



Advanced Drainage Systems

Q2 Fiscal 2020 Financial Results

Management Presenters

Scott Barbour

President and Chief Executive Officer

Scott Cottrill

Executive Vice President, Chief Financial Officer

Mike Higgins

Vice President, Corporate Strategy & Investor Relations

Forward Looking Statements and Non-GAAP Financial Metrics

Certain statements in this presentation may be deemed to be forward-looking statements. Such statements include, but are not limited to, statements regarding the anticipated timing for the issuance of additional historic and future financial information and related filings. These statements are not historical facts but rather are based on the Company's current expectations, estimates and projections regarding the Company's business, operations and other factors relating thereto. Words such as "may," "will," "could," "would," "should," "anticipate," "predict," "potential," "continue," "expects," "intends," "plans," "projects," "believes," "estimates," "confident" and similar expressions are used to identify these forward-looking statements. Factors that could cause actual results to differ from those reflected in forward-looking statements relating to our operations and business include: fluctuations in the price and availability of resins and other raw materials and our ability to pass any increased costs of raw materials on to our customers in a timely manner; volatility in general business and economic conditions in the markets in which we operate, including, without limitation, factors relating to availability of credit, interest rates, fluctuations in capital and business and consumer confidence; cyclical and seasonality of the non-residential and residential construction markets and infrastructure spending; the risks of increasing competition in our existing and future markets, including competition from both manufacturers of high performance thermoplastic corrugated pipe and manufacturers of products using alternative materials; uncertainties surrounding the integration of acquisitions and similar transactions, including the recently completed acquisition of Infiltrator Water Technologies and the integration of Infiltrator Water Technologies; our ability to realize the anticipated benefits from the acquisition of Infiltrator Water Technologies; risks that acquisitions of Infiltrator Water Technologies and related transactions may involve unexpected costs, liabilities and delays; our ability to continue to convert current demand for concrete, steel and PVC pipe products into demand for our high performance thermoplastic corrugated pipe and Allied Products; the effect of weather or seasonality; the loss of any of our significant customers; the risks of doing business internationally; our ability to remediate the material weakness in our internal control over financial reporting; including remediation of the control environment for our joint venture affiliate ADS Mexicana, S.A. de C.V. as described in "Item 9A Controls and Procedures" of our Annual Report Form 10-K for the year ended March 31, 2019; the risks of conducting a portion of our operations through joint ventures; our ability to expand into new geographic or product markets; including risks associated with new markets and products associated with our recent acquisition of Infiltrator Water Technologies; our ability to achieve the acquisition component of our growth strategy; the risk associated with manufacturing processes; our ability to manage our assets; the risks associated with our product warranties; our ability to manage our supply purchasing and customer credit policies; uncertainties surrounding the integration of acquisitions and similar transactions, including the recently completed acquisition of Infiltrator Water Technologies and the integration of Infiltrator Water Technologies; our ability to realize the anticipated benefits from the acquisition of Infiltrator Water Technologies; risks that the acquisition of Infiltrator Water Technologies and related transactions may involve unexpected costs, liabilities or delays; the risks associated with our self-insured programs; our ability to control labor costs and to attract, train and retain highly-qualified employees and key personnel; our ability to protect our intellectual property rights; changes in laws and regulations, including environmental laws and regulations; our ability to project product mix; the risks associated with our current levels of indebtedness; fluctuations in our effective tax rate, including from the recently enacted Tax Cuts and Jobs Act; changes to our operating results, cash flows and financial condition attributable to the recently enacted Tax Cuts and Jobs Act; our ability to meet future capital requirements and fund our liquidity needs; the risk that additional information may arise during the course of the Company's ongoing accounting review that would require the Company to make additional adjustments or revisions or to restate the financial statements and other financial data for certain prior periods and any future periods; a conclusion that the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) were ineffective; the review of potential weaknesses or deficiencies in the Company's disclosure controls and procedures, and discovering further weaknesses of which we are not currently aware or which have not been detected; additional uncertainties related to accounting issues generally and other risks and uncertainties described in the Company's filings with the Securities and Exchange Commission. New risks and uncertainties emerge from time to time and it is not possible for the Company to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this press release. In light of the significant uncertainties inherent in the forward-looking information included herein, the inclusion of such information should not be regarded as a representation by the Company or any other person that the Company's expectations, objectives or plans will be achieved in the timeframe anticipated or at all. Investors are cautioned not to place undue reliance on the Company's forward-looking statements and the Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

This presentation includes certain non-GAAP financial measures to describe the Company's performance. The reconciliation of those measures to GAAP measures are provided within the appendix of the presentation. Those disclosures should not be viewed as a substitute for operating results determined in accordance with GAAP, nor are they necessarily comparable to non-GAAP performance measures that may be presented by other companies.

Q2 Fiscal 2020 Revenue Highlights

1

Consolidated net sales grew 22%, driven by 9% organic growth and two-month contribution from Infiltrator Water Technologies.

2

Organic sales growth driven by double-digit growth of key products, as we continue to execute on material conversion, water management solutions and key growth states.

3

Favorable trends in the US construction market supported by low interest rate environment, healthy consumer confidence and strong order backlogs.

4

Agriculture market rebound driven by prevented plant acres, pent up demand and investments in drainage. Growth accelerated by organizational changes, new products and focused execution.

Q2 Fiscal 2020 Profitability and Cash Flow Highlights

5

Consolidated Adjusted EBITDA increased 65%, driven by 32% organic growth and two-month contribution from Infiltrator Water Technologies.

6

Organic Adjusted EBITDA improvement driven by traditional legacy ADS levers of strong sales growth, favorable pricing in both pipe and allied products, favorable resin and recycling costs.

7

Focused on building new levers for profitability improvement, including transportation/logistics initiatives which are gaining traction.

8

Strong cash flow generation primarily driven by improved profitability and working capital improvement.

Q2 Fiscal 2020 Infiltrator Water Technologies Results

(August & September)



- Revenue
 - Revenue is in line with / slightly ahead of expectations
 - Strong growth in plastic tanks and chambers as Infiltrator Water Technologies continues to drive conversion from traditional materials in on-site septic systems
 - Double-digit sales growth in the East, South and Midwest regions
- Integration
 - Capital projects approved as expected for investments in growth
 - Year 1 synergy projects in motion

Infiltrator Water Technologies results are in line with to slightly above previous expectations

Infiltrator Water Technologies acquisition closed July 31, 2019. Infiltrator Water Technologies results presented above are for August and September 2019.

(1) Includes \$12.2 million of intersegment net sales.

Capital Deployment Priorities

Investor Day – November 2018

Reinvest
in Business

1

CapEx

FY20 Priorities

Growth: Capacity for high growth products & regions

Productivity & Efficiency: Continuous Improvement, Automation, Recycling

*\$85M to \$100M
expected in
fiscal 2020*

2

Strategic Acquisitions

Acquisition of Infiltrator Water Technologies

*Closed
July 31, 2019*

3

Dividends

\$1.00 Special Dividend Declared
\$0.09 per share Quarterly Dividend

*\$96M in dividends
through Dec 2019*

4

Share Repurchases

\$50M authorized
\$42M remaining

Return to
Shareholders

Q2 Fiscal 2020 Financial Performance

Revenue

+22.0%

(USD, in millions)

Organic* +9.0%



Q2 FY20

Q2 FY19

Organic* Revenue Growth

By Geography

+ Domestic	+13%
+ Pipe	+13%
+ Allied	+12%
- International	-14%
- Pipe	-21%
+ Allied	+17%

By Application

+ Pipe	+8%
+ Allied	+13%

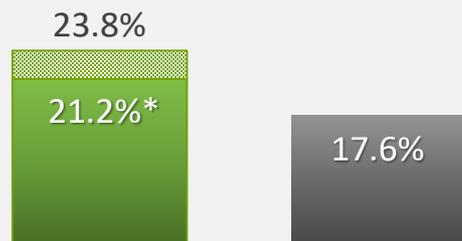
Domestic Markets

+ Construction	+10%
+ Non-Residential	+8%
+ Residential	+20%
+ Infrastructure	+1%
+ Agriculture	+38%

Adj. EBITDA

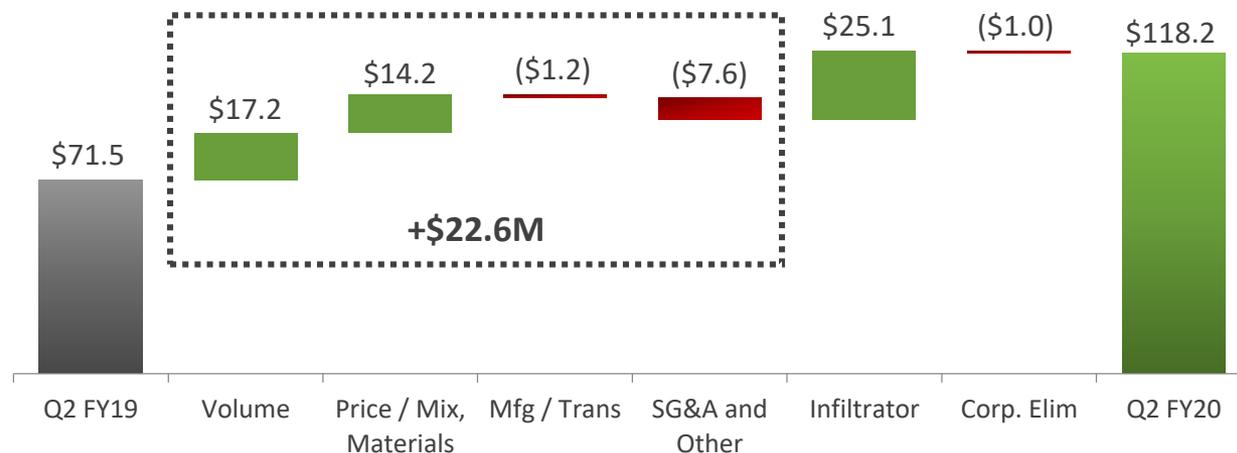
+620 bps

Organic* +360 bps



Q2 FY20

Q2 FY19



*Organic results represent the legacy ADS business and exclude Infiltrator Water Technologies results.



Free Cash Flow

Free Cash Flow ⁽¹⁾			
	FY 2020	FY 2019	Δ
Consolidated Adjusted EBITDA	\$198	\$147	\$51
Working capital ⁽²⁾	15	(59)	74
Cash tax	(7)	(18)	11
Cash interest	(18)	(8)	(10)
Transaction costs ⁽³⁾	(17)	–	(17)
Other	1	(4)	5
Consolidated Cash flow from operations	172	58	114
Capital expenditures	(26)	(19)	(7)
Consolidated Free cash flow	\$146	\$39	\$107
<i>Impact included above from Infiltrator Water Technologies:</i>			
Cash flow from operations	\$19	–	\$19
Capital expenditures	(4)	–	(4)
Free cash flow	\$15	–	\$15

Note: all figures in USD, \$mm.

1. Operating Cash Flow less CapEx
2. Inventory, Trade Receivables, Accounts Payable
3. Advisory, legal, and consulting fees related to acquisition of Infiltrator Water Technologies

New Capital Structure

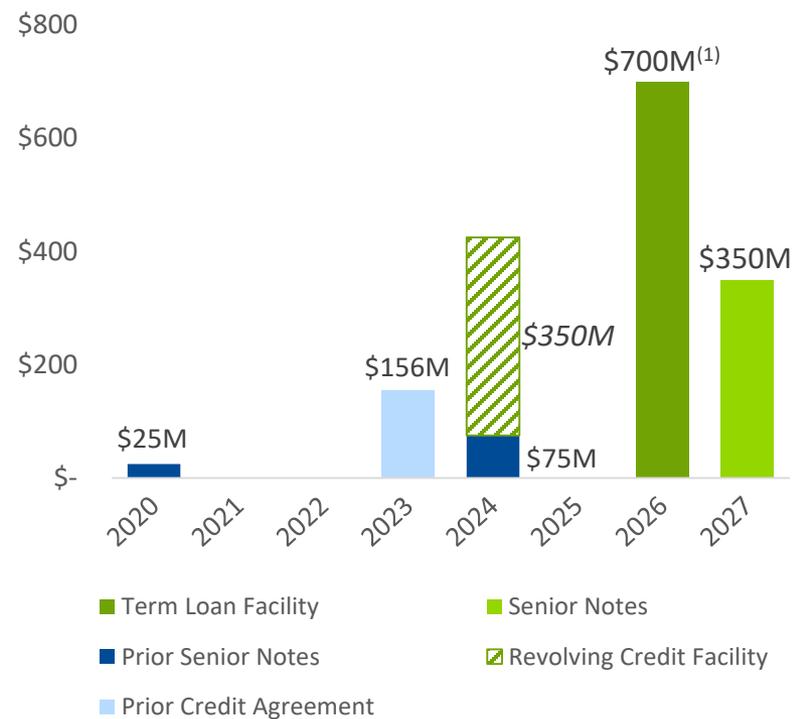
Debt & Capital Leases

(in millions)	September 30, 2019	June 30, 2019	Interest
Term Loan Facility (9/2019)	\$ 700	\$ –	L + 2.250%
Senior Notes (9/2019)	350	–	5.000%
Credit Agreement (2017)	–	156	L + 1.125%
Senior Notes (2017)	–	100	3.660%
Equipment financing	2	2	2.746%
Total debt	\$ 1,052	\$ 258	
Capital leases	\$ 75	\$ 79	5.565%
Leverage	3.8 times	1.5 times	
TTM Proforma Leverage	2.9 times		

Comments:

- Weighted average cost of debt 4.5% (previously 3.4%)
- Weighted average maturities extended to 7.0 years (previously 3.7 years)
- ADS Corporate Rating at: Moody's Ba2 / S&P BB-
- Prepaid \$50 million on Term Loan in October

Maturity Profile



Secured permanent financing at favorable rates

(1) Term Loan Facility amortizes at a rate of 1% per year until maturity.

Fiscal 2020 Financial Outlook Update

Combined Companies

Key Metric	Previous	Updated	Y-o-Y Growth
Net Sales (in Millions)	\$1,575 - \$1,625	\$1,600 - \$1,650	Up 16% to 19%
Adj. EBITDA (in Millions)	\$310 - \$330	\$325 - \$345	Up 40% to 49%
Adj. EBITDA Margin	19.7% - 20.3%	20.3% - 20.9%	+360 to +420 basis points

Legacy ADS

Key Metric	Previous	Updated	Y-o-Y Growth
Net Sales (in Millions)	\$1,425 - \$1,475	\$1,450 - \$1,500	Up 5% to 8%
Adj. EBITDA (in Millions)	\$245 - \$265	\$260 - \$280	Up 12% to 21%
Adj. EBITDA Margin	17.2% - 18.0%	17.9% - 18.7%	+120 to +190 basis points

Key Net Sales Drivers – Market Outlook Update

Market Outlook

Market	Previous Outlook	FY2020 Outlook	Comments
Domestic Construction End Markets			Low interest rates, favorable housing trends and healthy consumer confidence supporting overall growth. Residential market stronger than anticipated.
Agriculture End Market			Demand driven by prevented plant acres and pent up demand leading to investments in drainage. Organizational changes and new products / execution focus driving additional growth.
International End Market			Canada construction market and Mexico weaker than anticipated. Exports continue to grow.

Definitions:

LSD: Low-single digits

MSD: Mid-single digits

DD: Double-digits

Q&A Session



Closing Remarks

1

First half of fiscal 2020 off to a strong start. Steady demand in core domestic construction markets expected to continue.

2

Infiltrator Water Technologies acquisition enhances growth, margins and cash flow profile, while providing significant opportunities to capture synergies.

3

Positioned for continued above-market growth in fiscal 2020 due to material conversion strategy and strong growth of key products.

4

Focused on building shareholder value through sustained profitability improvements, cash generation and disciplined execution.

Appendix



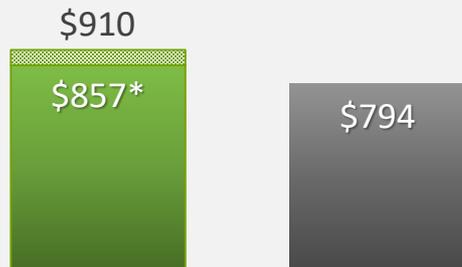
Year-to-Date Fiscal 2020 Financial Performance

Revenue

+14.5%

(USD, in millions)

Organic* +7.9%



YTD FY20

YTD FY19

Organic* Revenue Growth

By Geography

+ Domestic	+11%
+ Pipe	+11%
+ Allied	+12%
- International	-13%
- Pipe	-19%
+ Allied	+5%

By Application

+ Pipe	+7%
+ Allied	+11%

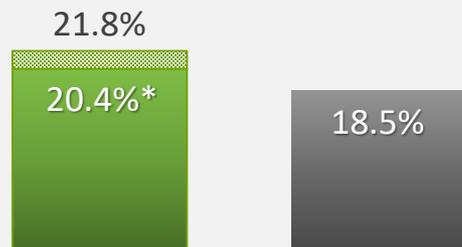
Domestic Markets

+ Construction	+10%
+ Non-Residential	+7%
+ Residential	+20%
+ Infrastructure	+2%
+ Agriculture	+28%

Adj. EBITDA

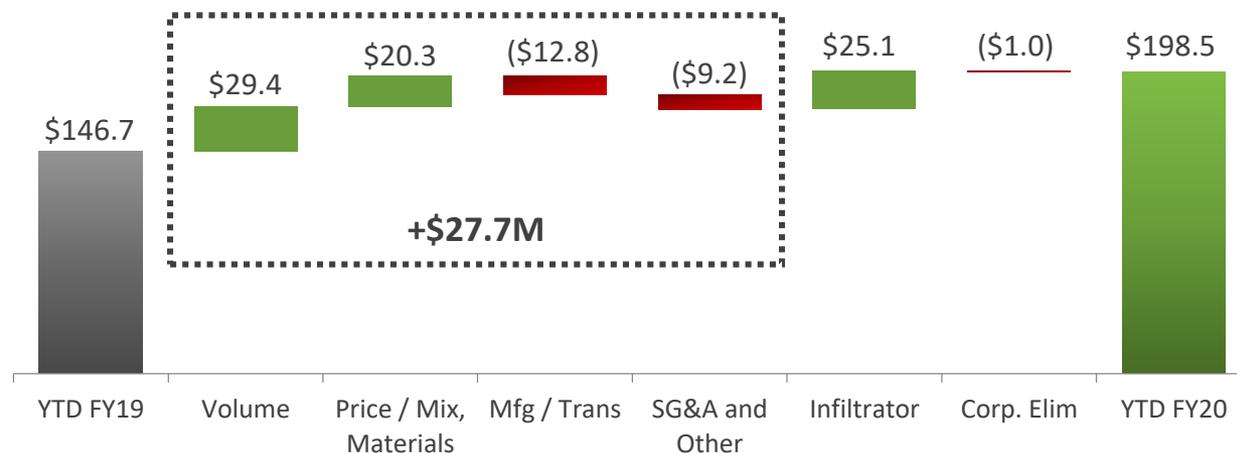
+330 bps

Organic* +190 bps



YTD FY20

YTD FY19



*Organic results represent the legacy ADS business and exclude Infiltrator Water Technologies results.

<https://www.ads-pipe.com/>



Special Dividend / ESOP

Special Dividend

- \$1.00 Special Dividend paid on June 14, 2019 to all shareholders of record on June 3, 2019
- \$75M aggregate payment
 - \$63M to Common Shareholders
 - \$12M to Preferred Shareholders (ESOP)

ESOP

Background: The Company established the ESOP in 1993, funded by an existing tax-qualified profit sharing retirement plan and 30-year term loan from ADS. The plan expires in March 2023, at which time the loan is also due.

- The ESOP used the \$12M proceeds from the Special Dividend to paydown a portion of the loan from ADS
- The loan repayment triggered an allocation of 11.6 million preferred shares (previously unallocated) to participant accounts, as well as an associated non-cash stock-based compensation expense.
- ESOP preferred shares convert to common shares at a rate of 0.7692 at plan maturity in March 2023.

ESOP Preferred Shares (in millions)	Before Loan Payment	After Loan Payment
Allocated to participants	7.6	19.3
Unallocated shares	14.5	2.8
Total ESOP Shares	22.1	22.1

	Three Months Ended June 30, 2019
Associated non-cash stock-based compensation expense	
Cost of goods sold - ESOP special dividend compensation	\$168.6
Selling, general and administrative - ESOP special dividend compensation	\$78.1
Total ESOP special dividend compensation	\$246.7

Reconciliations

	Three Months Ended					
	September 30, 2019			September 30, 2018		
	Net Sales	Intersegment Net Sales	Net Sales from External Customers	Net Sales	Intersegment Net Sales	Net Sales from External Customers
Pipe	\$ 281,405	\$ (342)	\$ 281,063	\$ 249,380	\$ —	\$ 249,380
Infiltrator Water Technologies	64,889	(12,189)	52,700	—	—	—
International						
International - Pipe	34,617	—	34,617	44,008	—	44,008
International - Allied Products	13,167	—	13,167	11,278	—	11,278
Total International	47,784	—	47,784	55,286	—	55,286
Allied Products & Other	114,358	—	114,358	101,889	—	101,889
Intersegment Eliminations	(12,531)	12,531	—	—	—	—
Total Consolidated	\$ 495,905	\$ —	\$ 495,905	\$ 406,555	\$ —	\$ 406,555

	Six Months Ended					
	September 30, 2019			September 30, 2018		
	Net Sales	Intersegment Net Sales	Net Sales from External Customers	Net Sales	Intersegment Net Sales	Net Sales from External Customers
Pipe	\$ 543,586	\$ (342)	\$ 543,244	\$ 491,450	\$ —	\$ 491,450
Infiltrator Water Technologies	64,889	(12,189)	52,700	—	—	—
International						
International - Pipe	63,902	—	63,902	78,456	—	78,456
International - Allied Products	23,216	—	23,216	22,179	—	22,179
Total International	87,118	—	87,118	100,635	—	100,635
Allied Products & Other	226,551	—	226,551	202,317	—	202,317
Intersegment Eliminations	(12,531)	12,531	—	—	—	—
Total Consolidated	\$ 909,613	\$ —	\$ 909,613	\$ 794,402	\$ —	\$ 794,402

Reconciliations

<i>(Amounts in thousands)</i>	Three Months Ended September 30,		Six Months Ended September 30,	
	2019	2018	2019	2018
Segment Adjusted Gross Profit				
Pipe	\$ 74,246	\$ 53,561	\$ 131,739	\$ 112,027
Infiltrator Water Technologies	30,144	-	30,144	-
International	10,841	12,088	20,068	21,874
Allied Products & Other	57,621	47,160	114,808	96,172
Intersegment Elimination	(978)	-	(978)	-
Total Segment Adjusted Gross Profit	171,874	112,809	295,781	230,073
Depreciation and amortization	15,708	14,354	29,392	29,072
ESOP and stock-based compensation expense	3,865	3,082	7,636	5,937
ESOP special dividend compensation	-	-	168,610	-
Inventory step-up	5,777	-	5,777	-
Total Gross Profit	\$ 146,524	\$ 95,373	\$ 84,366	\$ 195,064

Reconciliations

<i>(Amounts in thousands)</i>	Three Months Ended		Six Months Ended	
	September 30,		September 30,	
	2019	2018	2019	2018
Net (loss) income	\$ 8,462	\$ 29,372	\$ (218,989)	\$ 63,023
Depreciation and amortization	26,566	17,536	43,260	35,363
Interest expense	52,332	4,531	57,596	8,333
Income tax expense	(3,547)	12,194	18,823	26,478
EBITDA	83,813	63,633	(99,310)	133,197
Loss on disposal of assets and costs from exit and disposal activities	2,004	324	2,711	1,428
ESOP and stock-based compensation expense	8,657	6,180	16,082	11,760
ESOP special dividend compensation	-	-	246,752	-
Transaction costs	16,590	65	20,835	321
Inventory step up related to Infiltrator Water Technologies acquisition	5,773	-	5,773	-
Strategic growth and operational improvement initiatives	701	-	2,896	-
Other adjustments ^(a)	626	1,319	2,721	(42)
Adjusted EBITDA	\$ 118,164	\$ 71,521	\$ 198,460	\$ 146,664

<i>(Amounts in thousands)</i>	Three Months Ended		Six Months Ended	
	September 30,		September 30,	
	2019	2018	2019	2018
Legacy ADS Adjusted EBITDA				
Pipe Adjusted Gross Profit	\$ 74,246	\$ 53,561	\$ 131,739	\$ 112,027
International Adjusted Gross Profit	10,841	12,088	20,068	21,874
Allied Products & Other Adjusted Gross Profit	57,621	47,160	114,808	96,172
Unallocated corporate and selling expenses	(48,621)	(41,288)	(92,232)	(83,409)
Legacy ADS Adjusted EBITDA	94,087	71,521	174,383	146,664
Legacy Infiltrator Water Technologies Adjusted EBITDA				
Infiltrator Water Technologies	30,144	-	30,144	-
Unallocated corporate and selling expenses	(5,089)	-	(5,089)	-
Legacy Infiltrator Water Technologies Adjusted EBITDA	\$ 25,055	\$ -	\$ 25,055	\$ -
Intersegment Eliminations	(978)	-	(978)	-
Consolidated Adjusted EBITDA	\$ 118,164	\$ 71,521	\$ 198,460	\$ 146,664

(a) Includes derivative fair value adjustments, foreign currency transaction (gains) losses, the proportional share of interest, income taxes, depreciation and amortization related to the South American Joint Venture, which are accounted for under the equity method of accounting, contingent consideration remeasurement, executive retirement expense (benefit) and restatement related costs. The other adjustments in fiscal 2020 also includes expenses related to the ADS Mexicana's investigation. The other adjustments for fiscal 2019 also includes insurance proceeds received in connection with the Company's restatement of prior period financial statements.