

Annual Report

07



---

NCI Building Systems, Inc.





# FINANCIAL HIGHLIGHTS

In thousands, except per share data

Year	2007	2006	2005	2004	2003
Sales	\$ 1,624,273	\$ 1,570,482	\$ 1,130,066	\$ 1,084,863	\$ 898,150
Net income	63,729	73,796	55,951	44,890 <sup>(1)</sup>	22,800
Earnings per share:					
Basic	3.25	3.70	2.73	2.28	1.21
Diluted	3.06	3.45	2.68	2.24 <sup>(1)</sup>	1.20
Cash flow from operating activities	137,625	121,514	118,267	23,730	69,268
Total assets	1,343,058	1,299,701	990,219	786,426	713,160
Total debt	497,037	497,984	373,000	216,700	248,750
Stockholders' equity	\$ 539,696	\$ 498,409	\$ 444,144	\$ 401,177	\$ 331,751
Average common shares (assuming dilution)	20,793	21,395	20,857	19,996	18,969

<sup>(1)</sup> Includes loss on debt refinancing of \$9.9 million (\$5.8 million after tax) in fiscal 2004.

# TO OUR SHAREHOLDERS

## FELLOW SHAREHOLDERS:

In 15 years as a public company, NCI has created a strong, long-term record of profitable growth and increased shareholder value. We have achieved this success in a cyclical industry by maintaining a fundamental commitment to a growth strategy, a strategy based on continuous and disciplined investment that leverages the economic cycle to enhance our market leadership. Today, NCI is the strongest manufacturer and marketer of metal construction products and services in North America. We operate under three business segments: metal coil coating; metal components; and engineered building systems, which is comprised of our NCI Buildings and Robertson-Ceco Corporation (RCC) divisions. As a result, we are well positioned to withstand the pressures of the weaker stages of the business cycle, while also producing superior results in an expanding market environment.

02

Our commitment to this strategy was tested during fiscal 2007 as the low-rise nonresidential construction industry experienced its first decline in square-footage starts since 2003, the last year of the previous down cycle. Despite this decline, our Engineered Buildings segment produced strong results with growth driven by our 2006 acquisition of RCC, which also supported a solid performance by our Coatings segment. These results were more than offset, however, by results from our Components segment, which faced difficult market conditions during the first half of the year due to a severe industry inventory oversupply and softness in the small building market. While not discounting our overall financial performance or its impact on our stock price, we are absolutely confident that the operational progress we made during a tough year substantially strengthened our market position and our prospects for long-term profitable growth.

We also expect NCI to produce profitable growth for fiscal 2008 in spite of McGraw-Hill's estimate that square footage for total nonresidential construction starts will decline 6% for calendar 2008. We recognize that continuing turmoil in the credit markets could have a more pronounced impact on our markets than it has to date, but a number of factors support our expectations for growth.

First, with steel service center inventories currently at 10-year lows, we do not expect a repeat of the severe industry inventory oversupply from domestic and foreign steel mills that affected our results for the first half of fiscal 2007. This culminated in exceptional pricing pressure, which accounted for a significant reduction in third-party Component sales for the first half of fiscal 2007, and, due to the deleveraging effect of lower sales, resulted in a decline in our operating margin on those sales. During the second half of our fiscal year, our Components segment produced improved results. We returned our Components margin to 13% for the fourth quarter, within its historic operating range, and expect it to continue to improve in fiscal 2008.

In addition, we completed fiscal 2007 with a backlog for our Engineered Buildings segment of \$447 million, which was 20% higher than our backlog at the end of fiscal 2006. Our backlog gives us substantial visibility into the first half of fiscal 2008, during which most of the backlog should be shipped. Furthermore, both the American Institute of Architects' Billing and Inquiry Survey and our ongoing quoting activity remained robust throughout fiscal 2007, which is typically an indicator of sales activity 12 to 15 months into the future.

Beginning in 2008, we expect an increasingly positive impact from a variety of operational initiatives that leverage technology to enhance operating productivity and efficiency. We achieved outstanding

progress during fiscal 2007 as we continued the integration of RCC's engineering systems to the NCI Buildings division. We expect this implementation to produce a marked reduction in our engineering and drafting cycle times. We will be able to implement NCI's hub and spoke delivery approach throughout RCC's manufacturing operations beginning in fiscal 2008, with completion expected in fiscal 2009. Through these key initiatives, as well as our continuing investment to raise the automation of the NCI Buildings division's manufacturing operations to a level equivalent to RCC's, we expect an increase in our Engineered Buildings segment operating margin, with the goal of 15% for fiscal 2010 compared with 11% for fiscal 2007 and 9% for fiscal 2006.

Furthermore, we are rolling out a web-based order-entry system for our Components companies in fiscal 2008. It is designed to engage our existing component customers and our builders, as well as to recruit new customers, enabling them to place, purchase and track orders easily online any time. During fiscal 2007, we expanded our online small metal buildings pricing software into new marketing channels. We deployed it at one of the nation's largest retail chains and customized the tool for several of our building companies, allowing our builders to quote the smaller, less complex buildings quickly and easily.

Additionally, we are continuing our strategic initiative to implement Oracle 11i, an enterprise resource planning (ERP) software, throughout the NCI organization. It has been successfully deployed to the Coatings segment, it was adopted by RCC's operations prior to the acquisition and we are targeting implementation for the Components segment in fiscal 2008 and 2009 and the NCI Buildings division in fiscal 2009 and 2010. The common ERP system will provide greater business intelligence as well as total supply chain integration and visibility.

Complementing these operational initiatives, we are also supporting sales growth through an array of marketing and sales programs that we expect will have a tangible impact in fiscal 2008. Among these, we see a compelling market opportunity for our solutions that addresses environmental issues such as our insulated panels, which improve efficiency by reducing energy use; our cool metal roofing colors, which meet established values for reflectivity and emissivity product specifications promoted by ENERGY STAR, the U.S. Green Building Council and other leading environmental groups; and our Soundwall™ system, which, to date, has been approved in more than 15 states to reduce noise pollution along interstate and other highway systems. All of our products use recycled steel and are, themselves, 100% recyclable. By utilizing NCI's nationwide hub and spoke delivery program, we are able to determine the closest plant that meets the needs of the customer, reducing the costs and environmental impact of transporting products long distances.

We also see a substantial opportunity to support our builder network by using our marketing resources to drive end user demand in targeted end markets. Because of our comprehensive product line, we have developed extensive expertise in a range of specialized market segments which has equipped us to implement this initiative.

In addition to our organic growth strategies, we will continue to identify and assess acquisition opportunities that complement our existing business model. Consistent with our historical performance, we will continue to use our strong financial position to achieve our objectives within the context of the economic cycle. As demonstrated by the increase in our cash and cash equivalents to \$75 million at the end of fiscal 2007 from \$25 million at the end of the prior fiscal year, we are prudently positioning NCI to respond to the risks and opportunities inherent in the uncertain environment we face in fiscal 2008.

The strength of our balance sheet provides us flexibility that enables us to support shareholder value through additional debt reduction and stock repurchases, which could add to the 1.5 million

shares repurchased in the last two fiscal years; through additional accretive acquisitions, such as the Garco Building Systems transaction in fiscal 2007; and through further rationalization of our operations. With continued strong cash flow from operations, which for fiscal 2007 was more than twice net income, we expect a strong financial position to remain a defining characteristic of NCI.

Because of this financial strength and the many growth initiatives described above, along with our strong commitment to commercial discipline, we remain confident that NCI has the ability to both weather the industry downturn that began in 2007 and to achieve our long-term growth objectives. While the timing of improved market conditions is inherently uncertain, the substantial expansion of our Engineered Building segment's backlog during fiscal 2007 positions us to achieve modest improvements for the current fiscal year financial results. In addition, during 2008 and beyond, we will continue our technology initiatives designed to drive long-term margin expansion while significantly strengthening our position of market leadership.

Our confidence in our prospects for sustained long-term growth reflects the strength of our commitment to a growth strategy that has enabled NCI to prosper through many economic cycles. At a more fundamental level, however, this confidence is based on the more than 5,700 employees of NCI who create value for our customers every day through their expertise, their innovation and their superior execution. These people are at the heart of our market leadership and the competitive strengths that sustain this leadership. We thank them for their skill and dedication in the year past and the year to come. We also thank you, our fellow shareholders, for your investment in NCI and for sharing our confidence in the potential that investment represents.

Sincerely,



**Norman C. Chambers**  
**Chairman, President and Chief Executive Officer**







## DIRECTORS

### A.R. Ginn <sup>1</sup>

Chairman of the Board  
(Retired 12/31/07)

### Norman C. Chambers <sup>1</sup>

Chairman of the Board  
President & Chief Executive Officer  
(Chairman of the Board as of 1/1/08)

### William D. Breedlove <sup>2,4</sup>

Former Vice Chairman, *Hoak, Breedlove, Wesneski & Co.*

### Gary L. Forbes <sup>1,2,3</sup>

Senior Vice President, *EQUUS Total Return, Inc.*

### Philip J. Hawk <sup>2,3</sup>

Chairman & CEO, *Team, Inc.*

### Max L. Lukens <sup>3,4</sup>

Former President & CEO, *Stewart & Stevenson Services, Inc.*

### George Martinez <sup>1,3,4</sup>

Chief Executive Officer, *Allegiance Bank Texas*  
Senior Partner, *Chrysalis Partners, LLC* &  
Former Chairman, *Sterling Bancshares, Inc.*  
(Joined Executive Committee 1/1/08)

### W. Bernard Pieper <sup>2,4</sup>

Private Investor  
Former Vice Chairman, *Halliburton Co.*

### John K. Sterling <sup>2,4</sup>

Executive Vice President, Corporate Development  
*Verticus, Inc.*

### Ed L. Phipps

Former President and CEO, *Balfour Beatty PLC*

### Larry D. Edwards

Chairman of the Board, *Global Power Equipment Group, Inc.*

<sup>1</sup> Executive Committee

<sup>2</sup> Compensation Committee

<sup>3</sup> Audit Committee

<sup>4</sup> Nominating and Corporate Governance Committee

## CORPORATE HEADQUARTERS

NCI Building Systems, Inc.  
10943 North Sam Houston Parkway West  
Houston, Texas 77064  
281-897-7788

## COMMON STOCK TRANSFER AGENT & REGISTRAR

Computershare Investor Services  
250 Royall Street  
Canton, Massachusetts 02021

## LEGAL COUNSEL

Baker Botts L.L.P.

## AUDITORS

Ernst & Young LLP

## FORM 10-K

The Company's Annual Report on Form 10-K for the year ended October 28, 2007, as filed with the Securities and Exchange Commission, is available without charge upon request to Todd R. Moore at the address of the Corporate Headquarters. The Company's common stock is traded on the New York Stock Exchange (NYSE) under the trading symbol NCS.

## OFFICERS

### A.R. Ginn

Chairman of the Board  
(Retired 12/31/07)

### Norman C. Chambers

Chairman of the Board  
President & Chief Executive Officer  
(Chairman of the Board as of 1/1/08)

### Frances Powell Hawes

Executive Vice President, Chief Financial Officer & Treasurer

### Eric J. Brown

Executive Vice President & Chief Information Officer

### Kelly R. Ginn

Executive Vice President of Operations

### Mark E. Johnson

Executive Vice President, Controller &  
Chief Accounting Officer

### Kenneth W. Maddox

Executive Vice President of Administration

### Todd R. Moore

Executive Vice President, General Counsel & Secretary

### Bradley D. Robeson

President of Metal Coil Coating Division

### Charles W. Dickinson

President of Metal Components Division

### Mark W. Dobbins

President of NCI Buildings Division

### Keith E. Fischer

President of all Robertson-Ceco Divisions

## CERTIFICATIONS

The Company has filed the required certifications under Section 302 of the Sarbanes-Oxley Act of 2002 regarding the quality of our public disclosures as Exhibits 31.1 and 31.2 to our annual report on Form 10-K for the fiscal year ended October 28, 2007. After the fiscal 2007 Annual Meeting of Stockholders, the Company intends to file with the New York Stock Exchange the CEO certification regarding its compliance with the NYSE's corporate governance listing standards as required by NYSE Rule 303A.12. Last year, the Company filed this CEO certification with the NYSE on March 14, 2007.

## ANNUAL MEETING

The Annual Meeting of Shareholders of NCI Building Systems, Inc. will be held at 10:00 a.m. on Thursday, March 6, 2008, at the NCI Conference & Training Center, 7313 Fairview, Houston, Texas 77041. Shareholders of record as of January 8, 2008 will be entitled notice of and to vote at this time.



---

**NCI Building Systems, Inc.**  
10943 North Sam Houston Parkway West  
Houston, Texas 77064  
281.897.7788 • [www.ncilp.com](http://www.ncilp.com)

