Q4 Fiscal 2024 Financial Results

May 16, 2024



Management Presenters

Scott Barbour
President and Chief Executive Officer

Scott Cottrill
Executive Vice President, Chief Financial Officer

Allison Justice
Director, Investor Relations

Forward Looking Statements and Non-GAAP Financial Metrics

Forward Looking Statements

Certain statements in this press release may be deemed to be forward-looking statements. 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; disruption or volatility in general business and economic conditions in the markets in which we operate; cyclicality and seasonality of the non-residential and residential construction markets and infrastructure spending; the risks of increasing competition in our existing and future markets; uncertainties surrounding the integration and realization of anticipated benefits of acquisitions; the effect of weather or seasonality; the loss of any of our significant customers; the risks of doing business internationally; the risks of conducting a portion of our operations through joint ventures; our ability to expand into new geographic or product markets; the risk associated with manufacturing processes; the effect of global climate change; cybersecurity risks; our ability to manage our supply purchasing and customer credit policies; 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; the risks associated with our current levels of indebtedness, including borrowings under our existing credit agreement and outstanding indebtedness under our existing senior notes; and other risks and uncertainties described in the Company's filings with the SEC. 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.

Non-GAAP Financial Measures

This presentation includes references to Adjusted EBITDA and Free Cash Flow, non-GAAP financial measures. These non-GAAP financial measures are used in addition to and in conjunction with results presented in accordance with GAAP. These measures are not intended to be substitutes for those reported in accordance with GAAP. Adjusted EBITDA and Free Cash Flow may be different from non-GAAP financial measures used by other companies, even when similar terms are used to identify such measures.

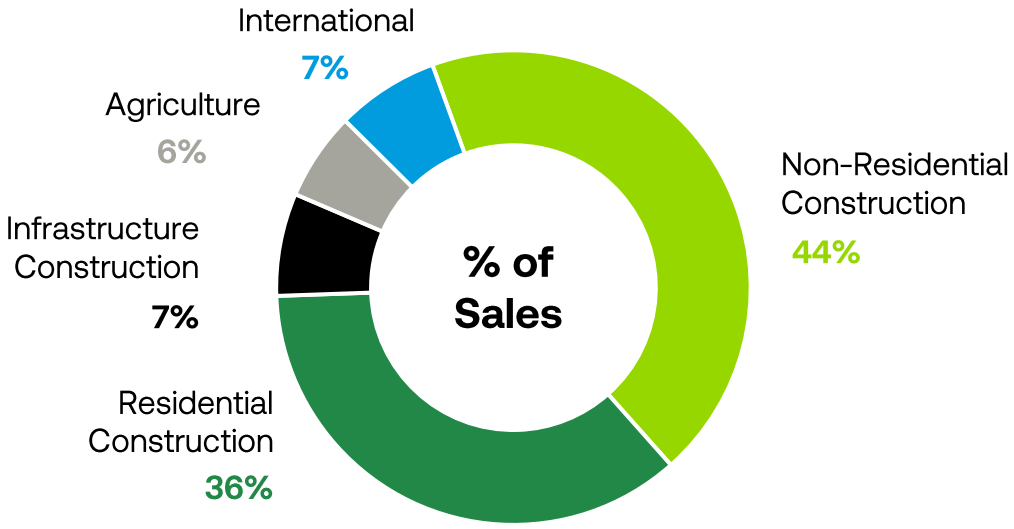
EBITDA and Adjusted EBITDA are non-GAAP financial measures that comprise net income before interest, income taxes, depreciation and amortization, stock-based compensation, non-cash charges and certain other expenses. The Company's definition of Adjusted EBITDA may differ from similar measures used by other companies, even when similar terms are used to identify such measures. Adjusted EBITDA is a key metric used by management and the Company's board of directors to assess financial performance and evaluate the effectiveness of the Company's business strategies. Accordingly, management believes that Adjusted EBITDA provides useful information to investors and others in understanding and evaluating our operating results in the same manner as the Company's management and board of directors. In order to provide investors with a meaningful reconciliation, the Company has provided reconciliations of Adjusted EBITDA to net income.

Free Cash Flow is a non-GAAP financial measure that comprises cash flow from operating activities less capital expenditures. Free Cash Flow is a measure used by management and the Company's board of directors to assess the Company's ability to generate cash. Accordingly, management believes that Free Cash Flow provides useful information to investors and others in understanding and evaluating our ability to generate cash flow from operations after capital expenditures.

Fiscal Year 2024 Results

Key Metric	FY 2024 Guidance	FY 2024 Results
Net Sales (in Millions)	$2,800 - $2,850	$2,874
Adj. EBITDA (in Millions)	$880 - $910	$923
Adj. EBITDA Margin	31.4% - 31.9%	32.1%

Revenue by End Market



Sales Results

FY24	1H	2H	
(9%)	(16%)	(1%)	Non-Residential Construction
(5%)	(13%)	+8%	Residential Construction
+6%	+1%	+14%	Infrastructure Construction
(8%)	(14%)	+1%	Agriculture
(5)%	(8%)	+2%	International
(6)%	(13%)	+3%	Total

Secular Tailwind from Changing Climate Patterns

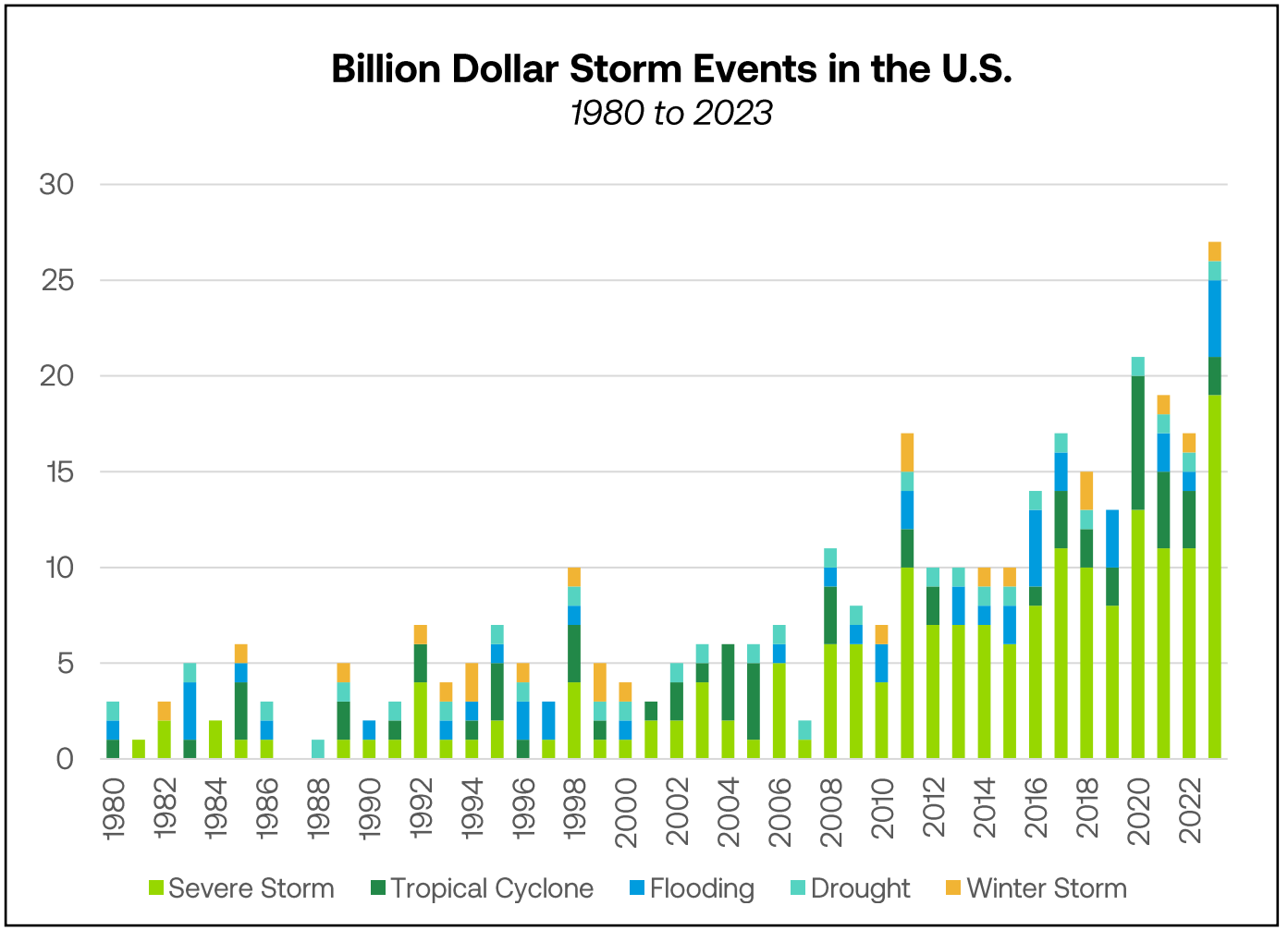
Supporting Resilient Communities







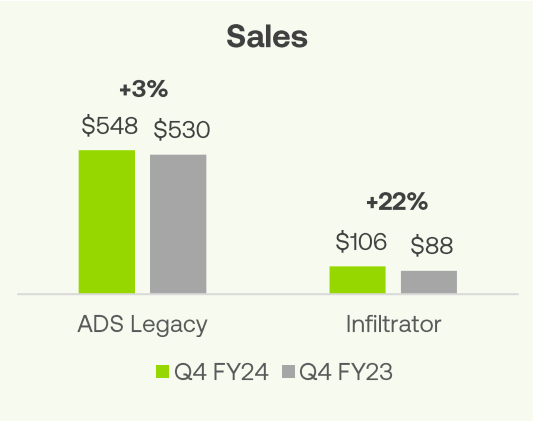




Source: NOAA National Centers for Environmental Information (NCEI) U.S. Billion-Dollar Weather and Climate Disasters (2024). https://www.ncei.noaa.gov/access/billions/.

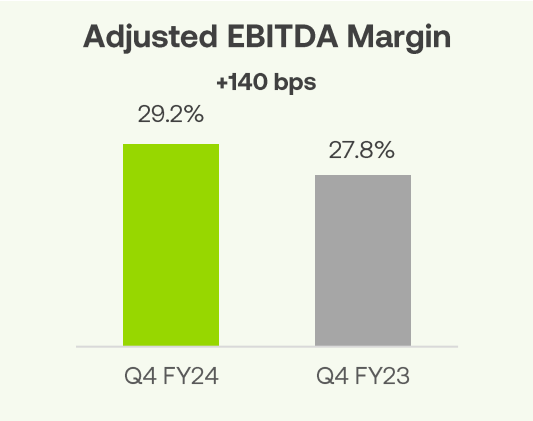
CEO Highlights

Q4 Fiscal 2024 Revenue



- Infiltrator business and Allied products portfolio continued to perform better than expectations.
- Legacy ADS pipe business performed in line with expectations.
- Overall pricing environment remains in line with expectations.

Q4 Fiscal 2024 Profitability



- Fourth quarter Adjusted EBITDA Margin of 29.2%, +140 basis points vs. prior year.
- Manufacturing costs improved due to better fixed cost absorption and productivity from capital investments.

Fiscal 2025 Demand Environment



Business Updates

- In Fiscal 2024, returned $251 million to shareholders through dividends and share repurchases.
- Engineering and Technology Center opens summer 2024.
- Capital Expenditures to remain elevated in Fiscal 2025 as we continue investing in growth, productivity, automation and recycling capacity.
- Increasing dividend by $0.08, or 14%, to $0.64 per year ($0.02 increase per quarter starting with May 31, 2024 dividend).

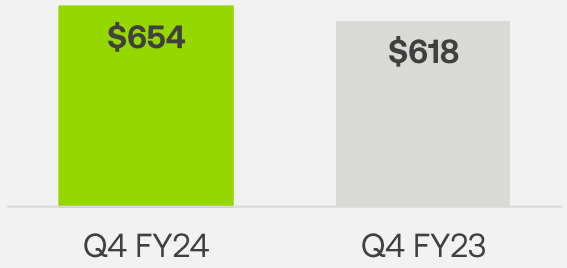
Note: Revenue is based on net sales to external customers. See appendix for reconciliation.

Q4 Fiscal 2024 Financial Performance

Revenue

+6%

(USD, in millions)



Revenue Performance

By Business

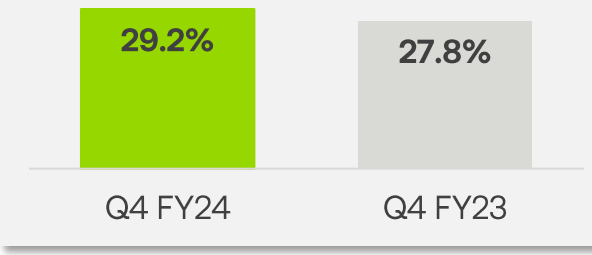
+ ADS Legacy	+3%
+ Pipe	+3%
+ Allied Products	+3%
+ Infiltrator	+22%

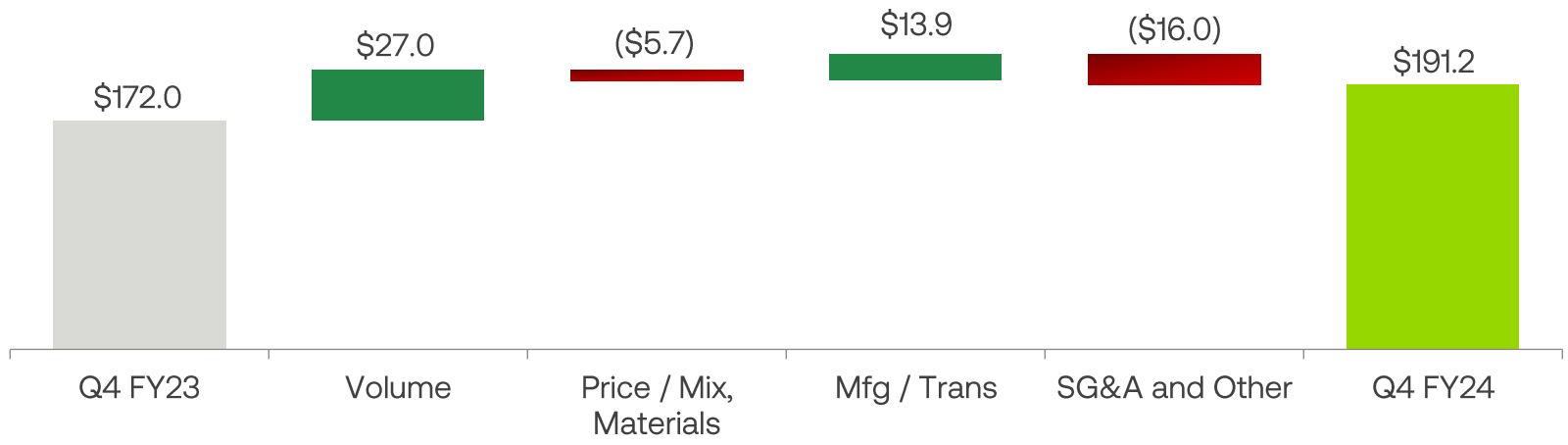
Domestic Markets

+ Construction	+6%
+ Non-Residential	+1%
+ Residential	+11%
+ Infrastructure	+8%
+ Agriculture	+13%

Adj. EBITDA

+140 bps





Note: Revenue performance is based on net sales to external customers. See appendix for reconciliation.

Free Cash Flow and Capital Structure

Free Cash Flow [1]

	FY 2024	FY 2023	Δ
Consolidated Adjusted EBITDA	$923	$904	$19
Working capital[2]	34	48	(14)
Cash tax	(161)	(167)	6
Cash interest	(87)	(60)	(27)
Transaction costs[3]	(3)	(4)	1
Other	12	(13)	25
Consolidated cash flow from operations	$718	$708	$10
Capital expenditures	(184)	(167)	(17)
Consolidated Free Cash Flow	$534	$541	$(7)

Debt & Capital Leases

(in millions)	March 31, 2024	March 31, 2023
Term Loan Facility	$ 420	$ 427
Senior Notes	850	850
Revolving Credit Facility	-	-
Total debt	$ 1,270	$ 1,277
Finance leases & Equipment financing	$ 91	$ 59
Leverage	0.9x	1.2x

Liquidity

(in millions)	March 31, 2024
Unrestricted Cash	$ 490
Availability under Revolving Credit Facility	589
Total Liquidity	$ 1,079

Note: all figures in USD, $mm. Figures may not add due to rounding.

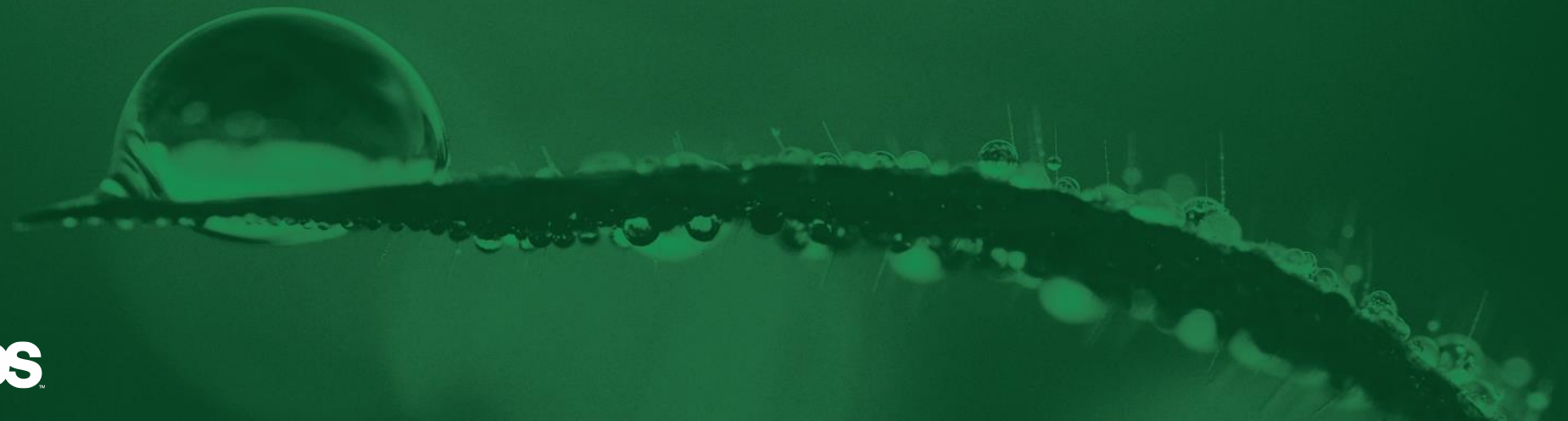
1. Operating Cash Flow less capital expenditures
2. Inventory, Trade Receivables, Accounts Payable
3. Legal, accounting and other professional fees incurred in connection with business or asset acquisitions and dispositions

Fiscal Year 2025 Guidance

Fiscal 2025 Expectations			
Key Metric	**FY 2024**	**FY 2025**	**Y-o-Y Change**
Net Sales (in Millions)	$2,874	$2,925 - $3,025	+2% to +5%
Adj. EBITDA (in Millions)	$923	$940 - $980	+2% to +6%
Adj. EBITDA Margin	32.1%	32.1% - 32.4%	flat to +30 basis points


Q&A

Appendix

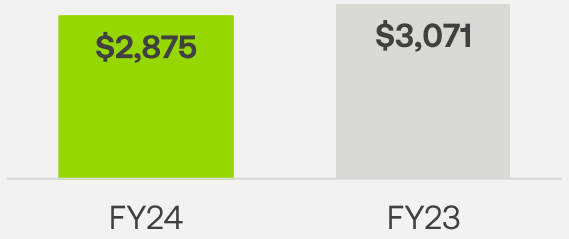


Fiscal 2024 Financial Performance

Revenue

(6%)

(USD, in millions)



Revenue Performance

By Business

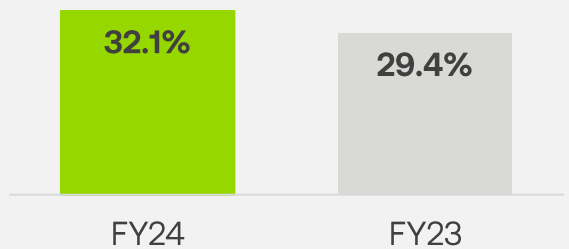
– ADS Legacy	(8%)
– Pipe	(10%)
– Allied Products	(2%)
+ Infiltrator	+2%

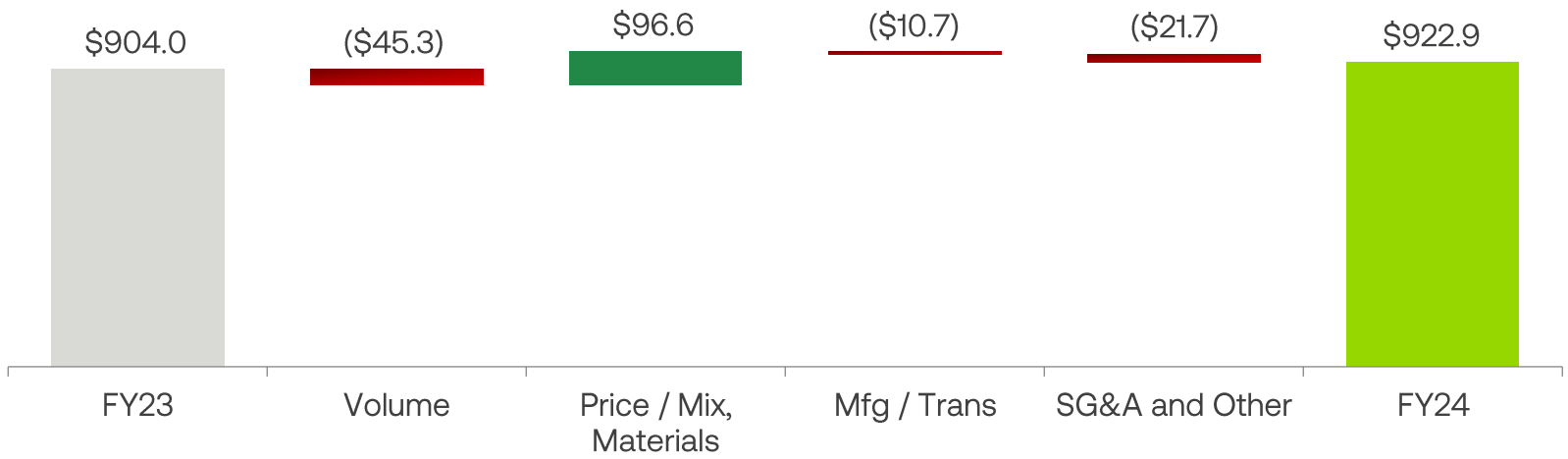
Domestic Markets

– Construction	(6%)
– Non-Residential	(9%)
– Residential	(5%)
+ Infrastructure	+6%
– Agriculture	(8%)

Adj. EBITDA

+270 bps





Note: Revenue performance is based on net sales to external customers. See appendix for reconciliation.

Reconciliations

	Three Months Ended					
	March 31, 2024			March 31, 2023		
(In thousands)	Net Sales	Intersegment Net Sales	Net Sales from External Customers	Net Sales	Intersegment Net Sales	Net Sales from External Customers
Pipe	$ 369,316	$ (10,656)	$ 358,660	$ 357,407	$ (10,289)	$ 347,118
Infiltrator Water Technologies	124,875	(18,804)	106,071	102,723	(15,046)	87,677
International						
International - Pipe	30,143	(4,862)	25,281	25,136	(706)	24,430
International - Allied Products & Other	11,283	(125)	11,158	9,998	-	9,998
Total International	41,426	(4,987)	36,439	35,134	(706)	34,428
Allied Products & Other	156,026	(3,356)	152,670	150,166	(1,830)	148,336
Intersegment Eliminations	(37,803)	37,803	-	(27,871)	27,871	-
Total Consolidated	**$ 653,840**	**$ -**	**$ 653,840**	**$ 617,559**	**$ -**	**$ 617,559**

	Fiscal Year Ended					
	March 31, 2024			March 31, 2023		
(In thousands)	Net Sales	Intersegment Net Sales	Net Sales from External Customers	Net Sales	Intersegment Net Sales	Net Sales from External Customers
Pipe	$ 1,586,618	$ (42,328)	$ 1,544,290	$ 1,758,961	$ (41,772)	$ 1,717,189
Infiltrator Water Technologies	531,236	(82,209)	449,027	523,643	(81,363)	442,280
International						
International - Pipe	163,930	(14,081)	149,849	179,898	(19,215)	160,683
International - Allied Products & Other	58,072	(152)	57,920	59,170	-	59,170
Total International	222,002	(14,233)	207,769	239,068	(19,215)	219,853
Allied Products & Other	684,329	(10,942)	673,387	700,319	(8,520)	691,799
Intersegment Eliminations	(149,712)	149,712	-	(150,870)	150,870	-
Total Consolidated	**$ 2,874,473**	**$ -**	**$ 2,874,473**	**$ 3,071,121**	**$ -**	**$ 3,071,121**

Reconciliations

(Amounts in thousands)	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023	Fiscal Year Ended March 31, 2024	Fiscal Year Ended March 31, 2023
Segment adjusted gross profit				
Pipe	$ 113,318	$ 111,540	$ 515,444	$ 532,551
Infiltrator	65,358	40,011	281,677	233,580
International	11,198	10,225	62,578	61,681
Allied Products & Other	91,192	82,827	391,766	376,299
Intersegment Eliminations	(126)	595	(4,557)	924
Total Segment Adjusted Gross Profit	280,940	245,198	1,246,908	1,205,035
Depreciation and amortization	27,742	22,373	96,251	84,048
Stock-based compensation expense	1,235	404	4,708	2,579
Total Gross Profit	**$ 251,963**	**$ 222,421**	**$ 1,145,949**	**$ 1,118,408**

(Amounts in thousands)	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023	Fiscal Year Ended March 31, 2024	Fiscal Year Ended March 31, 2023
Net income	$ 95,479	$ 86,312	$ 513,291	$ 511,353
Depreciation and amortization	42,889	37,803	154,903	145,149
Interest expense	22,878	20,848	88,862	70,182
Income tax expense	26,333	21,948	158,998	150,589
EBITDA	187,579	166,911	916,054	877,273
Loss (gain) on disposal of assets and costs from exit and disposal activities	2,304	4,544	(8,365)	4,397
Stock-based compensation expense	8,350	1,747	31,986	21,659
Transaction costs (a)	390	486	3,444	3,903
Interest income	(6,906)	(3,840)	(22,047)	(9,782)
Other adjustments (b)	(539)	2,132	1,875	6,512
Adjusted EBITDA	**$ 191,178**	**$ 171,980**	**$ 922,947**	**$ 903,962**

Notes:

a) Represents expenses recorded related to legal, accounting and other professional fees incurred in connection with business or asset acquisitions and dispositions.

b) Includes derivative fair value adjustments, foreign currency transaction (gains) losses, the proportionate share of interest, income taxes, depreciation and amortization related to the South American Joint Venture, which is accounted for under the equity method of accounting and executive retirement expense (benefit).