinic provides basic health screenings and treatment equal to those at a general practice facility which otherwise might not be possible. The Company also offers a wide range of health and wellness services to assist its employees and their families with making good lifestyle choices.

Diversity and Inclusion

The Company is committed to and values hiring employees with varied personal and professional backgrounds, perspectives and experiences, promoting a culture of diversity and inclusion. The diversity of the Company's employees is a tremendous asset. The Company is firmly committed to providing equal opportunity in all aspects of employment and will not tolerate acts of discrimination or harassment. The Company is committed to employing and advancing in employment all persons without regard to their race, color, sex, religion, national origin, citizenship, age, gender identity, sexual orientation, marital status, genetic information, veteran status, disability, or other protected categories.

Raw Materials

The principal raw materials used by Encore in manufacturing its products are copper cathode, copper scrap, PVC thermoplastic compounds, XLPE compounds, aluminum, steel, paper, and nylon, all of which are readily available from a number of suppliers. Copper is the principal raw material used by the Company in manufacturing its products, constituting 80.8% of the dollar value of all raw materials used by the Company during 2023. Copper requirements for manufacturing our wire are purchased primarily from miners and commodity brokers at prices determined each month primarily based on the average daily COMEX closing prices for copper for that month, plus a negotiated premium. The

Company also purchases raw materials necessary to manufacture various PVC thermoplastic compounds. These raw materials include PVC resin, clay, and plasticizer.

The Company produces copper rod from purchased copper cathode and copper scrap in its own rod fabrication facility. The Company reprocesses copper scrap generated by its operations as well as copper scrap purchased from others. In 2023, the Company's copper rod fabrication facility manufactured the majority of the Company's copper rod requirements. The Company purchases aluminum rod from various suppliers for aluminum wire production.

The Company also compounds its own wire jacket and insulation compounds. The process involves the mixture of PVC raw material components to produce the PVC used to insulate the Company's wire and cable products. The raw materials include PVC resin, clay, and plasticizer. During the last year, the Company's plastic compounding facility produced the vast majority of the Company's PVC requirements.

Competition

The electrical wire and cable industry is highly competitive. The Company competes with several companies who manufacture and sell wire and cable products beyond the building wire segment in which the Company competes. The Company's primary competitors include Southwire Company, LLC, Cerrowire (a Marmon/Berkshire Hathaway company), General Cable (a company of the Prysmian Group) and AFC Cable Systems, Inc. (a part of Atkore International).

For all our products, the Company believes that it is competitive with respect to all relevant factors, including order fill rate, quality, pricing, and breadth of product line.

Compliance with Governmental and Environmental Regulations

The Company is subject to federal, state and local laws covering a wide variety of subject matters, including environmental protection laws and regulations governing the Company's operations and the use, handling, disposal and remediation of hazardous substances currently or formerly used by the Company. The laws and regulations often impose costly compliance requirements that carry substantial penalties for failure to comply. Changes in environmental laws and regulations occur frequently, and any changes that result in more stringent and costly pollution control or waste handling, storage, transport, disposal, or cleanup requirements could materially and adversely affect our operations and financial position, as well as the wire and cable industry in general. Management believes the Company complies with all such rules including certain environmental permitting and reporting requirements. Historically, compliance with laws and regulations, including environmental regulations, has not had a material impact on the capital expenditures, earnings and competitive position of the Company.

Intellectual Property Matters

From time to time, the Company files patent applications with the United States Patent and Trademark Office. The Company currently owns several patents and pending patent applications. The Company also owns several registered trademarks and pending trademark applications with the U.S. Patent and Trademark Office. The current registrations for the marks will expire on various dates from 2024 to 2031, but each registration can be renewed indefinitely as long as the respective mark continues to be used in commerce and the requisite proof of continued use or renewal application, as applicable, is filed. These trademarks provide source identification for the goods manufactured and sold by the Company and allow the Company to achieve brand recognition within the industry.

Internet Address/SEC Filings

The Company's Internet address is https://www.encorewire.com. Under the "Investors" section of our website, the Company provides a link to our electronic Securities and Exchange Commission ("SEC") filings, including our annual report on Form 10-K, our quarterly reports on Form 10-Q, our current reports on Form 8-K, director and officer beneficial ownership reports filed pursuant to Section 16 of the Securities Exchange Act of 1934, as amended, and any amendments to these reports. All such reports are available free of charge and are available as soon as reasonably practicable after the Company files such material with, or furnishes it to, the SEC.

The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at https://www.sec.gov.

Information about our Executive Officers

Information regarding Encore's executive officers including their respective ages as of February 16, 2024, is set forth below:

Name	Age	Position with Company
Daniel L. Jones	60	Chairman of the Board of Directors, President and Chief Executive Officer
Bret J. Eckert	57	Executive Vice President and Chief Financial Officer

Mr. Jones has held the office of President and Chief Executive Officer of the Company since February 2006. He performed the duties of the Chief Executive Officer in an interim capacity from May 2005 to February 2006. From May 1998 until February 2005, Mr. Jones was President and Chief Operating Officer of the Company. He previously held the positions of Chief Operating Officer from October 1997 until May 1998, Executive Vice President from May 1997 to October 1997, Vice President-Sales and Marketing from 1992 to May 1997, after serving as Director of Sales since joining the Company in November 1989. He has also served as a member of the Board of Directors since May 1992 and was named Chairman of the Board in 2014.

Mr. Eckert has held the office of Executive Vice President since December 2022. He served as Vice President-Finance, Treasurer, Secretary and Chief Financial Officer of Encore since January 2020. He joined the Company in August 2019 as Vice President-Finance. Prior to joining the Company, Bret served as Executive Managing Director for the Houston office of Riveron Consulting LLC, a business advisory firm, from June 2018 to August 2019. Previously he was Senior Vice President and Chief Financial Officer of Atmos Energy Corporation in Dallas for approximately five years. He spent the first twenty-two years of his career with Ernst & Young LLP where he was a partner for ten years.

All executive officers are elected annually by the Board of Directors to serve until the next annual meeting of the Board or until their respective successors are chosen and qualified.

Item 1A. Risk Factors.

The following are risk factors that could affect the Company's business, financial results, and results of operations. These risk factors should be carefully considered in evaluating us and our common stock. Any of these risks, many of which are beyond our control, could materially and adversely affect our financial condition, results of operations or cash flows, or cause our actual results to differ materially from those projected in any forward-looking statements contained in this Annual Report on Form 10-K. Before purchasing the Company's stock, an investor should know that making such an investment involves some risks, including the risks described below. If any of the risks mentioned below or other unknown risks actually occur, the Company's business, financial condition, or results of operations could be negatively affected. In that case, the trading price of its stock could fluctuate significantly. We may also face other risks and uncertainties that are not presently known, are not currently believed to be material, or are not identified below because they are common to all businesses. Past financial performance may not be a reliable indicator of future performance, and historical trends should not be used to anticipate results or trends in future periods.

Risks Related to Our Business and Industry

Supply and Availability of Raw Materials, Supply Chain Constraints and Profitability Margins

The success of our business depends on our ability to meet customer demand of a commodity product in a highly competitive market, and sourcing an adequate supply of raw materials, including copper, is vital to our business and operations. While the Company generally believes our supply of raw materials is adequate, the Company could experience instances of limited supply of certain raw materials, resulting in extended lead times and higher prices.

Shortages or interruptions (including due to labor or political disputes) in the supply of our raw materials could disrupt our operations, and our business and financial condition could be materially adversely affected by such disruptions. Limitations inherent within our supply chain of certain raw materials, including competitive, governmental, and legal limitations, natural disasters, and other events, could impact costs, and future increases in the costs of these items, including, for example, the adoption of new tariffs by the United States and other countries, and a resurgence of the COVID-19 pandemic could adversely affect our profitability and availability of raw materials. There can be no assurance that future price increases will be successfully passed through to customers or that we will be able to find alternative suppliers.

Product Pricing and Volatility of Copper Market

Price competition for copper electrical wire and cable is significant, and the Company sells its products in accordance with prevailing market prices. Wire and cable 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. Copper, a commodity product, is the principal raw material used in the Company's manufacturing operations. The price of copper fluctuates depending on general economic conditions and in relation to supply and demand and other factors, including changes in regulatory, geopolitical, political, social, economic, tax or monetary policies, and it causes monthly variations in the cost of copper purchased by the Company. The SEC allows shares of 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 rising copper prices and potential supply shortages, we believe that ETFs and similar copper-backed derivative products could lead to increased copper price volatility. While the Company has experienced increased profitability in recent quarters, the Company cannot predict future copper prices or the effect of fluctuations in the costs of copper on the Company's future operating results and, as a result, cannot predict how long the Company's increased profitability will continue and whether such positive financial trends will be sustained. Consequently, fluctuations in copper prices caused by market forces can significantly affect the Company's financial results.

Industry Conditions and Cyclicality

The residential, commercial and industrial construction industry, which is the end user of the Company's products, is cyclical and is affected by a number of factors, including the general condition of the economy, market demand, and changes in interest rates. Industry sales of electrical wire and cable products tend to parallel general construction activity, which includes remodeling. Data on remodeling is not readily available. However, remodeling activity historically trends up when new construction slows down. Construction activity is affected by the ability of our end users to finance projects, which may be severely reduced due to a widespread outbreak of contagious disease, including an epidemic or pandemic such as the COVID-19 pandemic. Residential, commercial and industrial construction could decline if companies and consumers are unable to finance construction projects or if the economy precipitously declines or stalls, which could result in delays or cancellations of capital projects.

Deterioration in the financial condition of the Company's customers due to industry and economic conditions may result in reduced sales, an inability to collect receivables and payment delays or losses due to a customer's bankruptcy or insolvency. Although the Company's bad debt experience has been low in recent years, the Company's inability to collect receivables may increase the amounts the Company must expense against its bad debt reserve, decreasing the Company's profitability. A downturn in the residential, commercial or industrial construction industries and general economic conditions may have a material adverse effect on the Company.

Competition

The electrical wire and cable industry is highly competitive. The Company competes with several manufacturers of wire and cable products that have substantially greater resources than the Company does. Some of these competitors are owned and operated by large, diversified companies. The principal elements of competition in the wire and cable industry are, in the opinion of the Company, pricing, product availability and quality and, in some instances, breadth of product line. The Company believes that it is competitive with respect to all of these factors. While the number of manufacturers producing wire and cable has declined in the past, there can be no assurance that new competitors will not emerge or that existing producers will not employ or improve upon the Company's manufacturing and marketing strategy.

Risks Related to Our Operations

Operating Results May Fluctuate

Encore's results of operations may fluctuate as a result of a number of factors, including fluctuation in the demand for and shipments of the Company's products. Therefore, comparisons of results of operations, including recent periods of increased profitability, have been and will be impacted by the volume of such orders and shipments, and the Company cannot predict if periods of increased profitability will continue in the future. In addition, the Company's operating results could be adversely affected by the following factors, among others, such as variations in the mix of product sales, price changes in response to competitive factors, increases in raw material costs, freight and other significant costs, the loss of key manufacturer's representatives who sell the Company's product line, increases in utility costs (particularly electricity and natural gas), various types of insurance coverage, and interruptions in plant operations resulting from the interruption of raw material supplies and other factors. Additionally, our results of operations could be impacted by macro-economic and geopolitical conditions as well as other outside factors, including changes in regulatory, geopolitical, political, social, economic, tax or monetary policies, and other factors.

Reliance on Senior Management

Encore's future operating results depend, in part, upon the continued service of its senior management, including, Mr. Daniel L. Jones, Chairman, President and Chief Executive Officer, and Mr. Bret J. Eckert, the Company's Executive Vice President and Chief Financial Officer (neither of whom is bound by an employment agreement). The Company's future success will depend upon its continuing ability to attract and retain highly qualified managerial and technical personnel. Competition for such personnel is intense, and there can be no assurance that the Company will retain its key managerial and technical employees or that it will be successful in attracting, assimilating or retaining other highly qualified personnel in the future.

Patent and Intellectual Property Disputes

Disagreements about patents and intellectual property rights occur in the wire and cable industry. The unfavorable resolution of a patent or intellectual property dispute could preclude the Company from manufacturing and selling certain products or could require the Company to pay a royalty on the sale of certain products. Patent and intellectual property disputes could also result in substantial legal fees and other costs.

Cybersecurity Breaches and other Disruptions to our Information Technology Systems

The efficient operation of our business is dependent on our information technology systems to process, transmit and store sensitive electronic data, including employee, distributor and customer records, and to manage and support our business operations and manufacturing processes. The secure maintenance of this information is critical to our operations. Despite our security measures, our information technology system may be vulnerable to attacks by hackers or breaches due to errors or malfeasance by employees and others who have access to our system, or other disruptions during the process of upgrading or replacing computer software or hardware, power outages, computer viruses, telecommunication or utility failures or natural disasters. Any such event could compromise our information technology systems, expose our customers, distributors and employees to risks of misuse of confidential information, impair our ability to effectively and timely operate our business and manufacturing processes, and cause other disruptions, which could result in legal claims or proceedings, disrupt our operations and the services we provide to customers, damage our reputation, and cause a loss of confidence in our products and services, any of which could adversely affect our results of operations and competitive position.

Climate Change

Future deterioration of the environment due to climate change or increased severe weather related events associated with climate change could affect both our operations and the operations of our suppliers and customers. Climate change may be associated with extreme weather conditions such as more intense hurricanes, thunderstorms, tornadoes and snow or ice storms, as well as rising sea levels. Additionally, the Company could experience disruptions or limitations to access of water. Our suppliers may face similar challenges, which could impact our supply chain. Demand for our products may be impacted regionally as local climates adapt to global environmental changes. However, at this time, we are unable to determine the extent to which climate change may lead to increased storm or weather hazards affecting our operations.

Risks Related to Ownership of Our Stock

Common Stock Price May Fluctuate

Future announcements concerning Encore or its competitors or customers, quarterly variations in operating results, announcements of technological innovations, the introduction of new products or changes in product pricing policies by the Company or its competitors, developments regarding proprietary rights, changes in earnings estimates by analysts, or reports regarding the Company or its industry in the financial press or investment advisory publications, among other factors, could cause the market price of the common stock to fluctuate substantially. These fluctuations, as well as general economic, political and market conditions, such as recessions, world events, military conflicts or market or market-sector declines, may materially and adversely affect the market price of the common stock.

Beneficial Ownership of the Company's Common Stock by a Small Number of Stockholders

A small number of significant stockholders beneficially own greater than 36% of the Company's outstanding common stock. Depending on stockholder turnout for a stockholder vote, these stockholders, acting together, could be able to control the election of directors and certain matters requiring majority approval by the Company's stockholders. The interests of this group of stockholders may not always coincide with the Company's interests or the interests of other stockholders.

In the future, these stockholders could sell large amounts of common stock over relatively short periods of time. The Company cannot predict if, when or in what amounts stockholders may sell any of their shares. Sales of substantial amounts of the Company's common stock in the public market by existing stockholders or the perception that these sales could occur, may adversely affect the market price of our common stock by creating a public perception of difficulties or problems with the Company's business.

Future Sales of Common Stock Could Affect the Price of Common Stock

No prediction can be made as to the effect, if any, that future sales of shares or the availability of shares for sale will have on the market price of the common stock prevailing from time to time. Sales of substantial amounts of common stock, or the perception that such sales might occur, could adversely affect prevailing market prices of the common stock.

Risks Related to Laws and Regulations

Environmental Liabilities

The Company is subject to federal, state and local environmental protection laws and regulations governing the Company's operations and the use, handling, disposal and remediation of hazardous substances currently or formerly used by the Company. A risk of environmental liability is inherent in the Company's current manufacturing activities in the event of a release or discharge of a hazardous substance generated by the Company. Under certain environmental laws, including the Comprehensive Environmental Response, Compensation and Liability Act, as amended; the Resource Conservation and Recovery Act, as amended; and comparable state statutes and regulations promulgated thereunder, the Company could be held jointly and severally responsible for the remediation of any hazardous substance contamination at the Company's facilities and at third party waste disposal sites and could also be held liable for any consequences arising out of human exposure to such substances or other environmental damage. We believe that we are in substantial compliance with applicable requirements related to waste handling, and that we hold all necessary and up-to-date permits, registrations and other authorizations to the extent that our operations require them under such laws and regulations. However, there can be no assurance that the costs of complying with environmental, health and safety laws and requirements in the Company's current operations or the liabilities arising from past releases of, or exposure to, hazardous substances, will not result in future expenditures by the Company that could materially and adversely affect the Company's financial results, cash flow or financial condition.

Our Targets Related to Sustainability and Emissions Reduction Initiatives, Including our Public Statements and Disclosures Regarding Them, May Expose Us to Numerous Risks

We have developed, and will continue to develop, targets related to our environmental, social, and governance ("ESG") initiatives. Statements in this and other reports we file with the SEC and other public statements related to these initiatives reflect our current plans and expectations and are not a guarantee the targets will be achieved or achieved on the currently anticipated timeline. Our ability to achieve our ESG targets, including emissions reductions, is subject to numerous factors and conditions, some of which are outside of our control, and failure to achieve our announced targets or comply with ethical, environmental or other standards, including reporting standards, may expose us to government enforcement actions or private litigation and adversely impact our business. Further, our continuing efforts to research, establish, accomplish and accurately report on these targets may create additional operational risks and expenses and expose us to reputational, legal and other risks.

Investor and regulator focus on ESG matters continues to increase. If our ESG initiatives do not meet our investors' or other stakeholders' evolving expectations and standards, investment in our stock may be viewed as less attractive and our reputation, contractual, employment and other business relationships may be adversely impacted.

Regulations Related to Conflict-free Minerals May Force Us to Incur Additional Expenses

In August 2012, the SEC adopted disclosure requirements related to certain minerals sourced from the Democratic Republic of Congo or adjoining countries, as required by Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"). The SEC rules implementing Section 1502 of the Dodd-Frank Act require us to perform due diligence, and report whether "conflict minerals," which are defined as tin, tantalum, tungsten and gold, necessary to the functionality of a product we purchase originated from the Democratic Republic of Congo or an adjoining country. Since 2014, we have been required to file with the SEC on an annual basis a specialized disclosure report on Form SD regarding such matters. As our supply chain is complex, we may incur significant costs to determine the source and custody of conflict minerals that are used in the manufacture of our products in order to comply with these regulatory requirements in the future. We may also face reputation challenges if we are unable to verify the origins for all conflict minerals used in our products, or if we are unable to conclude that our products are "conflict free." Over time, conflict minerals reporting requirements may affect the sourcing, price and availability of our products, and may affect the availability and price of conflict minerals that are certified as conflict free. Accordingly, we may incur significant costs as a consequence of regulations related to conflict-free minerals, which may adversely affect our business, financial condition or results of operations.

Risks Related to Taxes

Changes in Tax Laws Could Increase Our Tax Rate and Adversely Affect Our Results of Operations

A change in tax laws is one of many factors that impact the Company's effective tax rate, and any such change could adversely impact our effective tax rate, financial condition and results of operations.

The Inflation Reduction Act ("IRA") was enacted on August 16, 2022. The IRA includes provisions imposing a 1% excise tax on share repurchases that occur after December 31, 2022, and introduces a 15% corporate alternative minimum tax on "adjusted financial statement income" of certain large corporations (generally, corporations reporting at least $1 billion of average adjusted pre-tax net income on their consolidated financial statements). Based on application of currently available guidance, the Company does not expect the IRA to have a material adverse impact to its financial statements.

It cannot be predicted whether or when tax laws, rules, regulations or ordinances may be enacted, issued, or amended that could materially and adversely impact our financial position, results of operations, or cash flows.

General Risk Factors

Outbreak of Contagious Disease

Our business and the businesses of our suppliers, distributors and customers could be adversely affected by the effects of a widespread outbreak of contagious diseases, including COVID-19, or any ongoing variants. Any outbreak of contagious diseases, and other adverse public health developments, could cause a disruption in our supply chain, distribution and demand for our products. The duration of any such disruption and the related financial impact from COVID-19, or any ongoing variants, and other epidemics and pandemics cannot be reasonably estimated at this time. Although the effects of the COVID-19 pandemic during 2023 were not as significant as prior years, new variants continued to cause waves of COVID-19 cases around the world. The occurrence or continuation of any of these events could lead to decreased revenues and limit our ability to execute on our business plan, which could adversely affect our business, financial condition and results of operations.

Item 1B. Unresolved Staff Comments.

None.

Item 1C. Cybersecurity.

Cybersecurity Risk Management and Strategy

We have developed and implemented a cybersecurity risk management program intended to protect the confidentiality, integrity, and availability of our critical systems and information.

Our cybersecurity risk management program is aligned to the Company's business strategy. It shares common methodologies, reporting channels and governance processes that apply to the other areas of enterprise risk, including legal, compliance, strategic, operational, and financial risk. Key elements of our cybersecurity risk management program include:

- risk assessments designed to help identify material cybersecurity risks to our critical systems, information, products, services, and our broader enterprise information technology environment;
- a security team principally responsible for managing our cybersecurity risk assessment processes and our response to cybersecurity incidents;
- the use of external service providers, where appropriate, to assess, test or otherwise assist with aspects of our security procedures;
- training and awareness programs for team members that include periodic and ongoing assessments to drive adoption and awareness of cybersecurity processes and procedures;
- a cybersecurity incident response plan that includes procedures for responding to cybersecurity incidents; and
- a third-party risk management process for service providers, suppliers, and vendors.

In the last three fiscal years, the Company has not experienced any material cybersecurity incidents. For a discussion of whether and how any risks from cybersecurity threats, including as a result of any previous cybersecurity incidents, have materially affected or are reasonably likely to materially affect us, including our business strategy, results of operations or financial condition, refer to Item 1A. Risk Factors - "Cybersecurity Breaches and other Disruptions to our Information Technology Systems", which is incorporated by reference into this Item 1C.

Cybersecurity Governance

The Board regularly receives reports from our executive officers and third parties on cybersecurity matters. In addition, the Board receives reports addressing cybersecurity as part of our overall enterprise risk management program and to the extent cybersecurity matters are addressed in regular business updates.

Management is responsible for developing cybersecurity programs, including as may be required by applicable law or regulation. These individuals' expertise in IT and cybersecurity generally has been gained from a combination of education, including relevant degrees and/or certifications, and prior work experience. They are informed by their respective cybersecurity teams about, and monitor, the prevention, detection, mitigation and remediation of cybersecurity incidents as part of the cybersecurity programs described above.

Item 2. Properties.

Encore maintains its corporate office and manufacturing plants in McKinney, Texas, approximately 32 miles north of downtown Dallas. The Company’s facilities are located on a combined site of approximately 460 acres and consist of buildings containing over 3.0 million square feet of floor space. The corporate office, plants and equipment are owned by the Company and are not mortgaged to secure any of the Company’s existing indebtedness. Encore believes that its plants and equipment are suited to its present needs, comply with applicable federal, state and local laws and regulations, and are properly maintained and adequately insured.

Item 3. Legal Proceedings.

For information on the Company’s legal proceedings see Note 10 to the Company’s financial statements included in Item 8 to this report and incorporated herein by reference.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

The Company's common stock is traded and quoted on the NASDAQ Stock Market's Global Select Market under the symbol "WIRE." As of February 15, 2024, there were 30 holders of record of the Company's common stock.

The Company currently expects to continue to make periodic cash dividends consistent with its historical practice.

Issuer Purchases of Equity Securities

Note 9 to the Company's financial statements included in Item 8 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 December 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)
October 1, 2023 – October 31, 2023	476,300	$ 178.77	476,300	813,617
November 1, 2023 – November 30, 2023	—	—	—	813,617
December 1, 2023 – December 31, 2023	—	—	—	813,617
	476,300	$ 178.77	476,300	

(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 the 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 in June 2023, authorizing the repurchase of up to 2,000,000 shares of our common stock. As of December 31, 2023, 813,617 shares remained authorized for repurchase through March 31, 2024. Under this program, the Company repurchased 2,661,792 shares of its stock in 2023, 2,055,470 shares in 2022 and 475,557 shares in 2021.

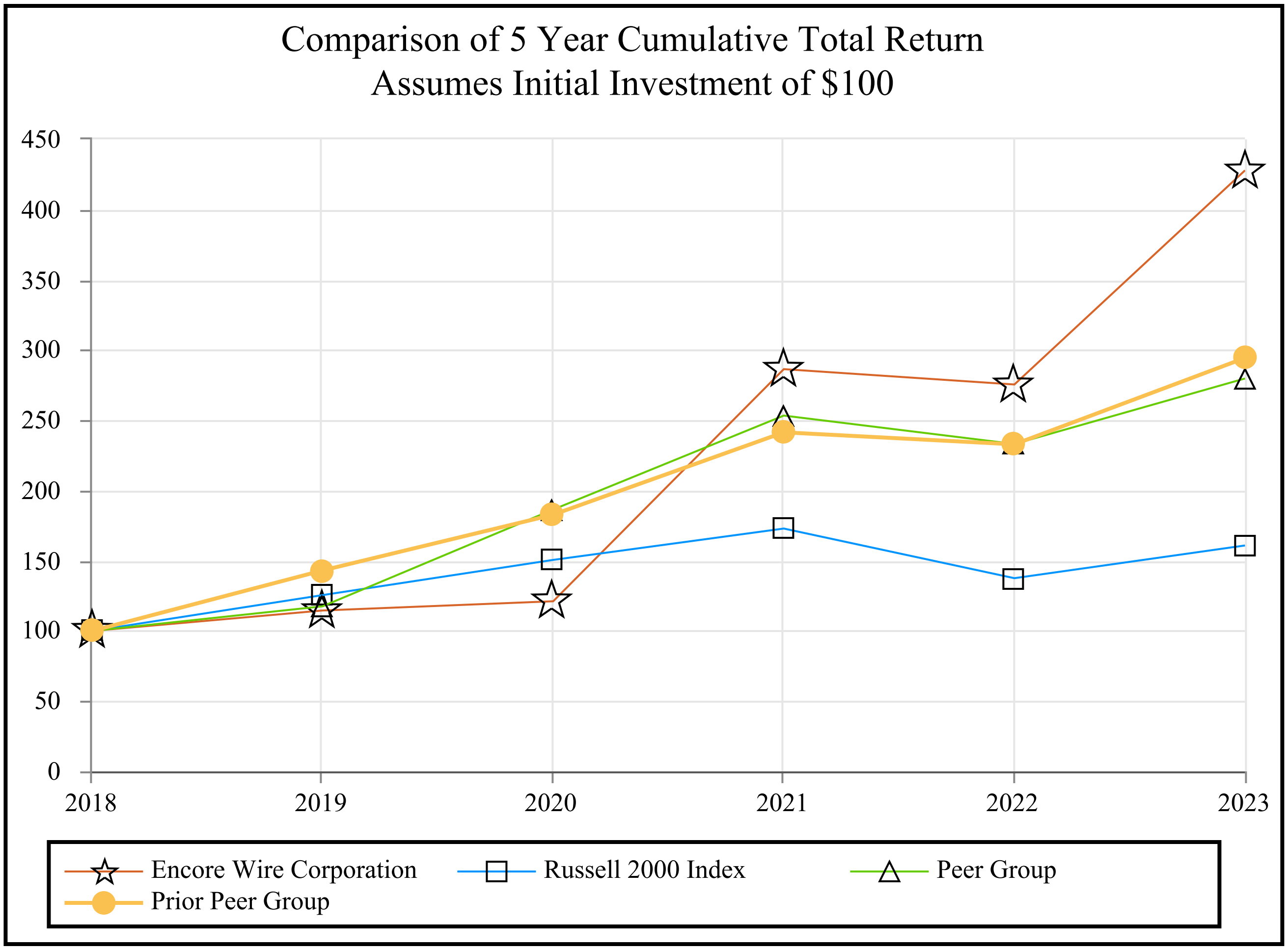
Subsequently, in February 2024, the Board of Directors extended the repurchase authorization for up to 2,000,000 shares of our common stock through March 31, 2025.

Performance Graph

The following graph is not "soliciting material," is not deemed filed with the SEC, and is not to be incorporated by reference into any of the Company's filings under the Securities Act of 1933 or the Securities Exchange Act of 1934, as amended, respectively.

The graph below sets forth the cumulative total stockholder return, which assumes reinvestment of dividends, of a $100 investment in the Company's common stock, the Russell 2000 Index, the Company's self-determined peer group for the year ended December 31, 2022 (the "Prior Peer Group"), and the Company's self-determined peer group for the year ended December 31, 2023 (the "Peer Group") for the five years ended December 31, 2023.

The Prior Peer Group consisted of Belden Inc., Apogee Enterprises, Inc., Atkore International Group, Inc., Patrick Industries, Inc., Gibraltar Industries, Inc., Nexans S.A., and Prysmian S.P.A. For the year ended December 31, 2023, the Company replaced Nexans S.A. and Prysmian S.P.A, changing its Peer Group to include Barnes Group Inc., Fluor Corporation, Freeport-McMoran Inc., Gates Industrial Corporation Plc, Griffon Corporation, Mueller Industries Inc., Resideo Technologies Inc., Rush Enterprises Inc., Sunrun Inc., and WESCO International Inc. The Company believes that the updated Peer Group better reflects a broader group of peers with a more comparable median market capitalization who either sell building products or electrical components to the Company's end-use customers or directly compete with the Company in certain product categories.



				As of December 31,		
Total Return For:	2018	2019	2020	2021	2022	2023
Encore Wire Corporation	$ 100.00	$ 114.56	$ 121.13	$ 286.40	$ 275.47	$ 427.90
Russell 2000 Index	100.00	125.52	150.58	172.90	137.56	160.85
Peer Group	100.00	117.54	186.44	253.33	233.11	279.74
Prior Peer Group	100.00	143.07	182.78	241.41	232.86	294.36

<u>Notes</u>

(1) Data presented in the performance graph is complete through December 31, 2023.

(2) The Peer Group is self-determined and consists of the following companies: Barnes Group Inc., Fluor Corporation, Freeport-McMoran Inc., Gates Industrial Corporation Plc, Griffon Corporation, Mueller Industries Inc., Belden Inc., Patrick Industries, Inc., Apogee Enterprises, Inc., Gibraltar Industries, Inc., Atkore Inc., Resideo Technologies Inc., Rush Enterprises Inc., Sunrun Inc., and WESCO International Inc.

(3) The Prior Peer Group is self-determined and consists of the following companies: Belden Inc., Patrick Industries, Inc., Apogee Enterprises, Inc., Gibraltar Industries, Inc., Atkore Inc., Nexans S.A., and

Prysmian S.P.A. The performance graph presented in our Annual Report on Form 10-K for the year ended December 31, 2022, filed with the SEC on February 16, 2023, consisted of this peer group.

(4) Each peer group index uses only the peer group's performance and excludes the performance of the Company. Each peer group index uses beginning of period market capitalization weighting.

(5) Each data line represents annual index levels derived from compounded daily returns that include all dividends.

(6) The index level for all data lines was set to $100.00 on December 31, 2018.

Item 6. [Reserved].

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Introduction

The following management's discussion and analysis is intended to provide a better understanding of key factors, drivers and risks regarding the Company and the building wire industry.

Executive Overview

Encore Wire sells a commodity product in a highly competitive market. Management believes that the historical strength of the Company's growth and earnings is in large part attributable to the following main factors:

- industry-leading order fill rates and responsive customer service;
- single-site, vertically integrated business model;
- deep supplier relationships for key raw materials;
- product innovations and product line expansions based on listening to and understanding customer needs and market trends;
- low cost manufacturing operations, resulting from a state-of-the-art manufacturing complex;
- low distribution and freight costs due in large part to the "one campus" business model;
- a focused management team leading a skilled work force; and
- a team of experienced independent manufacturers' representatives with strong customer relationships across the United States.

These factors, and others, have allowed Encore Wire to grow from a startup in 1989 to what management believes is one of the largest electric building wire companies in the United States of America. Encore has built a loyal following of customers throughout the United States. These customers have developed a brand preference for Encore Wire in a commodity product line due to the reasons noted above, among others. The Company prides itself on striving to grow sales by expanding its product offerings where profit margins are acceptable. Senior management monitors gross margins daily, frequently extending down to the individual order level. Management strongly believes that this "hands-on" focused approach to the building wire business has been an important factor in the Company's success, and will lead to continued success.

Investment in residential, commercial, and industrial infrastructure drives demand for the Company's wire and cable products. In 2023, pounds shipped increased 6.7% in copper wire versus 2022. In 2022, pounds shipped increased 7.9% in copper wire versus 2021. In 2021, pounds shipped increased 10.8% in copper wire versus 2020.

General

The Company's operating results 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 margins, and the efficiency with which the Company's plants operate during the period, among others. Price competition for electrical wire and cable is significant 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, in relation to supply and demand, and other factors, which causes monthly variations in the cost of copper purchased by the Company. Additionally, the SEC allows shares of physically backed copper exchange traded funds ("ETFs") to be listed and publicly traded. Such funds and other copper ETFs like it 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 rising 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 in the future 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. Historically, the cost of aluminum has been much lower and less volatile than copper. The tables below highlight the range of closing prices of copper on the COMEX exchange for the periods shown.

COMEX COPPER CLOSING PRICE 2023

	October 2023	November 2023	December 2023	Quarter Ended Dec. 31, 2023	Year-to-Date Dec. 31, 2023
High	$ 3.65	$ 3.83	$ 3.94	$ 3.94	$ 4.27
Low	3.54	3.58	3.72	3.54	3.54
Average	3.60	3.72	3.85	3.72	3.85

COMEX COPPER CLOSING PRICE 2022

	October 2022	November 2022	December 2022	Quarter Ended Dec. 31, 2022	Year-to-Date Dec. 31, 2022
High	$ 3.63	$ 3.95	$ 3.88	$ 3.95	$ 4.93
Low	3.36	3.46	3.75	3.36	3.21
Average	3.47	3.68	3.82	3.66	4.00

COMEX COPPER CLOSING PRICE 2021

	October 2021	November 2021	December 2021	Quarter Ended Dec. 31, 2021	Year-to-Date Dec. 31, 2021
High	$ 4.76	$ 4.46	$ 4.47	$ 4.76	$ 4.78
Low	4.16	4.27	4.18	4.16	3.54
Average	4.45	4.37	4.33	4.38	4.25

COMEX COPPER CLOSING PRICE 2023 by Quarter

	Quarter Ended March 31, 2023	Quarter Ended June 30, 2023	Quarter Ended Sept. 30, 2023	Quarter Ended Dec. 31, 2023	Year-to-Date Dec. 31, 2023
High	$ 4.27	$ 4.12	$ 3.99	$ 3.94	$ 4.27
Low	3.74	3.55	3.63	3.54	3.54
Average	4.08	3.84	3.77	3.72	3.85

COMEX COPPER CLOSING PRICE 2022 by Quarter

	Quarter Ended March 31, 2022	Quarter Ended June 30, 2022	Quarter Ended Sept. 30, 2022	Quarter Ended Dec. 31, 2022	Year-to-Date Dec. 31, 2022
High	$ 4.93	$ 4.80	$ 3.71	$ 3.95	$ 4.93
Low	4.30	3.71	3.21	3.36	3.21
Average	4.55	4.33	3.50	3.66	4.00

Results of Operations

The following table presents certain items of income and expense as a percentage of net sales for the periods indicated.

	Year Ended December 31,		
	2023	2022	2021
Net sales	100.0 %	100.0 %	100.0 %
Cost of goods sold:			
Copper	52.2 %	44.0 %	46.7 %
Other raw materials	12.5 %	12.0 %	10.5 %
Depreciation	1.2 %	0.8 %	0.8 %
Labor and overhead	8.7 %	6.9 %	6.6 %
LIFO adjustment	(0.1)%	(0.6)%	1.9 %
Total cost of goods sold	74.5 %	63.1 %	66.5 %
Gross profit	25.5 %	36.9 %	33.5 %
Selling, general and administrative expenses	7.9 %	6.5 %	6.5 %
Operating income	17.6 %	30.4 %	27.0 %
Net interest and other income	1.3 %	0.3 %	— %
Income before income taxes	18.9 %	30.7 %	27.0 %
Provision for income taxes	4.4 %	6.9 %	6.1 %
Net income	14.5 %	23.8 %	20.9 %

The following discussions and analyses relate to factors that have affected the operating results of the Company for the years ended December 31, 2023, 2022 and 2021. Reference should also be made to the Financial Statements and the related notes included under "Item 8. Financial Statements and Supplementary Data" of this Annual Report. Additional information about results for year end 2021 and certain year-on-year comparisons between 2022 and 2021 can be found in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's Annual Report on Form 10-K for the year ended December 31, 2022.

Net sales for the twelve months ended December 31, 2023 were $2.568 billion compared to $3.018 billion during the same period in 2022 and $2.593 billion during the same period in 2021. Copper unit volume, measured in pounds of copper contained in the wire sold, increased 6.7% in the year ended December 31, 2023 versus the year ended December 31, 2022. The 14.9% decrease in net sales dollars in 2023 versus 2022 was primarily the result of a 12.3% decrease in copper wire sales, driven by a 17.8% decrease in the average selling price of copper wire, partially offset by a 6.7% increase in copper wire pounds shipped. Additionally, aluminum net sales represented 12.9% of net sales for the year ended December 31, 2023 compared to 15.4% for the year ended December 31, 2022. The 16.4% increase in net sales dollars in 2022 versus 2021 was primarily the result of a 7.4% increase in copper wire sales, driven by a 7.9% increase in copper wire pounds shipped, partially offset by a 0.5% decrease in the average selling price of copper wire due to moderate decreases in copper commodity prices in the trailing six months of 2022.

Cost of goods sold was $1.912 billion, or 74.5% of net sales, in 2023 versus $1.905 billion, or 63.1% of net sales, in 2022 and $1.725 billion, or 66.5% of net sales in 2021. Gross profit decreased to $655.9 million, or 25.5% of net sales in 2023, compared to $1.112 billion, or 36.9% of net sales, in 2022 and $867.7 million, or 33.5% of net sales, in 2021.

Gross profit percentage for the twelve months ended December 31, 2023 was 25.5% compared to 36.9% during the same period in 2022 and 33.5% during the same period in 2021. The average selling price of wire per copper pound sold decreased 17.8% in the twelve months ended December 31, 2023 versus the twelve months ended December 31, 2022, while the average cost of copper per pound purchased decreased 3.7%. The overall increase in total volumes shipped, offset by an anticipated decrease in the average sales price during 2023, resulted in the decreased gross profit margin for the full year of 2023 when compared to 2022. The average selling price of wire per copper pound sold decreased 0.5% in the twelve months ended December 31, 2022 versus the twelve months ended December 31, 2021, while the average cost of copper per pound purchased decreased 2.7%.

Net income for the twelve months ended December 31, 2023 was $372.4 million versus $717.8 million in the same period in 2022 and $541.4 million in the same period in 2021. Fully diluted net earnings per common share were $21.62 in the twelve months ended December 31, 2023 versus $36.91 in the same period in 2022 and $26.22 in the same period in 2021.

Inventories consist of the following at December 31 (in thousands):

	2023	2022	2021
Raw materials	$ 64,512	$ 69,567	$ 54,012
Work-in-process	55,921	42,611	40,422
Finished goods	139,348	138,943	123,401
Total	259,781	251,121	217,835
Adjust to LIFO cost	(96,102)	(97,934)	(117,019)
Inventory	$ 163,679	$ 153,187	$ 100,816

The quantity of total copper inventory on hand in 2023 was consistent with our quantity of total copper inventory on hand in 2022. The other materials category, which includes a large number of raw materials, had quantity and price changes that included increases and decreases in various other materials. This resulted in a last-in, first-out (LIFO) method adjustment decreasing cost of sales by $1.8 million in 2023. We utilize the LIFO method because it results in a better matching of costs and revenues.

The quantity of total copper inventory on hand increased in 2022, compared to 2021. The other materials category, which includes a large number of raw materials, had quantity changes that included increases and decreases in various other materials. This resulted in a LIFO method adjustment decreasing cost of sales by $19.1 million in 2022.

Based on copper and other raw material prices, there were no lower of cost or market (LCM) adjustments necessary in the periods presented above.

Gross profit was $655.9 million, or 25.5% of net sales, in 2023 compared to $1.112 billion, or 36.9% of net sales, in 2022 and $867.7 million, or 33.5% of net sales, in 2021. The changes in gross profit were due to the factors discussed above.

Selling expenses, which are made up of freight and sales commissions, were $115.2 million in 2023, $133.7 million in 2022 and $109.5 million in 2021. Freight costs decreased in 2023 as a result of a decrease in overall freight rates compared to 2022. In 2022, freight costs increased as a result of increased sales volumes and an increase in overall freight rates, as compared to 2021. Commission costs decreased commensurate with the sales dollar decrease. As a percentage of net sales, selling expenses were 4.5% in 2023, 4.4% in 2022, and 4.2% in 2021. General and administrative expenses were $90.6 million in 2023, $63.7 million in 2022 and $57.6 million in 2021. As a percentage of net sales, general and administrative expenses were 3.5% in 2023 versus 2.1% in 2022 and 2.2% in 2021. Accounts receivable write-offs were $45 thousand in 2023 and zero in 2022 and 2021. The Company decreased the reserve for credit losses in 2023 by $1.3 million, did not record a reserve for credit losses in 2022, and increased the reserve by $1.5 million in 2021.

Net interest and other income was $33.3 million in 2023, $9.8 million in 2022 and $0.2 million in 2021. Both the increase in 2023 and 2022 reflect the economic impact of the pandemic and its effect on interest rates during the years and the resulting interest earned.

Our effective tax rate was 23.2% in 2023, 22.4% in 2022 and 22.6% in 2021. The differences between the provisions for income taxes and the income taxes computed using the federal income tax statutory rate are primarily due to state taxes and non-deductible expenses.

As a result of the foregoing factors, the Company’s net income was $372.4 million in 2023, $717.8 million in 2022 and $541.4 million in 2021.

Liquidity and Capital Resources

The following table summarizes the Company’s cash flow activities (in thousands):

	Year Ended December 31,		
	2023	2022	2021
Net cash provided by operating activities	$ 455,206	$ 688,883	$ 418,418
Net cash used in investing activities	(164,535)	(148,350)	(118,155)
Net cash used in financing activities	(460,593)	(248,966)	(44,396)
Net increase in cash and cash equivalents	$ (169,922)	$ 291,567	$ 255,867
Annual dividends paid	$ 1,376	$ 1,548	$ 1,633

The Company maintains a substantial inventory of finished products to satisfy customers’ prompt delivery requirements. As is customary in the industry, the Company provides payment terms to most of its customers that exceed terms that it receives from its suppliers. 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 the invoice. Therefore, the Company’s liquidity needs have generally consisted of working capital necessary to finance receivables and inventory. 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. We believe that the Company has sufficient liquidity, and will continue to have sufficient liquidity beyond the short-term outlook.

At December 31, 2023 and 2022, the Company had no debt outstanding.

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 0.20% to 0.325% (depending upon the Leverage Ratio) is payable on the unused line of credit. At December 31, 2023, there were no borrowings outstanding under the Amended 2021 Credit Agreement, and letters of credit outstanding in the amount of $0.3 million left $199.7 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.

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 December 31, 2023.

The Company paid interest totaling $0.4 million in 2023, 2022 and 2021, respectively, none of which was capitalized.

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 the 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 in June 2023, authorizing the repurchase of up to 2,000,000 shares of our common stock. As of December 31, 2023, 813,617 shares remained authorized for repurchase through March 31, 2024. Under this program, the Company repurchased 2,661,792 shares of its stock in 2023, 2,055,470 shares in 2022, and 475,557 shares in 2021.

Subsequently, in February 2024, the Board of Directors extended the repurchase authorization for up to 2,000,000 shares of our common stock through March 31, 2025.

Net cash provided by operations decreased $233.7 million to $455.2 million in 2023 compared to $688.9 million in 2022 and $418.4 million in 2021. The decrease in cash provided by operations of $233.7 million in 2023 versus 2022 was due to several factors. Net income decreased to $372.4 million in 2023 from $717.8 million in 2022. Accounts receivable decreased $22.1 million in 2023 compared to increasing $7.6 million in 2022, resulting in a positive impact to cash flow of $29.7 million. Inventory, net increased $10.5 million in 2023 compared to increasing $52.4 million in 2022, producing a positive impact to cash flow of $41.9 million. Trade accounts payable and accrued liabilities positively impacted cash by $1.1 million in 2023 versus negatively impacting cash by $12.0 million in 2022, a positive swing of $13.1 million. These changes in cash flow were the primary drivers of the $233.7 million decrease in net cash flow provided by operations in 2023 versus 2022.

Net cash provided by operations increased $270.5 million to $688.9 million in 2022 compared to $418.4 million in 2021. The increase in cash provided by operations of $270.5 million in 2022 versus 2021 was due to several factors. Net income increased to $717.8 million in 2022 from $541.4 million in 2021. Accounts receivable increased $7.6 million in 2022 compared to increasing $216.8 million in 2021, resulting in a positive impact to cash flow of $209.2 million. Inventory, net increased $52.4 million in 2022 compared to increasing $8.5 million in 2021, producing a negative impact to cash flow of $43.9 million. Trade accounts payable and accrued liabilities negatively impacted cash by $12.0 million in 2022 versus favorably impacting cash by $66.9 million in 2021, a negative swing of $78.9 million. These changes in cash flow were the primary drivers of the $270.5 million increase in net cash flow provided by operations in 2022 versus 2021.

Net cash used in investing activities was $164.5 million in 2023 versus $148.4 million in 2022 and $118.2 million in 2021. In 2023, capital expenditures were used primarily for the purchase and installation of machinery and equipment throughout the Company. The construction of our new, state of the art, cross-link polyethylene (XLPE) compounding facility, which deepens our vertical integration related to wire and cable insulation, was completed in 2023. In 2022 and 2021, capital expenditures were used primarily for repurposing of our vacated distribution center, the construction of our new service center, and the purchase and installation of machinery and equipment throughout the Company.

The net cash used by financing activities of $460.6 million in 2023 consisted primarily of $460.2 million used to purchase Company stock and dividend payments of $1.4 million, partially offset by $0.9 million proceeds from issuance of Company stock related to employees exercising stock options. The net cash used by financing activities of $249.0 million in 2022 consisted primarily of $247.6 million used to purchase Company stock and dividend payments of $1.5 million, partially offset by $0.2 million proceeds from issuance of Company stock related to employees exercising stock options. The net cash used by financing activities of $44.4 million in 2021 consisted primarily of $43.3 million used to purchase Company stock and dividend payments of $1.6 million, partially offset by $1.1 million proceeds from issuance of Company stock related to employees exercising stock options.

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 is used in many applications including Data Centers, Oil and Gas, Transit, Waste-Water Treatment facilities, Utilities and Wind and Solar applications. The new facility is substantially completed, with start-up and optimization now in progress. Capital spending in 2024 through 2026 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 and $164.5 million in 2023. Total capital expenditures are expected to range from $130 - $150 million in 2024, $130 - $150 million in 2025, and $100 - $120 million in 2026. These investments are expected to be funded with existing cash reserves and operating cash flows.

As of December 31, 2023, the Company had contractual obligations of $226.0 million, consisting of open purchase orders for major raw material purchases and $65.4 million of purchase orders for capital expenditures.

Critical Accounting Policies and Estimates

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 accounting principles generally accepted in the U.S.

The preparation of these financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. See Note 1 to the Financial Statements included under "Item 8. Financial Statements and Supplementary Data" of this annual report. Management believes the following critical accounting policies affect its more significant estimates and assumptions used in the preparation of its financial statements.

Inventories are stated at the lower of cost, using the LIFO method, or market. The Company maintains two inventory pools for LIFO purposes. As permitted by U.S. generally accepted accounting principles, 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 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 raw materials and finished wire prices as of the end of each reporting period. The Company performs an LCM calculation quarterly. As of December 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.

Revenue from the sale of the Company's products is recognized when goods are shipped to the customer, title and risk of loss are transferred, pricing is fixed or determinable, and collection is reasonably assured. A provision for payment discounts and customer rebates is estimated based upon historical experience and other relevant factors and is recorded within the same period that the revenue is recognized.

The Company has provided an allowance for credit losses on customer receivables based upon estimates of those customers' inability to make required payments. Such allowance is established and adjusted based upon the makeup of the current receivable portfolio, past bad debt experience, and current market conditions. If the financial condition of our customers was to deteriorate and impair their ability to make payments to the Company, additional allowances for losses might be required in future periods.

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 were adopted in 2023.

Information Regarding Forward-Looking Statements

This report contains various forward-looking statements and information that are based on management's belief as well as assumptions made by and information currently available to management. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. 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 expected.

Among the key factors that may have a direct bearing on the Company's operating results and stock price are:

- fluctuations in the global and national economy;
- the impact of a global pandemic;
- fluctuations in the level of activity in the construction industry, including remodeling;
- demand for the Company's products;
- the impact of price competition on the Company's margins;
- fluctuations in the price of copper, aluminum and other key raw materials;

- the loss of key manufacturers' representatives who sell the Company's product line;
- fluctuations in utility costs, especially electricity and natural gas, and freight costs;
- fluctuations in insurance costs and the availability of coverage of various types;
- weather related disasters at the Company's and/or key vendor's operating facilities;
- stock price fluctuations due to "stock market expectations" and other external variables;
- unforeseen future legal issues and/or government regulatory changes;
- changes in tax laws;
- patent and intellectual property disputes; and
- fluctuations in the Company's financial position or national banking issues that impede the Company's ability to obtain reasonable and adequate financing.

This list highlights some of the major factors that could affect the Company's operations or stock price, but cannot enumerate all the potential issues that management faces on a daily basis, many of which are totally out of management's control. For further discussion of the factors described herein and their potential effects on the Company, see "Item 1. Business," "Item 1A. Risk Factors," "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Item 7A. Quantitative and Qualitative Disclosures About Market Risk."

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

The Company does not engage in metal futures trading or hedging activities and does not enter into derivative financial instrument transactions for trading or other speculative purposes. However, the Company is generally exposed to commodity price and interest rate risks.

Commodity Price Risk

The Company purchases copper cathode primarily from miners and commodity brokers at prices determined each month based on the average daily COMEX closing prices for copper for that month, plus a negotiated premium. As a result, fluctuations in copper prices caused by market forces can significantly affect the Company's financial results.

Interest Rate Risk

Interest rate risk is attributable to the Company's long term debt. As of December 31, 2023, the Company was a party to the Amended 2021 Credit Agreement. Amounts outstanding under the 2021 Credit Agreement are payable on February 9, 2026, with interest payments due quarterly. At December 31, 2023, there were no amounts outstanding under the Amended 2021 Credit Agreement. There is an inherent rollover risk for borrowings under the Amended 2021 Credit Agreement as such borrowings mature and are renewed at current market rates. The extent of this risk is not quantifiable or predictable because of the variability of future interest rates and the Company's future financing requirements.

For further information regarding market risk, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations," and "Item 1A. Risk Factors."

Item 8. Financial Statements and Supplementary Data.

The financial statements of the Company and the notes thereto appear on the following pages. The Reports of independent registered public accounting firm (PCAOB: 42) also appear on the following pages.

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Encore Wire Corporation

Opinion on the Financial Statements

We have audited the accompanying balance sheets of Encore Wire Corporation (the Company) as of December 31, 2023 and 2022, the related statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2023, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2023, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated February 16, 2024 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the account or disclosure to which it relates.

Valuation of inventories

Description of the Matter	At December 31, 2023, the Company's inventory balance was $163.7 million. As discussed in Notes 1 and 2 to the financial statements, 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. generally accepted accounting principles, the Company maintains its inventory costs and cost of goods sold on a first-in, first-out (FIFO) basis and adjusts total inventory and cost of goods sold from FIFO to LIFO at each month end. Auditing management's calculations to adjust the FIFO inventory balances to LIFO was challenging due to the complexities of the manual calculations.
How We Addressed the Matter in Our Audit	We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's calculations of the adjustments to convert FIFO inventory balances to LIFO, including controls over management's review of the manual calculations described above. To test the LIFO inventory balance, we performed audit procedures that included, among others, assessing methodologies and testing the underlying data used in the Company's calculations to adjust the FIFO inventory balances to LIFO. We also tested the mathematical accuracy of the Company's calculations.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 1990.
Dallas, Texas
February 16, 2024

Encore Wire Corporation
Balance Sheets
As of December 31, 2023 and 2022
(In thousands, except share data)

	2023	2022
Assets		
Current assets:		
Cash and cash equivalents	$ 560,635	$ 730,557
Accounts receivable, net of allowance of $2,455 and $3,800	475,291	498,762
Inventories, net	163,679	153,187
Income taxes receivable	4,769	15,143
Prepaid expenses and other	6,201	3,992
Total current assets	1,210,575	1,401,641
Property, plant and equipment, net	756,863	616,601
Other assets	474	490
Total assets	$ 1,967,912	$ 2,018,732
Liabilities and Stockholders’ Equity		
Current liabilities:		
Trade accounts payable	$ 80,548	$ 62,780
Accrued liabilities	79,590	81,381
Total current liabilities	160,138	144,161
Deferred income taxes and other	60,197	55,905
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 – 27,276,834 and 27,139,611	273	271
Additional paid-in capital	106,035	83,622
Treasury stock, at cost – 11,661,524 and 8,999,732 shares	(867,222)	(402,639)
Retained earnings	2,508,491	2,137,412
Total stockholders’ equity	1,747,577	1,818,666
Total liabilities and stockholders’ equity	$ 1,967,912	$ 2,018,732

See accompanying notes.

Encore Wire Corporation
Statements of Income
For the Years Ended December 31, 2023, 2022 and 2021
(In thousands, except per share data)

	2023	2022	2021
Net sales	$2,567,722	$3,017,555	$2,592,721
Cost of goods sold	1,911,839	1,905,134	1,724,975
Gross profit	655,883	1,112,421	867,746
Selling, general and administrative expenses	204,510	197,418	168,543
Operating income	451,373	915,003	699,203
Net interest and other income	33,268	9,847	194
Income before income taxes	484,641	924,850	699,397
Provision for income taxes	112,242	207,009	157,975
Net income	$ 372,399	$ 717,841	$ 541,422
Earnings per common and common equivalent share – basic	$ 22.07	$ 37.47	$ 26.49
Earnings per common and common equivalent share – diluted	$ 21.62	$ 36.91	$ 26.22
Weighted average common and common equivalent shares outstanding – basic	16,873	19,159	20,439
Weighted average common and common equivalent shares outstanding – diluted	17,223	19,446	20,649
Cash dividends declared per share	$ 0.08	$ 0.08	$ 0.08

See accompanying notes.

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

	Common Stock		Additional Paid-In Capital	Treasury Stock		Retained Earnings	Total
	Shares	Amount		Shares	Amount		
Balance at January 1, 2021	27,025	$ 270	$ 67,885	(6,468)	$ (111,718)	$ 881,292	$ 837,729
Net income	—	—	—	—	—	541,422	541,422
Exercise of stock options	35	1	1,083	—	—	—	1,084
Stock-based compensation	23	—	3,785	—	—	—	3,785
Dividend declared—$0.08 per share	—	—	—	—	—	(1,635)	(1,635)
Purchase of treasury stock	—	—	—	(476)	(43,296)	—	(43,296)
Balance at December 31, 2021	27,083	271	72,753	(6,944)	(155,014)	1,421,079	1,339,089
Net income	—	—	—	—	—	717,841	717,841
Exercise of stock options	4	—	207	—	—	—	207
Stock-based compensation	52	—	10,662	—	—	—	10,662
Dividend declared—$0.08 per share	—	—	—	—	—	(1,508)	(1,508)
Purchase of treasury stock	—	—	—	(2,056)	(247,625)	—	(247,625)
Balance at December 31, 2022	27,139	271	83,622	(9,000)	(402,639)	2,137,412	1,818,666
Net income	—	—	—	—	—	372,399	372,399
Exercise of stock options	22	—	936	—	—	—	936
Stock-based compensation	115	2	21,477	—	—	—	21,479
Dividend declared—$0.08 per share	—	—	—	—	—	(1,320)	(1,320)
Purchase of treasury stock	—	—	—	(2,662)	(464,583)	—	(464,583)
Balance at December 31, 2023	27,276	$ 273	$ 106,035	(11,662)	$ (867,222)	$2,508,491	$1,747,577

See accompanying notes.

Encore Wire Corporation
Statements of Cash Flows
For the Years Ended December 31, 2023, 2022 and 2021
(In thousands)

	2023	2022	2021
Operating Activities			
Net income	$ 372,399	$ 717,841	$ 541,422
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	32,052	26,232	23,288
Deferred income taxes	4,342	19,539	2,264
Stock-based compensation attributable to equity awards	21,477	10,662	3,786
Other	4,163	1,796	5,831
Changes in operating assets and liabilities:			
Accounts receivable	22,126	(7,636)	(216,808)
Inventories	(10,492)	(52,371)	(8,494)
Other assets	(2,318)	(980)	(62)
Trade accounts payable and accrued liabilities	1,083	(12,008)	66,886
Current income taxes receivable / payable	10,374	(14,192)	305
Net cash provided by operating activities	455,206	688,883	418,418
Investing Activities			
Purchases of property, plant and equipment	(164,563)	(148,350)	(118,252)
Proceeds from sale of assets	28	—	97
Net cash used in investing activities	(164,535)	(148,350)	(118,155)
Financing Activities			
Deferred financing fees	—	—	(550)
Purchase of treasury stock	(460,155)	(247,625)	(43,296)
Proceeds from issuance of common stock, net	938	207	1,083
Dividends paid	(1,376)	(1,548)	(1,633)
Net cash used in financing activities	(460,593)	(248,966)	(44,396)
Net increase (decrease) in cash and cash equivalents	(169,922)	291,567	255,867
Cash and cash equivalents at beginning of period	730,557	438,990	183,123
Cash and cash equivalents at end of period	$ 560,635	$ 730,557	$ 438,990

See accompanying notes.

1. Significant Accounting Policies

Business

The Company conducts its business in one segment, the manufacture of electric building wire, manufacturing a broad range of electrical wire and cables used to distribute power from the transmission grid to the wall outlet or switch. Encore's diversified product portfolio and low-cost of production position it exceptionally well to play a key role in the transition to a more sustainable and reliable energy infrastructure. Our products are proudly made in America at our vertically-integrated, single-site, Texas campus. The Company sells its products through manufacturers' representatives to wholesale electrical distributors servicing the residential, commercial, industrial and renewable energy sectors.

Copper, a commodity product, is the principal raw material used in the Company's manufacturing operations. The price of copper fluctuates, depending on general economic conditions and in relation to supply and demand and other factors, and has caused monthly variations in the cost of copper purchased by the Company. The Company cannot predict future copper prices or the effect of fluctuations in the cost of copper on the Company's future operating results.

Basis of Presentation

The Company's financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP").

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

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 receivable 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.

Freight Expenses

The Company classifies shipping and handling costs as a component of selling, general and administrative expenses. Shipping and handling costs were approximately $51.2 million, $58.9 million and $47.2 million for the years ended December 31, 2023, 2022 and 2021, respectively.

Derivatives

The Company may purchase copper and aluminum at current market prices for delivery in future months. These purchases meet the definition of a derivative in Accounting Standards Codification 815, Derivatives and Hedging (ASC 815). These transactions also qualify for the exclusion from derivative accounting as they meet the normal purchase and normal sale criterion in ASC 815.

Fair Value of Financial Instruments

Certain items are required to be measured at fair value on a recurring basis, primarily cash equivalents held in banks. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. A three-level hierarchy is followed for disclosure to show the extent and level of judgment used to estimate fair value measurements:

Level 1 – Inputs used to measure fair value are unadjusted quoted prices that are available in active markets for the identical assets or liabilities as of the reporting date.

Level 2 – Inputs used to measure fair value, other than quoted prices included in Level 1, are either directly or indirectly observable as of the reporting date through correlation with market data, including quoted prices for similar assets and liabilities in active markets and quoted prices in markets that are not active. Level 2 also includes assets and liabilities that are valued using models or other pricing methodologies that do not require significant judgment since the input assumptions used in the models, such as interest rates and volatility factors, are corroborated by readily observable data from actively quoted markets for substantially the full term of the financial instrument.

Level 3 – Inputs used to measure fair value are unobservable inputs that are supported by little or no market activity and reflect the use of significant management judgment. These values are generally determined using pricing models for which the assumptions utilize management's estimates of market participant assumptions.

At December 31, 2023 and 2022, the carrying value of cash and cash equivalents is based on Level 1 measurements.

Concentrations of Credit Risk and Accounts Receivable

Financial instruments that potentially subject the Company to a concentration of credit risk consist principally of cash and cash equivalents and accounts receivable. The Company places its cash and cash equivalents with high credit quality financial institutions.

Accounts receivable represent amounts due from customers, primarily wholesale electrical distributors, related to the sale of the Company's products. Such receivables are uncollateralized and are generally due from customers located throughout the United States. Encore has two customers, each of whom slightly exceeds 10% of the Company's total sales. The Company establishes an allowance for credit losses based upon the makeup of the current portfolio, past bad debt experience and current market conditions.

Allowance for Credit Losses (In Thousands)	2023	2022	2021
Beginning balance January 1	$ 3,800	$ 3,800	$ 2,215
Write-offs of bad debts	(45)	—	—
Collection of previous write-offs	—	—	122
Adjustment to allowance for credit losses	(1,300)	—	1,463
Ending balance at December 31	$ 2,455	$ 3,800	$ 3,800

Cash and Cash Equivalents

The Company considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents. At December 31, 2023 and 2022, the Company's cash equivalents consisted of investments in money market accounts with the Company's banks.

Inventories

Inventories are stated at the lower of cost, using the LIFO method, or market. The Company evaluates the market value of its raw materials, work-in-process and finished goods inventory primarily based upon current raw material and finished goods prices at the end of each period.

Property, Plant, and Equipment

Property, plant and equipment is recorded at cost. Depreciation is recorded on a straight-line method over the estimated useful lives of the respective assets as follows: buildings and improvements, 3 to 45 years; machinery and equipment, 2 to

20 years; and furniture and fixtures, 5 to 20 years. Accelerated cost recovery methods are used for tax purposes. Repairs and maintenance costs are expensed as incurred. In accordance with its policy, the Company reviews the estimated useful lives of its fixed assets on an ongoing basis. This review indicated that the actual lives of its buildings were longer than the estimated useful lives used for depreciation purposes in the Company's financial statements. As a result, effective September 1, 2023, the Company changed some of its estimates of the useful lives of its buildings to better reflect the estimated periods during which these assets will remain in service. The estimated useful lives of some of the buildings that previously averaged 35 years were increased to an average of 45 years. The effect of this change in estimate was not material to the financial statements.

Stock-Based Compensation

Compensation cost for all stock-based compensation expected to vest is measured at fair value on the date of grant and recognized over the related service period. The fair value of stock awards is determined based on the number of shares granted and the quoted price of Encore’s common stock, and the fair value of stock options and stock appreciation rights is estimated on the date of grant using the Black-Scholes model. Such value is recognized as expense over the service period on a straight-line basis. Actual forfeitures are recorded as a cumulative adjustment in the period they occur.

Earnings Per Share

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

Income Taxes

Income taxes are provided for based on the liability method, resulting in deferred income tax assets and liabilities arising due to temporary differences. Temporary differences are differences between the tax basis of assets and liabilities and their reported amounts in the financial statements that will result in taxable or deductible amounts in future years. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in income in the period the change in rate is enacted.

Comprehensive Income

Comprehensive income is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. There were no differences between comprehensive income and reported income in the periods presented.

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 were adopted in 2023.

2. Inventories

Inventories consist of the following as of December 31:

In Thousands	2023	2022
Raw materials	$ 64,512	$ 69,567
Work-in-process	55,921	42,611
Finished goods	139,348	138,943
Total	259,781	251,121
Adjust to LIFO cost	(96,102)	(97,934)
Inventory, net	$ 163,679	$ 153,187

There were no liquidations of inventories that had a material impact on the Company’s results of operations for any period presented.

3. Property, Plant and Equipment, net

Property, plant and equipment consist of the following as of December 31:

In Thousands	2023	2022
Land and land improvements	$ 90,162	$ 85,286
Construction-in-progress	163,514	125,809
Buildings and improvements	313,691	232,758
Machinery and equipment	478,060	438,303
Furniture and fixtures	17,231	15,178
Property, plant and equipment, gross	1,062,658	897,334
Accumulated depreciation	(305,795)	(280,733)
Property, plant and equipment, net	$ 756,863	$ 616,601

Depreciation expense for the years ended December 31, 2023, 2022 and 2021 was $31.9 million, $26.1 million and $23.2 million, respectively.

4. Accrued Liabilities

Accrued liabilities consist of the following as of December 31:

In Thousands	2023	2022
Sales rebates payable	$ 39,123	$ 40,909
Stock Appreciation Rights (SAR) Liability	22,182	20,282
Property taxes payable	5,827	5,287
Accrued salaries	6,947	7,616
Other accrued liabilities	5,511	7,287
Total accrued liabilities	$ 79,590	$ 81,381

5. Debt

At December 31, 2023 and 2022, the Company had no debt outstanding.

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 0.20% to 0.325% (depending upon the Leverage Ratio) is payable on the unused line of credit. At December 31, 2023, there were no borrowings outstanding under the Amended 2021 Credit Agreement, and letters of credit outstanding in the amount of $0.3 million left $199.7 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.

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 December 31, 2023.

The Company paid interest totaling $0.4 million in 2023, 2022 and 2021, respectively, none of which was capitalized.

6. Income Taxes

The Inflation Reduction Act ("IRA") was enacted on August 16, 2022. The IRA includes provisions imposing a 1% excise tax on share repurchases that occur after December 31, 2022, and introduces a 15% corporate alternative minimum tax on "adjusted financial statement income" of certain large corporations (generally, corporations reporting at least $1 billion of average adjusted pre-tax net income on their consolidated financial statements). Based on application of currently available guidance, the Company does not expect the IRA to have a material adverse impact to its financial statements.

The provision for income tax expense is summarized as follows for the years ended December 31:

In Thousands	2023	2022	2021
Current:			
Federal	$ 100,472	$ 175,090	$ 143,392
State	7,428	12,379	12,319
Deferred:			
Federal	4,115	19,797	2,132
State	227	(257)	132
Total income tax expense	$ 112,242	$ 207,009	$ 157,975

The differences between the provision for income taxes and income taxes computed using the federal income tax rate are as follows for the years ended December 31:

In Thousands	2023	2022	2021
Amount computed using the statutory rate	$ 101,775	$ 194,218	$ 146,873
State income taxes, net of federal tax benefit	6,047	9,576	9,836
162(m) disallowance	5,687	3,244	1,355
Other	(1,267)	(29)	(89)
Total income tax expense	$ 112,242	$ 207,009	$ 157,975

The tax effect of each type of temporary difference giving rise to the net deferred tax liability at December 31 is as follows:

In Thousands	2023	2022
Depreciation	$ (65,688)	$ (60,304)
Inventory	(2,462)	(2,080)
Allowance for credit losses	545	843
Uniform capitalization rules	1,110	574
Stock-based compensation	6,170	4,791
Other	343	536
Net deferred income tax liability	$ (59,982)	$ (55,640)

The Company's inventory costing method for federal income tax purposes differs from the method allowed by GAAP. Both methods of inventory costing result in the same recovery of inventory. However, the timing of the recovery varies. As of December 31, 2023, the Company's tax inventory exceeds its book inventory, which created a deferred tax liability of $2.5 million.

The Company made income tax payments of $97.7 million in 2023, $201.7 million in 2022 and $155.5 million in 2021.

The Company's federal income tax returns for the years subsequent to December 31, 2019 remain subject to examination. The Company's income tax returns in major state income tax jurisdictions remain subject to examination for various periods subsequent to December 31, 2018. The Company has no reserves for uncertain tax positions as of December 31, 2023 and 2022. Interest and penalties resulting from audits by tax authorities have been immaterial and are included in the provision for income taxes in the statements of income.

7. Stock-Based Compensation

Total stock-based compensation expense by type of award was as follows for the years ended December 31:

In Thousands	2023	2022	2021
Restricted Stock Units	$ 20,738	$ 9,054	$ 1,889
Stock grants	1,018	724	489
Stock options	21	289	435
Stock appreciation rights ("SARs")	23,438	7,319	22,188
Restricted Stock Awards	986	1,005	1,005
Total stock-based compensation expense	$ 46,201	$ 18,391	$ 26,006

In 2020, the Board of Directors adopted a new incentive plan called the Encore Wire 2020 Long Term Incentive Plan (the "2020 LTIP") which was approved by the Company's stockholders at the 2020 Annual Meeting of Stockholders. The 2020 LTIP permits the granting of 1,000,000 securities in the form of options to purchase shares of common stock, stock appreciation rights, restricted common stock, restricted stock units, unrestricted common stock, dividend equivalents, cash awards, or performance awards to non-employee directors, officers and employees of the Company. As of December 31, 2023, 463,550 securities remained available for grant under the 2020 LTIP.

Restricted Stock Units:

Restricted units granted to employees vest ratably over a period of three years from the time the restricted units were granted. During the years ended December 31, 2023, 2022, and 2021 the Company granted 236,800 units, 177,200 units, and 98,600 units respectively, of restricted stock to employees pursuant to the 2020 Long Term Incentive Plan, with weighted grant date fair values of $149.62, $127.58, and $61.92 per unit, respectively. As of December 31, 2023, there was $32.3 million of total unrecognized compensation cost related to unvested units. That cost is expected to be recognized over a weighted-average period of 1.8 years.

The following presents a summary of restricted stock activity for the year ended December 31, 2023:

	Number of Units	Weighted Average Grant Date Fair Value
Outstanding at January 1, 2023	241,436	$ 109.69
Granted	236,800	149.62
Vested	(91,432)	103.97
Forfeited/Canceled	—	—
Unvested at December 31, 2023	386,804	$ 135.49

Stock Grants:

In May 2023, the Company granted 1,250 shares of stock to each of the 5 non-employee directors, with a grant date fair value of $162.93 per share. In May 2022, the Company granted 1,250 shares of stock to 4 non-employee directors with a grant date fair value of $123.45 per share. In September 2022, the Company granted 850 shares of stock to 1 non-employee director with a grant date fair value of $125.37 per share. In May 2021, the Company granted 1,250 shares of stock to each of the 5 non-employee directors, with a grant date fair value of $78.29 per share.

Stock Options:

No stock option awards were granted in 2023, 2022 or 2021. Options vest ratably over a period of five years from the time the options were granted. The maximum term of any option previously granted under the 2010 Stock Option Plan or granted in the future under the 2020 LTIP is ten years. New shares are issued upon the exercise of options.

The following presents a summary of stock option activity for the year ended December 31, 2023:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value (In Thousands)
Outstanding at January 1, 2023	275,500	$ 43.06		
Exercised	(22,000)	42.53		
Forfeited/Canceled	—	—		
Outstanding at December 31, 2023	253,500	$ 43.10	2.7 years	$ 43,222
Vested and exercisable at December 31, 2023	253,500	$ 43.10	2.7 years	$ 43,222

During the years ended December 31, 2023, 2022 and 2021, the total intrinsic value of options exercised was $2.9 million, $0.2 million and $3.1 million, respectively. As of December 31, 2023, there was no unrecognized compensation cost related to non-vested stock options.

Stock Appreciation Rights:

In 2014, the Board of Directors adopted a new stock appreciation rights plan called the Encore Wire 2014 Stock Appreciation Rights Plan (the "2014 SARs Plan"). The 2014 SARs Plan permits the grant of SARs that may only be settled in cash to non-executive officers and employees of the Company. SARs granted to employees vest ratably over a period of five years from the time the SARs were granted. The maximum term of any SARs granted under the 2014 SARs Plan is ten years. These awards are classified as liability awards. The liability balances were $22.2 million and $20.3 million at December 31, 2023 and 2022, respectively, and are included in accrued liabilities. Compensation cost for these awards is determined using a fair value method and remeasured at each reporting date until the date of settlement. As of December 31, 2023, a total of 172,008 SARs were outstanding under the 2014 SARs Plan. No SARs were granted subsequent to 2020 as this plan was replaced with a long-term deferred cash compensation plan.

The following presents a summary of SARs activity for the year ended December 31, 2023:

	Cash-settled SARs	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value (In Thousands)
Outstanding at January 1, 2023	332,164	$ 54.18		
Exercised	(153,556)	52.82		
Forfeited/Canceled	(6,600)	56.47		
Outstanding at December 31, 2023	172,008	$ 55.31	5.4 years	$ 27,228
Vested and exercisable at December 31, 2023	69,608	$ 53.51	5.0 years	$ 11,143

The fair value of SARs outstanding during the years ended December 31, 2023, 2022 and 2021, are revalued each quarter using a Black-Scholes option pricing model and the following weighted average assumptions:

	Year Ended December 31,		
	2023	2022	2021
Risk-free interest rate	5.17 %	4.46 %	0.70 %
Expected dividend yield	0.04 %	0.06 %	0.06 %
Expected volatility	32.60 %	44.03 %	38.64 %
Expected lives	0.6 years	1.3 years	2.1 years

The Company bases expected volatilities on historical volatilities of Encore's common stock. The expected life represents the weighted average period of time that options granted are expected to be outstanding giving consideration to vesting periods and management's consideration of historical exercise patterns. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant for periods corresponding to the expected life of the option. The expected dividend yield is based on the annualized dividend payment paid on common shares.

During the years ended December 31, 2023, 2022 and 2021, the weighted average fair value of SARs was $159.92, $87.20 and $90.04, respectively, and the total intrinsic value of SARs exercised was $21.5 million, $9.1 million and $5.4 million, respectively. As of December 31, 2023, total unrecognized compensation cost related to non-vested SARs of $5.3 million was expected to be recognized over a weighted average period of 1.0 years.

Restricted Stock Awards:

Restricted shares granted to employees vest ratably over a period of five years from the time the restricted shares were granted. No restricted shares were granted subsequent to 2020. As of December 31, 2023, there was $0.4 million of total unrecognized compensation cost related to unvested shares. That cost is expected to be recognized over a weighted-average period of 0.8 years. The total fair value of shares vested during the year ending December 31, 2023 was $4.4 million.

The following presents a summary of restricted stock activity for the year ended December 31, 2023:

	Number of Shares	Weighted Average Grant Date Fair Value
Outstanding at January 1, 2023	41,000	$ 57.00
Granted	—	—
Vested	(26,000)	56.60
Unvested at December 31, 2023	15,000	$ 57.69

8. Earnings Per Share

The following table sets forth certain components of the computation of basic and diluted earnings per share for the years ended December 31:

In Thousands	2023	2022	2021
Numerator:			
Net income	$ 372,399	$ 717,841	$ 541,422
Denominator:			
Denominator for basic earnings per share – weighted average shares	16,873	19,159	20,439
Effect of dilutive securities:			
Employee stock awards	350	287	210
Denominator for diluted earnings per share – weighted average shares	17,223	19,446	20,649

Stock options to purchase common stock at exercise prices in excess of the average actual stock price for the period that were anti-dilutive and that were excluded from the determination of diluted earnings per share are as follows:

In Thousands, Except Per Share Data	2023	2022	2021
Weighted average anti-dilutive stock options	—	—	—
Weighted average exercise price per share	$ —	$ —	$ —

9. 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 the 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 in June 2023, authorizing the repurchase of up to 2,000,000 shares of our common stock. As of December 31, 2023, 813,617 shares remained authorized for repurchase through March 31, 2024. Under this program, the Company repurchased 2,661,792 shares of its stock in 2023, 2,055,470 shares in 2022 and 475,557 shares in 2021.

Subsequently, in February 2024, the Board of Directors extended the repurchase authorization for up to 2,000,000 shares of our common stock through March 31, 2025.

10. 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.

11. Encore Wire Corporation 401(k) Profit Sharing Plan

The Company sponsors a 401(k) profit sharing plan (the "Plan") that permits eligible employees to make self-directed contributions of their compensation, a portion of which is matched by the Company, subject to applicable limitations. At the discretion of its Board of Directors, the Company may, but is not required to, make profit-sharing contributions to the Plan on behalf of its employees. The Company's matching contributions were $4.3 million, $3.7 million and $3.0 million in 2023, 2022 and 2021, respectively.

12. Quarterly Financial Information (Unaudited)

The following is a summary of the unaudited quarterly financial information for the two years ended December 31, 2023 and 2022 (in thousands, except per share data):

	Three Months Ended			
2023	March 31	June 30	September 30	December 31
Net sales	$ 660,492	$ 636,460	$ 636,991	$ 633,779
Gross profit	205,085	166,148	148,242	136,408
Net income	119,483	104,741	82,052	66,123
Earnings per common share – basic	6.60	6.13	4.93	4.21
Earnings per common share – diluted	6.50	6.01	4.82	4.10

	Three Months Ended			
2022	March 31	June 30	September 30	December 31
Net sales	$ 723,072	$ 838,235	$ 762,363	$ 693,885
Gross profit	243,747	320,772	299,447	248,455
Net income	161,531	210,538	191,773	153,998
Earnings per common share – basic	8.08	10.84	10.11	8.43
Earnings per common share – diluted	7.96	10.71	9.97	8.28

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.

Not applicable.

Item 9A. Controls and Procedures.

Disclosure 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 Securities and Exchange Commission (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.

Management's Report on Internal Control over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended) for the Company.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2023. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control —Integrated Framework (2013 Framework). Based on our assessment, we concluded that, as of December 31, 2023, the Company's internal control over financial reporting is effective based on those criteria.

Ernst & Young LLP, the independent registered public accounting firm that audited the Company's financial statements, has also audited the Company's internal control over financial reporting as of December 31, 2023. Ernst & Young LLP's attestation report on the Company's internal control over financial reporting appears directly below.

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 Company's last fiscal quarter.

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Encore Wire Corporation

Opinion on Internal Control Over Financial Reporting

We have audited Encore Wire Corporation's internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Encore Wire Corporation (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the balance sheets of the Company as of December 31, 2023 and 2022, the related statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2023, and the related notes and our report dated February 16, 2024 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Dallas, Texas
February 16, 2024

Item 9B. Other Information.

Rule 10b5-1 Trading Plans

During the quarter and year ended 2023, none of our executive officers or directors adopted or terminated any contract, instruction or written plan for the purchase or sale of our securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any "non-Rule 10b5-1 trading arrangement."

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.

Not Applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The sections entitled "Election of Directors", "Corporate Governance and Other Board Matters" and, if applicable, "Delinquent Section 16(a) Reports" appearing in the Company's proxy statement for the annual meeting of stockholders to be held on May 7, 2024 setting forth certain information with respect to the directors of the Company, Section 16(a) reporting obligations of directors and officers, the Company's audit committee, the Company's audit committee financial expert and the procedures by which security holders may recommend nominees to the Board of Directors are incorporated herein by reference. Certain information with respect to persons who are or may be deemed to be executive officers of the Company is set forth under the caption "Information about our Executive Officers" in Part I, Item 1 of this report.

In connection with Company's long-standing commitment to conduct its business in compliance with applicable laws and regulations and in accordance with its ethical principles, the Board of Directors has adopted a Code of Business Conduct and Ethics applicable to all employees, officers, directors, and advisors of the Company. The Code of Business Conduct and Ethics of the Company is available under the "Investors" section of the Company's website at http://www.encorewire.com, and is incorporated herein by reference. The Company intends to post amendments to or waivers of its Code of Business Conduct and Ethics (to the extent applicable to any officer or director of the Company) at such location on its website.

Item 11. Executive Compensation.

The section entitled "Executive Compensation" appearing in the Company's proxy statement for the annual meeting of stockholders to be held on May 7, 2024, sets forth certain information with respect to the compensation of management of the Company and compensation committee interlocks and insider participation and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The section entitled "Security Ownership of Certain Beneficial Owners, Directors and Executive Officers" appearing in the Company's proxy statement for the annual meeting of stockholders to be held on May 7, 2024 sets forth certain information with respect to the ownership of the Company's common stock, and is incorporated herein by reference.

Equity Compensation Plan Information

The following table provides information about the Company's equity compensation plans as of December 31, 2023.

PLAN CATEGORY	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders (1)	253,500	$ 43.10 (2)	463,550 (3)

(1) Pursuant to SEC rules and the reporting requirements for this table, we have not included in (a) above 15,000 shares of restricted stock that are issued and outstanding.

(2) Weighted average exercise price of outstanding options excludes time-based restricted stock units.

(3) Represents securities remaining available for issuance under our 2020 Long Term Incentive Plan as of December 31, 2023 that may be granted in the form of unrestricted common stock, restricted common stock, options to purchase shares of common stock, stock appreciation rights, restricted stock units, dividend equivalents, performance awards or other stock-based awards.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The sections entitled "Executive Compensation — Certain Relationships and Related Transactions" and "Corporate Governance and Other Board Matters — Board Independence" appearing in the Company's proxy statement for the annual meeting of stockholders to be held on May 7, 2024 set forth certain information with respect to certain relationships and related transactions, and director independence, and are incorporated herein by reference.

Item 14. Principal Accounting Fees and Services.

The Section entitled “Proposal Three — Ratification of Appointment of Independent Registered Public Accounting Firm” appearing in the Company’s proxy statement for the annual meeting of stockholders to be held on May 7, 2024, sets forth certain information with respect to certain fees paid to accountants, and is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

The following documents are filed as a part of this report:

(1) Financial Statements included in Item 8 of this Annual Report on Form 10-K; and

(2) Financial statement schedules have been omitted because they are not applicable or the information required therein is included in the financial statements or notes thereto in Item 8 of this Annual Report on Form 10-K.

(3) The exhibits required by Item 601 of Regulation S-K are set forth below:

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).
4.2	Description of Registrant's Securities.
10.1*	2010 Stock Option Plan as amended and restated effective February 20, 2017 (filed as Annex A to the Company's Notice and Proxy Statement filed with on March 27, 2017 and incorporated herein by reference).
10.2*	2020 Long Term Incentive Plan (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on May 6, 2020, and incorporated herein by reference).
10.3*	Form of Indemnification Agreement (filed as Exhibit 10.11 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2009 and incorporated herein by reference).
10.4*	Form of Incentive Stock Option Agreement under the 2010 Stock Option Plan (filed as Exhibit 10.15 to the Company's Annual Report on Form 10-K for the year ended December 31, 2010 and incorporated herein by reference).
10.5*	Form of Non-Qualified Stock Option Agreement under the 2010 Stock Option Plan (filed as Exhibit 10.16 to the Company's Annual Report on Form 10-K for the year ended December 31, 2010 and incorporated here by reference).
10.6*	Form of Encore Wire 2010 Stock Option Plan Stock Award Agreement (filed as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed with the SEC on August 2, 2017 and incorporated herein by reference).
10.7*	Form of Encore Wire Corporation Restricted Stock Award Agreement (filed as Exhibit 10.7 to the Company's Annual Report on Form 10-K for the year ended December 31, 2020 and incorporated herein by reference).
10.8*	Form of Encore Wire Corporation Stock Award Agreement under the 2020 Long Term Incentive Plan (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the SEC on May 6, 2020, and incorporated herein by reference).

10.9*	Form of Encore Wire Corporation Time-Based Restricted Stock Unit Award Agreement under the 2020 Long Term Incentive Plan.
10.10	Credit Agreement dated February 9, 2021 by and among the Company, Bank of America, N.A., as administrative agent, swingline lender and letter of credit issuer, Wells Fargo Bank, National Association, as syndication agent and the other lender parties thereto. (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on February 16, 2021 and incorporated herein by reference).
10.11	First Amendment to Credit Agreement, by and among the Company, Bank of America, N.A., as administrative agent, swingline lender and letter of credit issuer, Wells Fargo Bank, National Association, as syndication agent and the other lenders parties thereto, dated as of October 20, 2022 (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on October 27, 2022 and incorporated herein by reference).
10.12*	Encore Wire Corporation 2014 Stock Appreciation Rights Plan (filed as Exhibit 10.11 to the Company's Annual Report on Form 10-K for the year ended December 31, 2014 and incorporated herein by reference).
23.1	Consent of Ernst & Young LLP.
31.1	Certification by Daniel L. Jones, Chairman, President and Chief Executive Officer of the Company, dated February 16, 2024 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 February 16, 2024 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 February 16, 2024 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 February 16, 2024 as required by 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
97.1	Encore Wire Corporation Clawback Policy
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 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 - formatted as Inline XBRL and contained in Exhibit 101

* Management contract or compensatory plan

Item 16. Form 10-K Summary.

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: February 16, 2024	**ENCORE WIRE CORPORATION**
	By: /s/ Daniel L. Jones
	Daniel L. Jones Chairman, President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ DANIEL L. JONES Daniel L. Jones	Chairman, President and Chief Executive Officer (Principal Executive Officer)	February 16, 2024
/s/ BRET J. ECKERT Bret J. Eckert	Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	February 16, 2024
/s/ GINA A. NORRIS Gina A. Norris	Director	February 16, 2024
/s/ WILLIAM R. THOMAS William R. Thomas	Director	February 16, 2024
/s/ W. KELVIN WALKER W. Kelvin Walker	Director	February 16, 2024
/s/ SCOTT D. WEAVER Scott D. Weaver	Director	February 16, 2024
/s/ JOHN H. WILSON John H. Wilson	Lead Independent Director	February 16, 2024

CORPORATE INFORMATION

BOARD OF DIRECTORS:
Daniel L. Jones
Chairman
Gina A. Norris
Director
William R. Thomas
Director
W. Kelvin Walker
Director
Scott D. Weaver
Director
John H. Wilson
Lead Independent Director

COMPANY OFFICERS:
Daniel L. Jones
President & Chief Executive Officer
Bret J. Eckert
Executive Vice President & Chief Financial Officer
David R. McAtee
General Counsel
William T. Bigbee
Vice President-Operations & R&D Services
Rob E. Caillet
Vice President – Human Resources & Environmental, Health, & Safety
Joseph Todd Clayton
Vice President-Facilities Engineering
Matthew D. Ford
Controller & Assistant Secretary
Steven R. Ford
Vice President-Manufacturing
Kevin M. Heffernan
Vice President-Sales & Marketing
Derick L. Hutchins
Vice President-Procurement
Kevin M. Kieffer
Vice President-Business Development & Strategy
Darin C. Riggs
Vice President-Information Technology
Troy D. Skidmore
Vice President-Production
David K. Smith
Vice President-Production Assets

LOCATION OF PLANT:
McKinney, Texas

LEGAL COUNSEL:
Akin Gump Strauss Hauer & Feld LLP
Dallas, Texas

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM:
Ernst & Young LLP
Dallas, Texas

COMMON STOCK LISTED:
NASDAQ GLOBAL SELECT MARKET
Symbol "WIRE"

TRANSFER AGENT AND REGISTRAR:
Equiniti Trust Company, LLC
New York, New York

FORM 10-K:
The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2023, as filed with the US Securities and Exchange Commission (SEC), is included herein. Additional copies of the Annual Report may be obtained without charge upon written request to Encore Wire Corporation, 1329 Millwood Road, McKinney, Texas 75069, Attention: Executive Vice President & CFO, or via the internet at www.encorewire.com/investors or the SEC's website at www.sec.gov.

CORPORATE HEADQUARTERS:
1329 Millwood Road
McKinney, Texas 75069
972-562-9473

ENCORE WIRE®
1329 Millwood Road
McKinney, Texas 75069
972-562-9473
www.encorewire.com