

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

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2025

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number: 001-36557

ADVANCED DRAINAGE SYSTEMS, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

51-0105665
(I.R.S. Employer
Identification No.)

4640 Trueman Boulevard, Hilliard, Ohio 43026
(Address of Principal Executive Offices, Including Zip Code)

(614) 658-0050
(Registrant's Telephone Number, Including Area Code)

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, \$0.01 par value per share	WMS	New York Stock Exchange

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. (Check one):

Large Accelerated Filer	<input checked="" type="checkbox"/>	Accelerated Filer	<input type="checkbox"/>
Non-Accelerated Filer	<input type="checkbox"/>	Smaller Reporting Company	<input type="checkbox"/>
Emerging Growth Company	<input type="checkbox"/>		

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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of October 30, 2025, the registrant had 77,764,487 shares of common stock outstanding, which excludes 211,444 shares of unvested restricted common stock. The shares of common stock trade on the New York Stock Exchange under the ticker symbol “WMS.”

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION

Item 1.	<u>Condensed Consolidated Financial Statements (Unaudited)</u>	<u>Page</u>
	<u>Condensed Consolidated Balance Sheets as of September 30, 2025 and March 31, 2025</u>	8
	<u>Condensed Consolidated Statements of Operations for the three and six months ended September 30, 2025 and 2024</u>	9
	<u>Condensed Consolidated Statements of Comprehensive Income for the three and six months ended September 30, 2025 and 2024</u>	10
	<u>Condensed Consolidated Statements of Cash Flows for the six months ended September 30, 2025 and 2024</u>	11
	<u>Condensed Consolidated Statements of Stockholders' Equity and Mezzanine Equity for the three and six months ended September 30, 2025 and 2024</u>	12
	<u>Notes to the Condensed Consolidated Financial Statements</u>	17
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	31
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	40
Item 4.	<u>Controls and Procedures</u>	40

PART II. OTHER INFORMATION

Item 1.	<u>Legal Proceedings</u>	41
Item 1A.	<u>Risk Factors</u>	41
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	41
Item 3.	<u>Defaults Upon Senior Securities</u>	41
Item 4.	<u>Mine Safety Disclosures</u>	41
Item 5.	<u>Other Information</u>	41

Item 6.	Exhibits
----------------	---------------------------------

42

Signatures

43

Forward-Looking Statements

This Form 10-Q includes forward-looking statements. Some of the forward-looking statements can be identified by the use of terms such as “believes,” “expects,” “may,” “will,” “would,” “should,” “could,” “seeks,” “predict,” “potential,” “target,” “outlook,” “continue,” “intends,” “plans,” “projects,” “estimates,” “anticipates” or other comparable terms or the negative of those terms or similar expressions. These forward-looking statements include all matters that are not related to present facts or current conditions or that are not historical facts. They appear in a number of places throughout this Form 10-Q and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our consolidated results of operations, financial condition, liquidity, prospects, growth strategies, and the industries in which we operate and include, without limitation, statements relating to our future performance.

Forward-looking statements are subject to known and unknown risks and uncertainties, many of which are beyond our control. We caution you that forward-looking statements are not guarantees of future performance and that our actual consolidated results of operations, financial condition, liquidity and industry development may differ materially from those made in or suggested by the forward-looking statements contained in this Form 10-Q. In addition, even if our actual consolidated results of operations, financial condition, liquidity and industry development are consistent with the forward-looking statements contained in this Form 10-Q, those results or developments may not be indicative of results or developments in subsequent periods. A number of important factors could cause actual results to differ materially from those contained in or implied by the forward-looking statements, including those reflected in forward-looking statements relating to our operations and business, the risks and uncertainties discussed in this Form 10-Q (including under the headings “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations”), and those described from time to time in our other filings with the SEC. 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, new tariff policies and our ability to pass any increased costs of raw materials and tariffs on to our customers;
- disruption or volatility in general business, political and economic conditions in the markets in which we operate;
- cyclicalities 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 or doing so within the intended timeframe, including our ability to successfully complete the acquisition of National Diversified Sales (“NDS”) and to integrate NDS into our business;
- risks that the acquisition of NDS may involve unexpected costs, liabilities or delays, risks that the cost savings and synergies from the acquisition of NDS may not be fully realized,
- the effect of any claims, litigation, investigations or proceedings, including those described under “Part II - Item 1. Legal Proceedings” of this Form 10-Q;
- 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 effects of global climate change and any related regulatory responses;
- our ability to protect against cybersecurity incidents and disruptions or failures of our IT systems;
- our ability to assess and monitor the effects of artificial intelligence, machine learning, and robotics on our business and operations;
- 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;
- our ability to appropriately address any environmental, social or governance concerns that may arise from our activities;
- 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, including those listed under “Part I - Item 1A. Risk Factors” in the Fiscal 2025 Form 10-K.

All forward-looking statements are made only as of the date of this report and we do not undertake any obligation, other than as may be required by law, to update or revise any forward-looking statements to reflect future events or developments. Comparisons of results for current and any prior periods are not intended to express any future trends, or indications of future performance, unless expressed as such, and should only be viewed as historical data.

PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

ADVANCED DRAINAGE SYSTEMS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited) (In thousands, except par value)

	September 30, 2025	March 31, 2025
ASSETS		
Current assets:		
Cash	\$ 812,862	\$ 463,319
Receivables (less allowance for doubtful accounts of \$7,830 and \$7,684, respectively)	400,459	333,221
Inventories	423,778	488,269
Other current assets	35,813	39,974
Total current assets	1,672,912	1,324,783
Property, plant and equipment, net	1,110,883	1,051,040
Other assets:		
Goodwill	725,279	720,223
Intangible assets, net	423,787	448,060
Other assets	146,428	146,254
Total assets	<u>\$ 4,079,289</u>	<u>\$ 3,690,360</u>
LIABILITIES, MEZZANINE EQUITY AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current maturities of debt obligations	\$ 8,660	\$ 9,934
Current maturities of finance lease obligations	40,818	33,143
Accounts payable	225,946	218,024
Other accrued liabilities	190,069	137,295
Accrued income taxes	15,370	—
Total current liabilities	480,863	398,396
Long-term debt obligations (less unamortized debt issuance costs of \$6,693 and \$7,715, respectively)	1,248,506	1,251,589
Long-term finance lease obligations	133,020	131,000
Deferred tax liabilities	206,929	190,416
Other liabilities	80,860	83,171
Total liabilities	2,150,178	2,054,572
Commitments and contingencies (see Note 10)		
Mezzanine equity:		
Redeemable common stock: \$0.01 par value; 5,082 and 5,702 shares outstanding, respectively	82,574	92,652
Total mezzanine equity	82,574	92,652
Stockholders' equity:		
Common stock; \$0.01 par value: 1,000,000 shares authorized; 84,602 and 83,750 shares issued, respectively; 72,660 and 71,864 shares outstanding, respectively	11,703	11,694
Paid-in capital	1,309,458	1,277,694
Common stock in treasury, at cost	(1,226,102)	(1,219,408)
Accumulated other comprehensive loss	(33,248)	(37,178)
Retained earnings	1,764,512	1,492,634
Total ADS stockholders' equity	1,826,323	1,525,436
Noncontrolling interest in subsidiaries	20,214	17,700
Total stockholders' equity	1,846,537	1,543,136
Total liabilities, mezzanine equity and stockholders' equity	<u>\$ 4,079,289</u>	<u>\$ 3,690,360</u>

See accompanying Notes to Condensed Consolidated Financial Statements.

ADVANCED DRAINAGE SYSTEMS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited) (In thousands, except per share data)

	Three Months Ended September 30,		Six Months Ended September 30,	
	2025	2024	2025	2024
Net sales	\$ 850,381	\$ 782,610	\$ 1,680,261	\$ 1,597,946
Cost of goods sold	510,249	488,669	1,009,691	971,551
Gross profit	340,132	293,941	670,570	626,395
Operating expenses:				
Selling, general and administrative	119,224	94,132	223,185	188,184
(Gain) loss on disposal of assets and costs from exit and disposal activities	(15,926)	617	(8,902)	909
Intangible amortization	13,539	11,816	27,246	23,711
Income from operations	223,295	187,376	429,041	413,591
Other expense:				
Interest expense	23,116	23,156	46,145	45,980
Interest income and other, net	(8,012)	(6,956)	(14,717)	(14,072)
Income before income taxes	208,191	171,176	397,613	381,683
Income tax expense	52,399	40,920	99,073	90,806
Equity in net income of unconsolidated affiliates	(708)	(918)	(2,051)	(2,619)
Net income	156,500	131,174	300,591	293,496
Less: net income attributable to noncontrolling interest	483	792	652	1,712
Net income attributable to ADS	\$ 156,017	\$ 130,382	\$ 299,939	\$ 291,784
Weighted average common shares outstanding:				
Basic	77,752	77,542	77,697	77,541
Diluted	78,310	78,110	78,240	78,194
Net income per share:				
Basic	\$ 2.01	\$ 1.68	\$ 3.86	\$ 3.76
Diluted	\$ 1.99	\$ 1.67	\$ 3.83	\$ 3.73

See accompanying Notes to Condensed Consolidated Financial Statements.

ADVANCED DRAINAGE SYSTEMS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited) (In thousands)

	Three Months Ended September 30,		Six Months Ended September 30,	
	2025	2024	2025	2024
Net income	\$ 156,500	\$ 131,174	\$ 300,591	\$ 293,496
Currency translation income (loss)	(1,119)	(46)	5,792	(3,795)
Comprehensive income	155,381	131,128	306,383	289,701
Less: other comprehensive income (loss) attributable to noncontrolling interest	526	(1,148)	1,862	(2,936)
Less: net income attributable to noncontrolling interest	483	792	652	1,712
Total comprehensive income attributable to ADS	\$ 154,372	\$ 131,484	\$ 303,869	\$ 290,925

See accompanying Notes to Condensed Consolidated Financial Statements.

ADVANCED DRAINAGE SYSTEMS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited) (In thousands)

	Six Months Ended September 30,	
	2025	2024
Cash Flows from Operating Activities		
Net income	\$ 300,591	\$ 293,496
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	104,921	85,905
Deferred income taxes	15,226	(2,270)
(Gain) loss on disposal of assets and costs from exit and disposal activities	(8,902)	909
Stock-based compensation	16,981	13,960
Amortization of deferred financing charges	1,022	1,022
Fair market value adjustments to derivatives	(252)	1,024
Equity in net income of unconsolidated affiliates	(2,051)	(2,619)
Other operating activities	778	(6,124)
Changes in working capital:		
Receivables	(62,649)	(35,565)
Inventories	69,516	(24,750)
Prepaid expenses and other current assets	(3,514)	(4,804)
Accounts payable, accrued expenses, and other liabilities	78,176	30,142
Net cash provided by operating activities	<u>509,843</u>	<u>350,326</u>
Cash Flows from Investing Activities		
Capital expenditures	(111,018)	(112,182)
Proceeds from disposal of assets	26,474	640
Acquisitions, net of cash acquired	(18,558)	—
Other investing activities	(2,241)	—
Net cash used in investing activities	<u>(105,343)</u>	<u>(111,542)</u>
Cash Flows from Financing Activities		
Payments on syndicated Term Loan Facility	(3,500)	(3,500)
Payments on Equipment Financing	(1,885)	(2,665)
Payments on finance lease obligations	(17,171)	(11,756)
Repurchase of common stock	—	(69,922)
Cash dividends paid	(28,085)	(24,917)
Proceeds from exercise of stock options	1,482	8,694
Payment of withholding taxes on vesting of restricted stock units	(6,694)	(10,576)
Other financing activities	—	2
Net cash used in financing activities	<u>(55,853)</u>	<u>(114,640)</u>
Effect of exchange rate changes on cash	1,017	(1,142)
Net change in cash	349,664	123,002
Cash and restricted cash at beginning of period	469,271	495,848
Cash and restricted cash at end of period	<u>\$ 818,935</u>	<u>\$ 618,850</u>
RECONCILIATION TO BALANCE SHEET		
Cash	\$ 812,862	\$ 613,020
Restricted cash (included in Other current assets and Other assets in the Condensed Consolidated Balance Sheets)	6,073	5,830
Total cash and restricted cash	<u>\$ 818,935</u>	<u>\$ 618,850</u>

See accompanying Notes to Condensed Consolidated Financial Statements.

ADVANCED DRAINAGE SYSTEMS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND MEZZANINE EQUITY
(Unaudited) (In thousands)

Table of Contents

	Common Stock		Paid -In Capital	Common Stock in Treasury		Accumulate d Other Compre- hensive Loss	Retained Earnings	Total ADS Stockholders' Equity	Non- controlling Interest in Subsidiaries	Total Stock- holders' Equity	Redeemable Common Stock		Total Mezzanine Equity
	Shares	Amount		Shares	Amount						Shares	Amount	
Balance at July 1, 2024	82,973	\$ 11,687	\$ 1,241,525	11,775	\$ (1,199,469)	\$ (31,791)	\$ 1,241,161	\$ 1,263,113	\$ 17,934	\$ 1,281,047	6,386	\$ 103,766	\$ 103,766
Net income	—	—	—	—	—	—	130,382	130,382	792	131,174	—	—	—
Other comprehensive loss	—	—	—	—	—	1,102	—	1,102	(1,148)	(46)	—	—	—
Common stock dividends (\$0.16 per share)	—	—	—	—	—	—	(12,443)	(12,443)	—	(12,443)	—	—	—
Share repurchases	—	—	—	120	(19,950)	—	—	(19,950)	—	(19,950)	—	—	—
KSOP redeemable common stock conversion	341	3	5,532	—	—	—	—	5,535	—	5,535	(341)	(5,535)	(5,535)
Exercise of common stock options	26	—	1,716	—	—	—	—	1,716	—	1,716	—	—	—
Restricted stock awards	19	—	—	1	(19)	—	—	(19)	—	(19)	—	—	—
Stock-based compensation expense	—	—	6,983	—	—	—	—	6,983	—	6,983	—	—	—
Other	—	—	38	—	—	—	—	38	—	38	—	—	—
Balance at September 30, 2024	83,359	\$ 11,690	\$ 1,255,794	11,896	\$ (1,219,438)	\$ (30,689)	\$ 1,359,100	\$ 1,376,457	\$ 17,578	\$ 1,394,035	6,045	\$ 98,231	\$ 98,231
Balance at April 1, 2024	82,283	\$ 11,679	\$ 1,219,834	11,415	\$ (1,140,578)	\$ (29,830)	\$ 1,092,208	\$ 1,153,313	\$ 18,802	\$ 1,172,115	6,682	\$ 108,584	\$ 108,584
Net income	—	—	—	—	—	—	291,784	291,784	1,712	293,496	—	—	—
Other comprehensive income	—	—	—	—	—	(859)	—	(859)	(2,936)	(3,795)	—	—	—
Common stock dividends (\$0.32 per share)	—	—	—	—	—	—	(24,892)	(24,892)	—	(24,892)	—	—	—
Share repurchases	—	—	—	420	(68,283)	—	—	(68,283)	—	(68,283)	—	—	—
KSOP redeemable common stock conversion	637	6	10,347	—	—	—	—	10,353	—	10,353	(637)	(10,353)	(10,353)
Exercise of common stock options	223	2	8,692	—	—	—	—	8,694	—	8,694	—	—	—
Restricted stock awards	98	1	—	27	(4,640)	—	—	(4,639)	—	(4,639)	—	—	—
Performance-based restricted stock units	93	1	—	34	(5,937)	—	—	(5,936)	—	(5,936)	—	—	—
Stock-based compensation expense	—	—	13,960	—	—	—	—	13,960	—	13,960	—	—	—
ESPP Share Issuance	25	1	2,963	—	—	—	—	2,964	—	2,964	—	—	—
Other	—	—	(2)	—	—	—	—	(2)	—	(2)	—	—	—
Balance at September 30, 2024	83,359	\$ 11,690	\$ 1,255,794	11,896	\$ (1,219,438)	\$ (30,689)	\$ 1,359,100	\$ 1,376,457	\$ 17,578	\$ 1,394,035	6,045	\$ 98,231	\$ 98,231

See accompanying Notes to Condensed Consolidated Financial Statements.

ADVANCED DRAINAGE SYSTEMS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND MEZZANINE EQUITY
(Unaudited) (In thousands)

Table of Contents

	Common Stock		Paid-In Capital	Common Stock in Treasury		Accumulated Other Comprehensive Loss	Retained Earnings	Total ADS Stockholders' Equity	Non-controlling Interest in Subsidiaries	Total Stockholders' Equity	Redeemable Common Stock		Total Mezzanine Equity
	Shares	Amount		Shares	Amount						Shares	Amount	
Balance at July 1, 2025	84,247	\$ 11,700	\$ 1,294,545	11,942	\$ (1,226,091)	\$ (31,603)	\$ 1,622,535	\$ 1,671,086	\$ 19,205	\$ 1,690,291	5,415	\$ 87,985	\$ 87,985
Net income	—	—	—	—	—	—	156,017	156,017	483	156,500	—	—	—
Other comprehensive loss	—	—	—	—	—	(1,645)	—	(1,645)	526	(1,119)	—	—	—
Common stock dividends (\$0.18 per share)	—	—	—	—	—	—	(14,040)	(14,040)	—	(14,040)	—	—	—
KSOP redeemable common stock conversion	333	3	5,408	—	—	—	—	5,411	—	5,411	(333)	(5,411)	(5,411)
Exercise of common stock options	11	—	933	—	—	—	—	933	—	933	—	—	—
Restricted stock awards	11	—	—	—	(11)	—	—	(11)	—	(11)	—	—	—
Stock-based compensation expense	—	—	8,577	—	—	—	—	8,577	—	8,577	—	—	—
Other	—	—	(5)	—	—	—	—	(5)	—	(5)	—	—	—
Balance at September 30, 2025	84,602	\$ 11,703	\$ 1,309,458	11,942	\$ (1,226,102)	\$ (33,248)	\$ 1,764,512	\$ 1,826,323	\$ 20,214	\$ 1,846,537	5,082	\$ 82,574	\$ 82,574
Balance at April 1, 2025	83,750	\$ 11,694	\$ 1,277,694	11,886	\$ (1,219,408)	\$ (37,178)	\$ 1,492,634	\$ 1,525,436	\$ 17,700	\$ 1,543,136	5,702	\$ 92,652	\$ 92,652
Net income	—	—	—	—	—	—	299,939	299,939	652	300,591	—	—	—
Other comprehensive income	—	—	—	—	—	3,930	—	3,930	1,862	5,792	—	—	—
Common stock dividends (\$0.36 per share)	—	—	—	—	—	—	(28,061)	(28,061)	—	(28,061)	—	—	—
KSOP redeemable common stock conversion	620	6	10,072	—	—	—	—	10,078	—	10,078	(620)	(10,078)	(10,078)
Exercise of common stock options	21	—	1,482	—	—	—	—	1,482	—	1,482	—	—	—
Restricted stock awards	95	1	—	28	(3,227)	—	—	(3,226)	—	(3,226)	—	—	—
Performance-based restricted stock units	83	1	—	28	(3,467)	—	—	(3,466)	—	(3,466)	—	—	—
Stock-based compensation expense	—	—	16,981	—	—	—	—	16,981	—	16,981	—	—	—
ESPP Share Issuance	33	1	3,235	—	—	—	—	3,236	—	3,236	—	—	—
Other	—	—	(6)	—	—	—	—	(6)	—	(6)	—	—	—
Balance at September 30, 2025	84,602	\$ 11,703	\$ 1,309,458	11,942	\$ (1,226,102)	\$ (33,248)	\$ 1,764,512	\$ 1,826,323	\$ 20,214	\$ 1,846,537	5,082	\$ 82,574	\$ 82,574

See accompanying Notes to Condensed Consolidated Financial Statements.

ADVANCED DRAINAGE SYSTEMS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business - Advanced Drainage Systems, Inc., incorporated in Delaware, and its subsidiaries (collectively referred to as “ADS” or the “Company”) designs, manufactures and markets innovative water management solutions in the stormwater and onsite septic wastewater industries, providing superior drainage solutions for use in the construction and agriculture marketplace. ADS’s products are used across a broad range of end markets and applications, including non-residential, residential, infrastructure and agriculture applications.

The Company is managed and reports results of operations in three reportable segments: Pipe, Infiltrator Water Technologies, LLC (“Infiltrator”) and International. The Company also reports the results of its Allied Products and all other business segments as Allied Products & Other.

Historically, sales of the Company’s products have been higher in the first and second quarters of each fiscal year due to favorable weather and longer daylight conditions accelerating construction activity during these periods. Seasonal variations in operating results may also be impacted by inclement weather conditions, such as cold or wet weather, which can delay projects.

Basis of Presentation - The Company prepares its Condensed Consolidated Financial Statements in accordance with accounting principles generally accepted in the United States of America (“GAAP”). The Condensed Consolidated Balance Sheet as of March 31, 2025 was derived from audited financial statements included in the Annual Report on Form 10-K for the year ended March 31, 2025 (“Fiscal 2025 Form 10-K”). The accompanying unaudited Condensed Consolidated Financial Statements contain all adjustments, of a normal recurring nature, necessary to present fairly its financial position as of September 30, 2025, the results of operations for the three and six months ended September 30, 2025 and cash flows for the six months ended September 30, 2025. The interim Condensed Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements, including the notes thereto, filed in the Company’s Fiscal 2025 Form 10-K.

Presentation - Prior period segment results and related disclosures have been recast to conform to the current period segment presentation. See “Note 13. Business Segment Information” for additional information.

Principles of Consolidation - The Condensed Consolidated Financial Statements include the Company, its wholly-owned subsidiaries, its majority-owned subsidiaries and variable interest entities of which the Company is the primary beneficiary. The Company uses the equity method of accounting for equity investments where it exercises significant influence but does not hold a controlling financial interest. Such investments are recorded in Other assets in the Condensed Consolidated Balance Sheets and the related equity earnings from these investments are included in Equity in net income of unconsolidated affiliates in the Condensed Consolidated Statements of Operations. All intercompany balances and transactions have been eliminated in consolidation.

Recent Accounting Guidance

Measurement of Credit Losses for Accounts Receivable and Contract Assets - In July 2025, the FASB issued an accounting standards update (“ASU”) which amends Accounting Standards Codification (“ASC”) 326-20 to provide a practical expedient and an accounting policy election related to the estimation of expected credit losses for current accounts receivable and current contract assets that arise from transactions accounted for under ASC 606. An entity is required to disclose whether it has elected to use the practical expedient and, if so, whether it has also applied the accounting policy election. The ASU is effective for fiscal years beginning after December 15, 2025, and interim reporting periods within those annual reporting periods, with early adoption permitted. The new guidance is to be applied prospectively. The Company is currently evaluating the impact this standard will have on the Condensed Consolidated Financial Statements.

Accounting for and Disclosure of Software Costs - In September 2025, the FASB issued an ASU which amends certain aspects of ASC 350-40. The amended guidance eliminates project stages and requires capitalizing software costs to begin when (1) management has authorized and committed to funding the software project and (2) it is probable that the project will be completed and the software will be used to perform the function intended. When evaluating if a project is probable to be completed, significant development uncertainty must be assessed. Additionally, disclosures for property, plant and equipment will be required for all capitalized software costs. The ASU is effective for fiscal years beginning after December 15, 2027, and interim reporting periods within those annual reporting periods, with early adoption permitted. The Company is currently evaluating the impact this standard will have on the Condensed Consolidated Financial Statements.

Except for the pronouncements described above, there have been no new accounting pronouncements issued or adopted since the filing of the Fiscal 2025 Form 10-K that have significance, or potential significance, to the Consolidated Financial Statements.

2. RESTRUCTURING AND (GAIN) LOSS ON DISPOSAL OF ASSETS AND COSTS FROM EXIT AND DISPOSAL ACTIVITIES

In fiscal 2026, the Company undertook certain restructuring and realignment activities (the “2026 Restructuring Plan”) to optimize the Company’s production, recycling and distribution network. Under the 2026 Restructuring Plan, during the three and six months ended September 30, 2025, the Company recorded expense of \$7.2 million and \$16.0 million, respectively, related to the closure of one of the Company’s recycling facilities to optimize its recycling network, one offsite storage location and one distribution yard. The Company does not currently have an estimate of additional costs or an expected end date for the restructuring actions. The following table summarizes the activities included in Restructuring and realignment expense during the periods presented.

(Amounts in thousands)	Three Months Ended September 30,		Six Months Ended September 30,	
	2025	2024	2025	2024
<i>(Gain) loss on disposal of assets and costs from exit and disposal activities:</i>				
Accelerated depreciation	\$ —	\$ —	\$ 1,764	\$ —
Severance	(150)	—	1,854	—
Impairment of right-of-use assets	853	—	2,120	—
Other exit and disposal costs	1,015	—	1,806	—
<i>Selling, general and administrative expenses:</i>				
Realignment expenses	5,453	—	8,422	—
Total 2026 Restructuring Plan activities	\$ 7,171	—	\$ 15,966	—

The costs incurred under the 2026 Restructuring Plan to date are classified as operating expenses and not allocated to a segment. During the three and six months ended September 30, 2025, the Company recorded accelerated

depreciation, severance costs, impairment of right-of-use lease assets and other exit and disposal costs. Other exit and disposal activities include legal and professional fees, inventory and equipment transfer costs and other costs.

The following table summarizes the restructuring liability for the periods presented:

(In thousands)	2025
Accrual balance at April 1	\$ —
Costs incurred	15,966
Non-cash charges	(3,884)
Expenses paid	(7,845)
Accrual balance at end of period	\$ 4,237

The restructuring liability is recorded in Other accrued liabilities in the Company's Condensed Consolidated Balance Sheet.

(Gain) Loss on Disposal of Assets and Costs From Exit and Disposal Activities - The Company recorded \$17.6 million and \$16.4 million gain on disposal of assets in the three and six months ended September 30, 2025, respectively. The sale of properties previously held-for-sale resulted in the gain of \$18.1 million. The remaining balance is due to the sale or disposal of other property, plant and equipment.

3. ACQUISITIONS

Acquisition of Orenco - On October 1, 2024, the Company's wholly-owned subsidiary, Infiltrator, completed the acquisition of Orenco Systems, Inc. ("Orenco"), a leading manufacturer of decentralized wastewater management products serving residential and non-residential end markets. The fair value of consideration transferred was approximately \$236.3 million, which represented the purchase price of \$255.0 million, net of cash acquired of \$18.7 million. The purchase price excludes transactions costs. The acquisition was funded from cash on hand. Orenco will be included in the Infiltrator reportable segment.

The following table summarizes the consideration transferred and the purchase price allocation of assets acquired and liabilities assumed:

(Amounts in thousands)	Amount	Valuation Adjustments	Final Amount
Accounts receivable	\$ 12,117	\$ —	\$ 12,117
Inventory	15,651	—	15,651
Other current assets	219	—	219
Property, plant and equipment	7,305	—	7,305
Goodwill	103,676	555	104,231
Intangible assets	148,000	—	148,000
Other assets	9,041	—	9,041
Accounts payable	(3,618)	—	(3,618)
Accrued expenses	(15,823)	—	(15,823)
Deferred tax liabilities	(34,531)	(1,572)	(36,103)
Other liabilities	(4,727)	—	(4,727)
Total fair value of consideration transferred	\$ 237,310	\$ (1,017)	\$ 236,293

The goodwill of \$104.2 million represents the excess of consideration transferred over the fair value of assets acquired and liabilities assumed and is attributable to expected operating efficiencies. The goodwill is not deductible for income tax purposes and is assigned to Infiltrator.

Acquisition of River Valley Pipe - On May 8, 2025, the Company completed its acquisition of the assets of River Valley Pipe LLC (“River Valley Pipe”), a privately-owned pipe manufacturing company located in the Midwest region of the United States. The preliminary fair value of consideration transferred was approximately \$18.8 million. The acquisition was funded from cash on hand. River Valley Pipe will be included in the Pipe reportable segment.

The following table summarizes the consideration transferred and the preliminary purchase price allocation of assets acquired and liabilities assumed. The purchase price allocation for assets acquired and liabilities assumed is preliminary and will be finalized when valuations are complete and final assessments of the fair value of acquired assets and assumed liabilities are completed. Such finalization may result in material changes from the preliminary purchase price allocation. The Company's estimates and assumptions are subject to change during the measurement period (up to one year from the closing date), as the Company continues to finalize the valuations of assets acquired and liabilities assumed.

(Amounts in thousands)	Initial Amount	Valuation Adjustments	Final Amount
Accounts receivable	\$ 3,101	\$ —	\$ 3,101
Inventory	3,027	—	3,027
Property, plant and equipment	6,986	—	6,986
Goodwill	4,964	(793)	4,171
Intangible assets	2,970	—	2,970
Other assets	75		75
Accounts payable	(1,227)	—	(1,227)
Accrued expenses	(285)	—	(285)
Other liabilities	(35)	—	(35)
Total fair value of consideration transferred	\$ 19,576	\$ (793)	\$ 18,783

The preliminary goodwill of \$4.2 million represents the excess of consideration transferred over the preliminary fair value of assets acquired and liabilities assumed and is attributable to expected operating efficiencies. The goodwill is deductible for income tax purposes and is assigned to Pipe.

The preliminary purchase price excludes transaction costs. During the six months ended September 30, 2025, the Company incurred \$0.5 million of transaction costs related to the acquisition such as legal, accounting, valuation and other professional services. These costs are included in selling, general and administrative expenses in the Condensed Consolidated Statements of Operations and Condensed Consolidated Statements of Comprehensive Income.

The identifiable intangible assets recorded in connection with the acquisition of River Valley Pipe are based on preliminary valuations including customer relationships and tradename totaling \$3.0 million. The intangible assets will be amortized on a straight-line basis over their estimated useful lives.

(Amounts in thousands)	Preliminary fair value	Preliminary Useful Lives
Customer relationships	\$ 2,600	10 years
Tradename	370	5 years
Total identifiable intangible assets	\$ 2,970	

The Company has excluded certain disclosures required under ASC 805, *Business Combinations* as they are not material to the financial statements.

Potential Acquisition of National Diversified Sales (“NDS”) - On September 23, 2025, the Company entered into a definitive stock purchase agreement under which ADS will acquire the outstanding capital stock of certain indirect subsidiaries, which comprise substantially all of the water management business of Norma Group SE, known as NDS. The acquisition is an all cash transaction for consideration of approximately \$1.0 billion, subject to certain purchase price adjustments. The transaction is expected to close in the first quarter of calendar year 2026 and is subject to customary closing conditions, including receipt of required regulatory approvals.

4. REVENUE RECOGNITION

Revenue Disaggregation - The Company disaggregates net sales by Domestic, International and Infiltrator and further disaggregates Domestic and International by product type, consistent with its reportable segment disclosure. This disaggregation level best depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. Refer to “Note 13. Business Segment Information” for the Company’s disaggregation of Net sales by reportable segment. The following table presents net sales (including intersegment net sales) disaggregated by product type for the Company’s International segment.

(Amounts in thousands)	Three Months Ended September 30,		Six Months Ended September 30,	
	2025	2024	2025	2024
International				
International - Pipe	\$ 41,613	\$ 44,445	\$ 76,249	\$ 88,372
International - Allied Products & Other	18,340	15,613	33,437	33,292
Total International	\$ 59,953	\$ 60,058	\$ 109,686	\$ 121,664

Contract Balances - The Company recognizes a contract asset representing the Company’s right to recover products upon the receipt of returned products and a contract liability for the customer refund. The following table presents the balance of the Company’s contract asset and liability as of the periods presented:

(In thousands)	September 30, 2025	March 31, 2025
Contract asset - product returns	\$ 1,852	\$ 1,381
Refund liability	5,686	4,032

5. LEASES

Nature of the Company’s Leases - The Company has operating and finance leases for plants, yards, corporate offices, tractors, trailers and other equipment. The Company’s leases have remaining terms of less than one year to 11 years. A portion of the Company’s yard leases include an option to extend the leases for up to five years. The Company has included renewal options which are reasonably certain to be exercised in its right-of-use assets and lease liabilities.

6. INVENTORIES

Inventories as of the periods presented consisted of the following:

(In thousands)	September 30, 2025	March 31, 2025
Raw materials	\$ 93,576	\$ 105,146
Finished goods	330,202	383,123
Total inventories	\$ 423,778	\$ 488,269

7. NET INCOME PER SHARE AND STOCKHOLDERS' EQUITY

Net Income per Share - The following table presents information necessary to calculate net income per share for the periods presented, as well as potentially dilutive securities excluded from the weighted average number of diluted common shares outstanding because their inclusion would have been anti-dilutive:

(In thousands, except per share data)	Three Months Ended September 30,		Six Months Ended September 30,	
	2025	2024	2025	2024
NET INCOME PER SHARE—BASIC:				
Net income available to common stockholders – Basic	\$ 156,017	\$ 130,382	\$ 299,939	\$ 291,784
Weighted average number of common shares outstanding – Basic	77,752	77,542	77,697	77,541
Net income per common share – Basic	\$ 2.01	\$ 1.68	\$ 3.86	\$ 3.76
NET INCOME PER SHARE—DILUTED:				
Net income available to common stockholders – Diluted	\$ 156,017	\$ 130,382	\$ 299,939	\$ 291,784
Weighted average number of common shares outstanding – Basic	77,752	77,542	77,697	77,541
Assumed restricted stock	43	52	39	76
Assumed exercise of stock options	440	504	415	564
Assumed performance-based restricted stock units	75	12	89	13
Weighted average number of common shares outstanding – Diluted	78,310	78,110	78,240	78,194
Net income per common share – Diluted	\$ 1.99	\$ 1.67	\$ 3.83	\$ 3.73
Potentially dilutive securities excluded as anti-dilutive	50	7	53	11

8. RELATED PARTY TRANSACTIONS

ADS Mexicana - ADS conducts business in Mexico and Central America through its joint venture, ADS Mexicana, S.A. de C.V. (“ADS Mexicana”). ADS owns 51% of the outstanding stock of ADS Mexicana and consolidates ADS Mexicana for financial reporting purposes.

On June 6, 2022, the Company and ADS Mexicana amended the Intercompany Revolving Credit Promissory Note (the “Intercompany Note”) with a borrowing capacity of \$9.5 million. The Intercompany Note matures on June 8, 2027. The Intercompany Note indemnifies the ADS Mexicana joint venture partner for 49% of any unpaid borrowings. The interest rates under the Intercompany Note are determined by certain base rates or Secured

Overnight Financing Rate (“SOFR”) plus an applicable margin based on the Leverage Ratio. As of both September 30, 2025 and March 31, 2025, there were no borrowings outstanding under the Intercompany Note.

South American Joint Venture - The Tuberias Tigre - ADS Limitada joint venture (the “South American Joint Venture”) manufactures and sells HDPE corrugated pipe in certain South American markets. ADS owns 50% of the South American Joint Venture. ADS is the guarantor of 50% of the South American Joint Venture’s credit arrangement, and the debt guarantee is shared equally with the joint venture partner. The Company’s maximum potential obligation under this guarantee is \$5.5 million as of September 30, 2025. The maximum borrowings permitted under the South American Joint Venture’s credit facility are \$11.0 million. The Company does not anticipate any required contributions related to the balance of this credit arrangement. As of September 30, 2025 and March 31, 2025, there was no outstanding principal balance for the South American Joint Venture’s credit facility, including letters of credit.

9. DEBT

Long-term debt as of the periods presented consisted of the following:

(In thousands)	September 30, 2025	March 31, 2025
Term Loan Facility	\$ 409,750	\$ 413,250
Senior Notes due 2027	350,000	350,000
Senior Notes due 2030	500,000	500,000
Revolving Credit Facility	—	—
Equipment Financing	4,109	5,988
Total	1,263,859	1,269,238
Less: Unamortized debt issuance costs	(6,693)	(7,715)
Less: Current maturities	(8,660)	(9,934)
Long-term debt obligations	\$ 1,248,506	\$ 1,251,589

Senior Secured Credit Facility - In May 2022, the Company entered into a Second Amendment (the “Second Amendment”) to the Company’s Base Credit Agreement with Barclays Bank PLC, as administrative agent under the Term Loan Facility and PNC Bank, National Association, as new administrative agent under the Revolving Credit Facility. Among other things, the Second Amendment (i) amended the Base Credit Agreement by increasing the Revolving Credit Facility (the “Amended Revolving Credit Facility”) from \$350 million to \$600 million (including an increase of the sub-limit for the swing-line sub-facility from \$50 million to \$60 million), (ii) extended the maturity date of the Revolving Credit Facility to May 26, 2027, (iii) revised the “applicable margin” to provide an additional step-down to 175 basis points (for Term Benchmark based loans) and 75 basis points (for base rate loans) in the event the consolidated senior secured net leverage ratio is less than 2.00 to 1.00, and (iv) reset the “incremental amount” and the investment basket in non-guarantors and joint ventures. The Second Amendment also revised the reference interest rate from LIBOR to SOFR for both the Amended Revolving Credit Facility and the Term Loan Facility. Letters of credit outstanding at September 30, 2025 and March 31, 2025 amounted to \$10.1 million and \$9.5 million, respectively, and reduced the availability of the Revolving Credit Facility.

The maturity date of the Term Loan Facility is September 24, 2026. As of September 30, 2025, the Company has continued to classify the Term Loan Facility as long-term debt as the Company has the intent and the ability to refinance these borrowings on a long-term basis as supported by the available capacity under the Revolving Credit Facility.

Senior Notes due 2027 - On September 23, 2019, the Company issued \$350.0 million aggregate principal amount of 5.0% Senior Notes due 2027 (the “2027 Notes”) pursuant to an Indenture, dated September 23, 2019 (the “2027 Indenture”), among the Company, the guarantors party thereto (the “Guarantors”) and U.S. Bank National Association, as Trustee (the “Trustee”).

Senior Notes due 2030 - On June 9, 2022, the Company issued \$500.0 million aggregate principal amount of 6.375% Senior Notes due 2030 (the “2030 Notes”) pursuant to an Indenture, dated June 9, 2022 (the “2030 Indenture”), among the Company, the Guarantors and the Trustee.

Equipment Financing - The assets under the Equipment Financing acquired are titled to the Company and included in Property, plant and equipment, net on the Company's Condensed Consolidated Balance Sheet. The equipment financing has an initial term of between 12 and 84 months, based on the life of the equipment, and bears a weighted average interest rate of 1.8% as of September 30, 2025. The current portion of the equipment financing is \$1.7 million, and the long-term portion is \$2.4 million at September 30, 2025.

Valuation of Debt - The carrying amounts of current financial assets and liabilities approximate fair value because of the immediate or short-term maturity of these items. The following table presents the carrying and fair value of the Company's 2027 Notes, 2030 Notes and Equipment Financing for the periods presented:

(In thousands)	September 30, 2025		March 31, 2025	
	Fair Value	Carrying Value	Fair Value	Carrying Value
Senior Notes due 2027	\$ 349,296	\$ 350,000	\$ 344,036	\$ 350,000
Senior Notes due 2030	510,010	500,000	500,845	500,000
Equipment Financing	3,980	4,109	6,714	5,988
Total fair value	\$ 863,286	\$ 854,109	\$ 851,595	\$ 855,988

The fair values of the 2027 Notes and 2030 Notes were determined based on quoted market data for the Company's 2027 Notes and 2030 Notes, respectively. The fair value of the Equipment Financing was determined based on a comparison of the interest rate and terms of such borrowings to the rates and terms of similar debt available for the period. The categorization of the framework used to evaluate the 2027 Notes, 2030 Notes and Equipment Financing are considered Level 2. The Company believes the carrying amount of the remaining long-term debt, including the Term Loan Facility and Revolving Credit Facility, is not materially different from its fair value as the interest rates and terms of the borrowings are similar to currently available borrowings.

10. COMMITMENTS AND CONTINGENCIES

Purchase Commitments - The Company has historically secured supplies of resin raw material by agreeing to purchase quantities during a future given period at a fixed price. These purchase contracts typically ranged from 1 to 12 months and occur in the ordinary course of business. The Company does not have any outstanding purchase commitments with fixed price and quantity as of September 30, 2025. The Company also enters into equipment purchase contracts with manufacturers.

Litigation and Other Proceedings - The Company is involved from time to time in various legal proceedings that arise in the ordinary course of business, including but not limited to commercial disputes, environmental matters, employee related claims, intellectual property disputes and litigation in connection with transactions including acquisitions and divestitures. The Company does not believe that such litigation, claims, and administrative proceedings will have a material adverse impact on the Company's financial position or results of operations. The Company records a liability when a loss is considered probable, and the amount can be reasonably estimated.

11. INCOME TAXES

The Company's effective tax rate will vary based on a variety of factors, including overall profitability, the geographical mix of income before taxes and related tax rates in jurisdictions where it operates and other one-time charges, as well as the occurrence of discrete events. For the three months ended September 30, 2025 and 2024, the Company utilized an effective tax rate of 25.2% and 23.9%, respectively, to calculate its provision for income taxes. For the six months ended September 30, 2025 and 2024, the Company utilized an effective tax rate of 24.9% and 23.8%, respectively, to calculate its provision for income taxes. State and local income taxes increased the effective rate for the three and six months ended September 30, 2025 and 2024.

12. STOCK-BASED COMPENSATION

ADS has several programs for stock-based payments to employees and non-employee members of its Board of Directors, including stock options, performance-based restricted stock units and restricted stock. The Company recognized stock-based compensation expense in the following line items of the Condensed Consolidated Statements of Operations for the periods presented:

(In thousands)	Three Months Ended September 30,		Six Months Ended September 30,	
	2025	2024	2025	2024
Component of income before income taxes:				
Cost of goods sold	\$ 1,914	\$ 1,455	\$ 3,570	\$ 2,796
Selling, general and administrative expenses	6,663	5,528	13,411	11,164
Total stock-based compensation expense	\$ 8,577	\$ 6,983	\$ 16,981	\$ 13,960

The following table summarizes stock-based compensation expense by award type for the periods presented:

(In thousands)	Three Months Ended September 30,		Six Months Ended September 30,	
	2025	2024	2025	2024
Stock-based compensation expense:				
Stock Options	\$ 1,673	\$ 1,563	\$ 3,463	\$ 2,998
Restricted Stock	3,204	2,655	6,299	4,889
Performance-based Restricted Stock Units	2,800	1,884	5,224	4,108
Employee Stock Purchase Plan	464	400	1,112	946
Non-Employee Directors	436	481	883	1,019
Total stock-based compensation expense	\$ 8,577	\$ 6,983	\$ 16,981	\$ 13,960

2017 Omnibus Incentive Plan - The 2017 Incentive Plan provides for the issuance of a maximum of 5.0 million shares of the Company's common stock for awards made thereunder, which awards may consist of stock options, restricted stock, restricted stock units, stock appreciation rights, phantom stock, cash-based awards, performance awards (which may take the form of performance cash, performance units or performance shares) or other stock-based awards.

Restricted Stock - During the six months ended September 30, 2025, the Company granted 0.1 million shares of restricted stock with a grant date fair value of \$13.8 million.

Options - During the six months ended September 30, 2025, the Company granted 0.1 million nonqualified stock options under the 2017 Incentive Plan with a grant date fair value of \$7.5 million. The Company estimates the fair value of stock options using a Black-Scholes option-pricing model. The following table summarizes the assumptions used to estimate the fair value of stock-options during the period presented:

	Six Months Ended September 30, 2025
Common stock price	\$119.30
Expected stock price volatility	46.7%
Risk-free interest rate	4.2%
Weighted-average expected option life (years)	6
Dividend yield	0.60%

Employee Stock Purchase Plan (“ESPP”) - In July 2022, the Company’s stockholders approved the Advanced Drainage Systems, Inc. Employee Stock Purchase Plan, which provides for a maximum of 0.4 million shares of the Company’s common stock. Eligible employees may purchase the Company's common stock at 85% of the lower of the fair market value of the Company's common stock on the first day or the last day of the offering period. The offering periods are six months in duration beginning either January 1 or July 1 and ending June 30 and December 31.

13. BUSINESS SEGMENT INFORMATION

The Company operates its business in three distinct reportable segments: “Pipe”, “International” and “Infiltrator.” “Allied Products & Other” represents the Company’s Allied Products and all other business segments. The Chief Operating Decision Maker (“CODM”) for ADS is the Chief Executive Officer (“CEO”). The CEO reviews financial information and makes operational decisions based on Net sales and a measure of operating profit, Segment Adjusted Gross Profit. A measure of assets is not applicable, as segment assets are not regularly reviewed by the CODM for evaluating performance or allocating resources.

In the first quarter of fiscal 2026, the Company realigned certain products used in wastewater applications to the Infiltrator reportable segment. The Company transitioned its ARC Septic Chambers from Allied Products & Other and certain pipe products used in wastewater applications from Pipe. Prior period segment information for fiscal 2025 has been recast to conform to the fiscal 2026 presentation.

The following table sets forth reportable segment information with respect to the amount of Net sales contributed by each class of similar products for the periods presented:

(In thousands)	Three Months Ended					
	September 30, 2025			September 30, 2024		
	Net Sales	Intersegment Net Sales	Net Sales from External Customers	Net Sales	Intersegment Net Sales	Net Sales from External Customers
Pipe	\$ 426,811	\$ (13,762)	\$ 413,049	\$ 420,989	\$ (14,611)	\$ 406,378
Infiltrator	196,368	(16,652)	179,716	157,521	(13,923)	143,598
International	59,953	(1,296)	58,657	60,058	(3,505)	56,553
Total Reportable Segments	683,132	(31,710)	651,422	638,568	(32,039)	606,529
Allied Products & Other	202,851	(3,892)	198,959	180,118	(4,037)	176,081
Intersegment Eliminations	(35,602)	35,602	—	(36,076)	36,076	—
Total Consolidated	\$ 850,381	\$ —	\$ 850,381	\$ 782,610	\$ —	\$ 782,610

(In thousands)	Six Months Ended					
	September 30, 2025			September 30, 2024		
	Net Sales	Intersegment Net Sales	Net Sales from External Customers	Net Sales	Intersegment Net Sales	Net Sales from External Customers
Pipe	\$ 855,626	\$ (27,039)	\$ 828,587	\$ 862,131	\$ (29,365)	\$ 832,766
Infiltrator	391,330	(33,261)	358,069	321,663	(30,763)	290,900
International	109,686	(2,538)	107,148	121,664	(7,406)	114,258
Total Reportable Segments	1,356,642	(62,838)	1,293,804	1,305,458	(67,534)	1,237,924
Allied Products & Other	394,021	(7,564)	386,457	368,644	(8,622)	360,022
Intersegment Eliminations	(70,402)	70,402	—	(76,156)	76,156	—
Total Consolidated	\$1,680,261	\$ —	\$1,680,261	\$1,597,946	\$ —	\$1,597,946

Reconciliation of Gross Profit to Segment Adjusted Gross Profit - The Company calculates Segment Adjusted Gross Profit as Net sales less costs of goods sold excluding depreciation and amortization, stock-based compensation and certain other expenses. The following table reconciles the Segment Adjusted Gross Profit to Gross Profit:

(In thousands)	Three Months Ended		Six Months Ended	
	September 30,		September 30,	
	2025	2024	2025	2024
Reconciliation of Segment Adjusted Gross Profit:				
Total Gross Profit	\$ 340,132	\$ 293,941	\$ 670,570	\$ 626,395
Depreciation and Amortization	38,019	30,536	71,531	57,748
Stock-based compensation expense	1,914	1,455	3,570	2,796
Total Segment Adjusted Gross Profit	\$ 380,065	\$ 325,932	\$ 745,671	\$ 686,939

Significant Segment Expenses - The Company has identified Cost of Goods Sold as a significant expense category. The following tables set forth reportable segment information with respect to significant segment expenses and the reconciliation of Net Sales to Adjusted Gross Profit for the periods presented:

Three Months Ended September 30, 2025				
(Amounts in thousands)	Net Sales	Cost of Goods Sold	Depreciation, Amortization and Other ^(a)	Adjusted Gross Profit
Pipe	\$ 426,811	\$ 317,129	\$ (25,623)	\$ 135,305
Infiltrator	196,368	100,525	(10,274)	106,117
International	59,953	44,256	(1,674)	17,371
Total Reportable Segments	683,132	461,910	(37,571)	258,793
Allied Products & Other	202,851	84,052	(2,362)	121,161
Intersegment Eliminations	(35,602)	(35,713)	—	111
Total Consolidated	\$ 850,381	\$ 510,249	\$ (39,933)	\$ 380,065

Three Months Ended September 30, 2024				
(Amounts in thousands)	Net Sales	Cost of Goods Sold	Depreciation, Amortization and Other ^(a)	Adjusted Gross Profit
Pipe	\$ 420,989	\$ 329,713	\$ (22,329)	\$ 113,605
Infiltrator	157,521	71,812	(6,288)	91,997
International	60,058	44,187	(1,574)	17,445
Total Reportable Segments	638,568	445,712	(30,191)	223,047
Allied Products & Other	180,118	78,393	(1,800)	103,525
Intersegment Eliminations	(36,076)	(35,436)	—	(640)
Total Consolidated	\$ 782,610	\$ 488,669	\$ (31,991)	\$ 325,932

Six Months Ended September 30, 2025				
(Amounts in thousands)	Net Sales	Cost of Goods Sold	Depreciation, Amortization and Other ^(a)	Adjusted Gross Profit
Pipe	\$ 855,626	\$ 636,439	\$ (50,223)	\$ 269,410
Infiltrator	391,330	197,776	(16,896)	210,450
International	109,686	81,593	(3,386)	31,479
Total Reportable Segments	1,356,642	915,808	(70,505)	511,339
Allied Products & Other	394,021	163,640	(4,596)	234,977
Intersegment Eliminations	(70,402)	(69,757)	—	(645)
Total Consolidated	\$ 1,680,261	\$ 1,009,691	\$ (75,101)	\$ 745,671

(Amounts in thousands)	Six Months Ended September 30, 2024			
	Net Sales	Cost of Goods Sold	Depreciation, Amortization and Other ^(a)	Adjusted Gross Profit
Pipe	\$ 862,131	\$ 650,073	\$ (41,514)	\$ 253,572
Infiltrator	321,663	149,347	(12,585)	184,901
International	121,664	87,496	(2,940)	37,108
Total Reportable Segments	1,305,458	886,916	(57,039)	475,581
Allied Products & Other	368,644	159,181	(3,505)	212,968
Intersegment Eliminations	(76,156)	(74,546)	—	(1,610)
Total Consolidated	\$ 1,597,946	\$ 971,551	\$ (60,544)	\$ 686,939

- (a) Depreciation, Amortization and Other are included to reconcile to Adjusted Gross Profit and include Depreciation and Amortization and Stock-based compensation expense.

The following sets forth certain financial information attributable to the reportable segments for the periods presented:

(In thousands)	Three Months Ended September 30,		Six Months Ended September 30	
	2025	2024	2025	2024
Depreciation and Amortization^(a)				
Pipe	\$ 23,916	\$ 21,033	\$ 47,042	\$ 38,998
Infiltrator	10,097	6,164	16,573	12,359
International	1,657	1,556	3,346	2,921
Allied Products & Other ^(b)	19,023	16,054	37,960	31,627
Total	\$ 54,693	\$ 44,807	\$ 104,921	\$ 85,905
Capital Expenditures				
Pipe	\$ 31,729	\$ 39,910	\$ 63,645	\$ 75,398
Infiltrator	11,994	1,915	17,729	5,519
International	4,651	2,126	6,548	3,317
Allied Products & Other ^(b)	10,046	10,516	23,096	27,948
Total	\$ 58,420	\$ 54,467	\$ 111,018	\$ 112,182

- (a) Includes depreciation and amortization in both Cost of goods sold and Operating expenses.
- (b) Includes depreciation, amortization and capital expenditures not allocated to a reportable segment. The amortization expense of Infiltrator intangible assets is included in Allied Products & Other.

14. SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Supplemental disclosures of cash flow information for the six months ended September 30 were as follows:

(In thousands)	2025	2024
Supplemental disclosures of cash flow information - cash paid:		
Cash paid for income taxes	\$ 55,650	\$ 83,740
Cash paid for interest	42,765	45,192
Supplemental disclosures of noncash investing and financing activities:		
Share repurchase excise tax accrual	—	83
ESPP share issuance	3,236	2,964
Acquisition of property, plant and equipment under finance lease	33,145	48,468
Balance in accounts payable for the acquisition of property, plant and equipment	27,255	28,354

15. SUBSEQUENT EVENTS

Common Stock Dividend - Subsequent to the end of the quarter, the Company declared a quarterly cash dividend of \$0.18 per share of common stock. The dividend is payable on December 15, 2025, to stockholders of record at the close of business on December 1, 2025.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Unless the context otherwise indicates or requires, as used in this Quarterly Report on Form 10-Q ("Form 10-Q"), the terms "we," "our," "us," "ADS" and the "Company" refer to Advanced Drainage Systems, Inc. and its directly- and indirectly-owned subsidiaries as a combined entity, except where it is clear that the terms mean only Advanced Drainage Systems, Inc. exclusive of its subsidiaries. We consolidate our joint ventures for purposes of GAAP, except for our South American Joint Venture.

Our fiscal year begins on April 1 and ends on March 31. Unless otherwise noted, references to "year" pertain to our fiscal year. For example, 2026 refers to fiscal 2026, which is the period from April 1, 2025 to March 31, 2026.

The following discussion and analysis of the financial condition and results of our operations should be read in conjunction with our Condensed Consolidated Financial Statements and related footnotes included elsewhere in this Form 10-Q and with the audited Consolidated Financial Statements included in our Fiscal 2025 Form 10-K, as filed with the Securities and Exchange Commission (the "SEC") on May 15, 2025. In addition to historical condensed consolidated financial information, the following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. This discussion contains forward-looking statements that are based on the beliefs of our management, as well as assumptions made by, and information currently available to, our management. Our actual results could differ materially from those discussed in the forward-looking statements. For more information, see the section entitled "Forward-Looking Statements."

Overview

ADS is the leading manufacturer of innovative water management solutions in the stormwater and onsite septic wastewater industries, providing superior drainage solutions for use in the construction and agriculture marketplaces. Our innovative products, for which we hold many patents, are used across a broad range of end markets and applications, including non-residential, residential, infrastructure and agriculture applications. We have established a leading position in many of these end markets by leveraging our national sales and distribution platform, industry-acclaimed engineering support, overall product breadth and scale plus manufacturing excellence.

Executive Summary

Second Quarter Fiscal 2026 Results

- Net sales increased 8.7% to \$850.4 million
- Net income increased 19.3% to \$156.5 million
- Net income per diluted share increased 19.2% to \$1.99
- Adjusted EBITDA, a non-GAAP measure, increased 17.1% to \$287.5 million

Net sales increased \$67.8 million, or 8.7%, to \$850.4 million, as compared to \$782.6 million in the prior year quarter. Domestic Pipe sales increased \$6.7 million, or 1.6%, to \$413.0 million. Domestic Allied Products & Other sales increased \$22.9 million, or 13.0%, to \$199.0 million. Infiltrator sales increased \$36.1 million, or 25.2%, to \$179.7 million. The overall increase in domestic Net sales was primarily driven by acquisitions, as well as growth in the non-residential and residential construction end markets. International sales increased \$2.1 million, or 3.7%, to \$58.7 million.

Gross profit increased \$46.2 million, or 15.7%, to \$340.1 million as compared to \$293.9 million in the prior year. The increase in gross profit is primarily driven by volume growth, favorable price/cost, and favorable mix of Allied products and Infiltrator.

Selling, general and administrative expenses increased \$25.1 million, or 26.7% to \$119.2 million, as compared to \$94.1 million in the prior year. As a percentage of Net sales, Selling, general and administrative expenses increased to 14.0% as compared to 12.0% in the prior year, primarily driven by the acquisition of Orenco, as well as transaction costs associated with the acquisition of NDS.

Adjusted EBITDA, a non-GAAP measure, increased \$42.0 million, or 17.1%, to \$287.5 million, as compared to \$245.6 million in the prior year. As a percentage of Net sales, Adjusted EBITDA was 33.8% as compared to 31.4% in the prior year.

Year-to-date Fiscal 2026 Results

- Net sales increased 5.2% to \$1,680.3 million
- Net income increased 2.4% to \$300.6 million
- Net income per diluted share increased 2.7% to \$3.83
- Adjusted EBITDA, a non-GAAP measure, increased 8.6% to \$565.7 million

Net sales increased \$82.3 million, or 5.2%, to \$1,680.3 million, as compared to \$1,597.9 million in the prior year. Domestic Pipe sales decreased \$4.2 million to \$828.6 million. Domestic Allied Products & Other sales increased \$26.4 million, or 7.3%, to \$386.5 million. Infiltrator sales increased \$67.2 million, or 23.1%, to \$358.1 million. The overall increase in domestic net sales was primarily driven by growth in the core non-residential and residential construction end markets. International sales decreased \$7.1 million, or 6.2%, to \$107.1 million.

Gross profit increased \$44.2 million, or 7.1%, to \$670.6 million as compared to \$626.4 million in the prior year. The increase in gross profit is primarily driven by favorable volume, price/cost and mix of construction market and Infiltrator sales, partially offset by unfavorable fixed cost absorption as well as the mix impact from the inclusion of Orenco.

Selling, general and administrative expenses increased \$35.0 million, or 18.6% to \$223.2 million, as compared to \$188.2 million. As a percentage of Net sales, Selling, general and administrative expense increased to 13.3% as compared to 11.8% in the prior year the acquisition of Orenco, as well as transaction costs associated with the acquisition of NDS.

Adjusted EBITDA, a non-GAAP measure, increased \$44.7 million, or 8.6%, to \$565.7 million, as compared to \$521.0 million in the prior year. As a percentage of Net sales, Adjusted EBITDA was 33.7% as compared to 32.6% in the prior year.

Results of Operations

Comparison of the Three Months Ended September 30, 2025 to the Three Months Ended September 30, 2024

The following table summarizes our operating results as a percentage of Net sales that have been derived from our Condensed Consolidated Financial Statements for the periods presented. We believe this presentation is useful to investors in comparing historical results.

Consolidated Statements of Operations data:

	For the Three Months Ended September 30,			
(In thousands)	2025		2024	
Net sales	\$ 850,381	100.0 %	\$ 782,610	100.0 %
Cost of goods sold	510,249	60.0	488,669	62.4
Gross profit	340,132	40.0	293,941	37.6
Selling, general and administrative	119,224	14.0	94,132	12.0
(Gain) loss on disposal of assets and costs from exit and disposal activities	(15,926)	(1.9)	617	0.1
Intangible amortization	13,539	1.6	11,816	1.5
Income from operations	223,295	26.3	187,376	23.9
Interest expense	23,116	2.7	23,156	3.0
Interest income and other, net	(8,012)	(0.9)	(6,956)	(0.9)
Income before income taxes	208,191	24.5	171,176	21.9
Income tax expense	52,399	6.2	40,920	5.2
Equity in net income of unconsolidated affiliates	(708)	(0.1)	(918)	(0.1)
Net income	156,500	18.4	131,174	16.8
Less: net income attributable to noncontrolling interest	483	0.1	792	0.1
Net income attributable to ADS	<u>\$ 156,017</u>	<u>18.3 %</u>	<u>\$ 130,382</u>	<u>16.7 %</u>

Net sales - The following table presents Net sales to external customers by reportable segment for the three months ended September 30, 2025 and 2024.

(Amounts in thousands)	2025	2024	\$ Variance	% Variance
Pipe	\$ 413,049	\$ 406,378	\$ 6,671	1.6 %
Infiltrator	179,716	143,598	36,118	25.2
International	58,657	56,553	2,104	3.7
Allied Products & Other	198,959	176,081	22,878	13.0
Total Consolidated	<u>\$ 850,381</u>	<u>\$ 782,610</u>	<u>\$ 67,771</u>	<u>8.7 %</u>

Our consolidated Net sales for the three months ended September 30, 2025 increased by \$67.8 million, or 8.7%, compared to the same period in fiscal 2025. The overall increase in Domestic Pipe Net sales was primarily driven by volume of the non-residential construction market. Net sales of \$26.4 million of Orenco and demand in the residential market drove the increase in Net sales for Infiltrator. Allied Products & Other increased due to demand in the residential and non-residential construction markets.

Cost of goods sold and Gross profit - The following table presents gross profit by reportable segment for the three months ended September 30, 2025 and 2024.

(Amounts in thousands)	2025	2024	\$ Variance	% Variance
Pipe	\$ 109,682	\$ 91,276	\$ 18,406	20.2 %
Infiltrator	95,843	85,709	10,134	11.8
International	15,697	15,871	(174)	(1.1)
Allied Products & Other	118,799	101,725	17,074	16.8
Intersegment eliminations	111	(640)	751	(117.3)
Total gross profit	\$ 340,132	\$ 293,941	\$ 46,191	15.7 %

Our consolidated Cost of goods sold for the three months ended September 30, 2025 increased by \$21.6 million, or 4.4%, and our consolidated Gross profit increased by \$46.2 million, or 15.7%, compared to the same period in fiscal 2025. The increase in gross profit for Domestic Pipe is primarily driven by favorable material costs, partially offset by manufacturing and transportation costs. The increase in gross profit for Infiltrator was primarily driven by Orenco.

Selling, general and administrative expenses

(Amounts in thousands)	Three Months Ended September 30,	
	2025	2024
Selling, general and administrative expenses	\$ 119,224	\$ 94,132
% of Net sales	14.0 %	12.0 %

Selling, general and administrative expenses for the three months ended September 30, 2025 increased \$25.1 million from the same period in fiscal 2025 and as a percentage of Net sales, increased by 2.0%. The increase in Selling, general and administrative expenses was primarily due to realignment expenses of \$5.5 million, transaction costs of \$9.3 million and the operating expenses of Orenco.

(Gain) loss on disposal of assets and costs from exit and disposal activities - The gain on disposal in fiscal 2026 was due to the sale of a property held-for-sale partially offset by exit and disposal activities. See “Note 2. Restructuring and (Gain) Loss on Disposal of Assets and Costs from Exit and Disposal Activities” for additional information.

Income tax expense - The following table presents the effective tax rates for the periods presented:

	Three Months Ended September 30,	
	2025	2024
Effective tax rate	25.2 %	23.9 %

The change in the effective tax rate for the three months ended September 30, 2025 was primarily driven by the decrease of the discrete income tax benefit related to the stock-based compensation windfall and the additional tax expense recorded to adjust prior quarter income tax expense to the annual effective tax rate. See “Note 11. Income Taxes” for additional information.

Comparison of the Six Months Ended September 30, 2025 to the Six Months Ended September 30, 2024

The following table summarizes our operating results as a percentage of Net sales that have been derived from our Condensed Consolidated Financial Statements for the periods presented. We believe this presentation is useful to investors in comparing historical results.

Consolidated Statements of Operations data:

(In thousands)	For the Six Months Ended September 30,			
	2025		2024	
Net sales	\$ 1,680,261	100.0 %	\$ 1,597,946	100.0 %
Cost of goods sold	1,009,691	60.1	971,551	60.8
Gross profit	670,570	39.9	626,395	39.2
Selling, general and administrative	223,185	13.3	188,184	11.8
(Gain) loss on disposal of assets and costs from exit and disposal activities	(8,902)	(0.5)	909	0.1
Intangible amortization	27,246	1.6	23,711	1.5
Income from operations	429,041	25.5	413,591	25.9
Interest expense	46,145	2.7	45,980	2.9
Interest income and other, net	(14,717)	(0.9)	(14,072)	(0.9)
Income before income taxes	397,613	23.7	381,683	23.9
Income tax expense	99,073	5.9	90,806	5.7
Equity in net income of unconsolidated affiliates	(2,051)	(0.1)	(2,619)	(0.2)
Net income	300,591	17.9	293,496	18.4
Less: net income attributable to noncontrolling interest	652	—	1,712	0.1
Net income attributable to ADS	\$ 299,939	17.9 %	\$ 291,784	18.3 %

Net sales - The following table presents Net sales to external customers by reportable segment for the six months ended September 30, 2025 and 2024.

(Amounts in thousands)	2025	2024	\$ Variance	% Variance
Pipe	\$ 828,587	\$ 832,766	\$ (4,179)	(0.5) %
Infiltrator	358,069	290,900	67,169	23.1
International	107,148	114,258	(7,110)	(6.2)
Allied Products & Other	386,457	360,022	26,435	7.3
Total Consolidated	\$ 1,680,261	\$ 1,597,946	\$ 82,315	5.2 %

Our consolidated Net sales for the six months ended September 30, 2025 increased by \$82.3 million, or 5.2%, compared to the same period in fiscal 2025. The overall decrease in Domestic Pipe Net sales was primarily driven by lower demand in the residential and infrastructure end markets partially offset by improved demand in the non-residential construction market. Net sales for Infiltrator were also driven by volume in the residential market and the acquisition of Orenco. For the international segment, the decrease was driven by decreased volume. Allied Products & Other increased due to demand in the residential and non-residential construction markets.

Cost of goods sold and Gross profit - The following table presents gross profit by reportable segment for the six months ended September 30, 2025 and 2024.

(Amounts in thousands)	2025	2024	\$ Variance	% Variance
Pipe	\$ 219,187	\$ 212,058	\$ 7,129	3.4 %
Infiltrator	193,554	172,316	21,238	12.3
International	28,093	34,168	(6,075)	(17.8)
Allied Products & Other	230,381	209,463	20,918	10.0
Intersegment eliminations	(645)	(1,610)	965	(59.9)
Total gross profit	\$ 670,570	\$ 626,395	\$ 44,175	7.1 %

Our consolidated Cost of goods sold for the six months ended September 30, 2025 increased by \$38.1 million, or 3.9%, and our consolidated Gross profit increased by \$44.2 million, or 7.1%, compared to the same period in fiscal 2025. The increase in gross profit for Domestic Pipe is primarily driven by favorable material cost partially offset by unfavorable fixed cost absorption. The increase in gross profit for Infiltrator was driven by volume and the acquisition of Orenco. For the International segment, the decrease was driven by decreased volume.

Selling, general and administrative expenses

(Amounts in thousands)	Six Months Ended September 30,	
	2025	2024
Selling, general and administrative expenses	\$ 223,185	\$ 188,184
% of Net sales	13.3 %	11.8 %

Selling, general and administrative expenses for six months ended September 30, 2025 increased \$35.0 million from the same period in fiscal 2025 and as a percentage of Net sales, increased by 1.5%. The increase in Selling, general and administrative expenses was also due to realignment expenses of \$8.4 million, transaction costs of \$10.1 million and operating expenses for Orenco.

(Gain) loss on disposal of assets and costs from exit and disposal activities - The gain on disposal in fiscal 2026 was due to the sale of properties held-for-sale partially offset by exit and disposal activities. See “Note 2. Restructuring and Gain (Loss) on Disposal of Assets and Costs from Exit and Disposal Activities” for additional information.

Income tax expense - The following table presents the effective tax rates for the six months ended September 30, 2025 and 2024.

	Six Months Ended September 30,	
	2025	2024
Effective tax rate	24.9 %	23.8 %

The change in the effective tax rate for the six months ended September 30, 2025 was primarily driven by the decrease of the discrete income tax benefit related to the stock-based compensation windfall. See “Note 11. Income Taxes” for additional information.

Adjusted EBITDA and Adjusted EBITDA Margin - Adjusted EBITDA and Adjusted EBITDA Margin, which are non-GAAP financial measures, have been presented in this Form 10-Q as supplemental measures of financial performance that are not required by, or presented in accordance with GAAP and should not be considered as alternatives to net income as measures of financial performance or cash flows from operations or any other performance measure derived in accordance with GAAP. We calculate Adjusted EBITDA as net income before interest, income taxes, depreciation and amortization, stock-based compensation expense, non-cash charges and certain other expenses. We calculate Adjusted EBITDA Margin as Adjusted EBITDA divided by Net sales.

Adjusted EBITDA and Adjusted EBITDA Margin are included in this Form 10-Q because they are key metrics used by management and our board of directors to assess our consolidated financial performance. These non-GAAP financial measures are frequently used by analysts, investors and other interested parties to evaluate companies in our industry. In addition to covenant compliance and executive performance evaluations, we use these non-GAAP financial measures to supplement GAAP measures of performance to evaluate the effectiveness of our consolidated business strategies, to make budgeting decisions and to compare our performance against that of other peer companies using similar measures. We use Adjusted EBITDA Margin to evaluate our ability to generate profitable sales.

Adjusted EBITDA and Adjusted EBITDA Margin contain certain other limitations, including the failure to reflect our cash expenditures, cash requirements for working capital needs, cash expenditures to replace assets being depreciated and amortized and interest expense, or the cash requirements necessary to service interest on principal payments on our indebtedness. In evaluating Adjusted EBITDA and Adjusted EBITDA Margin, you should be aware that in the future we will incur expenses that are the same as or similar to some of the adjustments in this presentation, such as stock-based compensation expense, derivative fair value adjustments, and foreign currency transaction losses. Management compensates for these limitations by relying on our GAAP results and using non-GAAP measures on a supplemental basis.

The following table presents a reconciliation of Adjusted EBITDA to Net income, the most comparable GAAP measure, for each of the periods presented.

(In thousands)	Three Months Ended September 30,		Six Months Ended September 30,	
	2025	2024	2025	2024
Net income	\$ 156,500	\$ 131,174	\$ 300,591	\$ 293,496
Depreciation and amortization	54,693	44,807	104,921	85,905
Interest expense	23,116	23,156	46,145	45,980
Income tax expense	52,399	40,920	99,073	90,806
EBITDA	286,708	240,057	550,730	516,187
Restructuring and realignment expense ^(a)	7,171	—	15,966	—
(Gain) loss on disposal of assets	(17,644)	617	(16,446)	909
Stock-based compensation expense	8,577	6,983	16,981	13,960
Transaction costs ^(b)	9,317	2,685	10,124	2,695
Interest income	(7,340)	(7,368)	(12,745)	(13,933)
Other adjustments ^(c)	743	2,576	1,089	1,230
Adjusted EBITDA	\$ 287,532	\$ 245,550	\$ 565,699	\$ 521,048
Adjusted EBITDA Margin	33.8 %	31.4 %	33.7 %	32.6 %

- (a) Includes costs associated with closure of one recycling facility, one offsite storage location and one distribution yard, as well as professional fees incurred in connection with supporting enterprise-wide restructuring and realignment initiatives. Excludes gain on sale of properties previously held-for-sale and equipment. See “Note 2. Restructuring and Gain (Loss) on Disposal of Assets and Costs from Exit and Disposal Activities” for additional information.
- (b) Represents expenses recorded related to legal, accounting and other professional fees incurred in connection with business or asset acquisitions and dispositions.
- (c) Includes derivative fair value adjustments, foreign currency transaction (gains) losses, legal settlements, and 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.

Liquidity and Capital Resources

Historically, we have funded our operations through internally generated cash flow supplemented by debt financings, equity issuance and finance and operating leases. These sources have been sufficient historically to fund our primary liquidity requirements, including working capital, capital expenditures, debt service and dividend payments for our common stock. From time to time, we may explore additional financing methods and other means to raise capital. There can be no assurance that any additional financing will be available to us on acceptable terms or at all.

Free Cash Flow - Free cash flow is a non-GAAP financial measure that comprises cash flow from operations less capital expenditures and is used by management and our Board of Directors to assess our ability to generate cash. Accordingly, free cash flow has been presented as a supplemental measure of liquidity that is not required by, or presented in accordance with GAAP, because 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. Free cash flow is not a GAAP measure of our liquidity and should not be considered as an alternative to cash flow from operating activities as a measure of liquidity or any other liquidity measure derived in accordance with GAAP. Our measure of free cash flow is not necessarily comparable to other similarly titled captions of other companies due to different methods of calculation.

The following table presents a reconciliation of free cash flow to cash provided by operating activities, the most comparable GAAP measure, for each of the periods presented:

(Amounts in thousands)	Six Months Ended September 30,	
	2025	2024
Net cash provided by operating activities	\$ 509,843	\$ 350,326
Capital expenditures	(111,018)	(112,182)
Free Cash Flow	\$ 398,825	\$ 238,144

The following table presents key liquidity metrics utilized by management including the leverage ratio which is calculated as net debt divided by the trailing twelve months Adjusted EBITDA:

(Amounts in thousands)	September 30, 2025
Total debt (debt and finance lease obligations)	\$ 1,431,004
Cash	812,862
Net debt (total debt less cash)	618,142
Leverage Ratio	0.7

The following table summarizes our available liquidity for the period presented:

(Amounts in thousands)	September 30, 2025
Revolver capacity	\$ 600,000
Less: outstanding borrowings	—
Less: letters of credit	(10,133)
Revolver available liquidity	\$ 589,867

In addition to the available liquidity above, we have the ability to borrow up to \$1.3 billion under our Senior Secured Credit Facility, subject to leverage ratio restrictions.

As of September 30, 2025, we had \$26.2 million in cash that was held by our foreign subsidiaries, including \$15.8 million held by our Canadian subsidiaries. We continue to evaluate our strategy regarding foreign cash, but our earnings in foreign subsidiaries still remain indefinitely reinvested, except for Canada. We plan to repatriate earnings from Canada and believe that there will be no additional tax costs associated with the repatriation of such earnings other than any potential non-U.S. withholding taxes.

Working Capital and Cash Flows

As of September 30, 2025, we had \$1,402.7 million in liquidity, including \$812.9 million of cash and \$589.9 million in borrowings available under our Revolving Credit Agreement, net of outstanding letters of credit. We believe that our cash on hand, together with the availability of borrowings under our Credit Agreement and other financing arrangements and cash generated from operations, will be sufficient to meet our working capital requirements, anticipated capital expenditures, and scheduled principal and interest payments on our indebtedness for at least the next twelve months.

As disclosed in “Note 3. Acquisitions”, we expect to fund our acquisition of NDS in the fourth fiscal quarter of 2026 with cash on hand and capacity on our existing Revolving Credit Facility.

Working Capital - Working capital increased to \$1,192.0 million as of September 30, 2025, from \$926.4 million as of March 31, 2025. The increase in working capital is primarily due to increased cash on hand and the seasonality of accounts receivable offset by changes in inventory and accrued liabilities due to the timing of tax and rebate payments.

(Amounts in thousands)	Six Months Ended September 30,	
	2025	2024
Net cash provided by operating activities	\$ 509,843	\$ 350,326
Net cash used in investing activities	(105,343)	(111,542)
Net cash used in financing activities	(55,853)	(114,640)

Operating Cash Flows - Cash flows from operating activities increased \$159.5 million during the six months ended September 30, 2025 primarily driven by changes in working capital.

Investing Cash Flows - Cash flows used in investing activities during the six months ended September 30, 2025 decreased by \$6.2 million compared to the same period in fiscal 2025. The decrease in cash used in investing activities was due to the proceeds from the sale of properties held-for-sale offset by the acquisition of River Valley Pipe.

Capital expenditures totaled \$111.0 million and \$112.2 million for the six months ended September 30, 2025 and 2024, respectively. Our capital expenditures for the six months ended September 30, 2025 were used primarily to support facility expansions, equipment replacements and technology improvement initiatives. We also acquired \$33.1 million of property, plant and equipment under finance leases, which includes material handling transportation equipment to update our fleet of forklifts, trucks and trailers.

We currently anticipate that we will make capital expenditures of approximately \$200 million to \$225 million in fiscal year 2026, including approximately \$80 million of open orders as of September 30, 2025. Such capital expenditures are expected to be financed using funds generated by operations.

Financing Cash Flows - During the six months ended September 30, 2025, cash used in financing activities included \$28.1 million of dividend payments, \$17.2 million of payments of finance lease obligations and \$6.7 million for shares withheld for tax purposes.

During the six months ended September 30, 2024, cash used in financing activities included the repurchase of common stock of \$69.9 million, \$24.9 million of dividend payments, \$11.8 million of payments of finance lease obligations and \$10.6 million for shares withheld for tax purposes.

Financing Transactions - There have been no changes in our debt disclosures from those disclosed in “Liquidity and Capital Resources” in our Fiscal 2025 Form 10-K. We are in compliance with our debt covenants as of September 30, 2025.

As of September 30, 2025, we have \$409.8 million of debt under our Term Loan facility maturing within twelve months on its scheduled maturity. We have classified this debt as long-term debt as we have the intent and the ability to refinance these borrowings on a long-term basis as supported by the available capacity under the Revolving Credit Facility.

Off-Balance Sheet Arrangements

Excluding the guarantees of 50% of certain debt of our unconsolidated South American Joint Venture as further discussed in “Note 8. Related Party Transactions” to the Condensed Consolidated Financial Statements, we do not have any other off-

balance sheet arrangements. As of September 30, 2025, our South American Joint Venture had no outstanding debt subject to our guarantees. We do not believe that this guarantee will have a current or future effect on our financial condition, results of operations, liquidity or capital resources.

Critical Accounting Policies and Estimates

There have been no changes in critical accounting policies from those disclosed in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Fiscal 2025 Form 10-K, except as disclosed in “Note 1. Background and Summary of Significant Accounting Policies.”

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We are subject to various market risks, primarily related to changes in interest rates, credit, raw material supply prices and, to a lesser extent, foreign currency exchange rates. Our financial position, results of operations or cash flows may be negatively impacted in the event of adverse movements in the respective market rates or prices in each of these risk categories. Our exposure in each category is limited to those risks that arise in the normal course of business, as we do not engage in speculative, non-operating transactions. Our exposure to market risk has not materially changed from what we previously disclosed in Part II. Item 7A. “Quantitative and Qualitative Disclosures about Market Risk” of our Fiscal 2025 Form 10-K except as disclosed below.

Interest Rate Risk - We are subject to interest rate risk associated with our bank debt. A 1.0% increase in interest rates on our variable-rate debt would increase our annual forecasted interest expense by approximately \$4.1 million based on our borrowings as of September 30, 2025. Assuming the Revolving Credit Facility is fully drawn, each 1.0% increase or decrease in the applicable interest rate would change our interest expense by approximately \$10.1 million, for the twelve months ended September 30, 2025.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures - The Company’s Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”) are responsible for evaluating the effectiveness of our disclosure controls and procedures as defined in the Securities Exchange Act of 1934, as amended (the “Exchange Act”), rules 13a-15(e) and 15d-15(e). The Company’s disclosure controls and procedures are designed to provide reasonable assurance that the information required to be disclosed in the Company’s reports under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to management, including the Company’s CEO and CFO, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives, and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Based on the evaluation of our disclosure controls and procedures, our CEO and CFO concluded that the Company’s disclosure controls and procedures were effective as of the end of the period covered by this report.

Changes in Internal Control over Financial Reporting - There were no changes in the Company’s internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act that occurred during the three months ended September 30, 2025 that has materially affected, or is reasonably likely to materially affect, internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The Company is involved from time to time in various legal proceedings that arise in the ordinary course of business, including but not limited to commercial disputes, environmental matters, employee related claims, intellectual property disputes and litigation in connection with transactions including acquisitions and divestitures. The Company does not believe that such litigation, claims, and administrative proceedings will have a material adverse impact on the Company's financial position or results of operations.

Please see "Note 10. Commitments and Contingencies," of the Condensed Consolidated Financial Statements of this Form 10-Q for more information regarding legal proceedings.

Item 1A. Risk Factors

Important risk factors that could affect our operations and financial performance, or that could cause results or events to differ from current expectations, are described in "Part I, Item 1A — Risk Factors" of our Fiscal 2025 Form 10-K. These factors are further supplemented by those discussed in "Part II, Item 7A — Quantitative and Qualitative Disclosures about Market Risk" of our Fiscal 2025 Form 10-K and in "Part I, Item 3 — Quantitative and Qualitative Disclosures about Market Risk" and "Part II, Item 1 — Legal Proceedings" of this Form 10-Q.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

In February 2022, our Board of Directors authorized a \$1.0 billion common stock repurchase program. Repurchases of common stock will be made in accordance with applicable securities laws. During the three months ended September 30, 2025, the Company did not repurchase any shares of common stock. As of September 30, 2025, approximately \$147.7 million of common stock may be repurchased under the authorization. The stock repurchase program does not obligate us to acquire any particular amount of common stock and may be suspended or terminated at any time at our discretion.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

During the three months ended September 30, 2025, no director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as such terms are defined in Item 408(a) of Regulation S-K.

Item 6. Exhibits

The following exhibits are filed herewith or incorporated herein by reference.

Exhibit Number	Exhibit Description
2.1	<u>Master Share Purchase Agreement between NORMA Group SE and Advanced Drainage Systems, Inc. (incorporated by reference to Exhibit 2.1 to our Current Report on Form 8-K filed on September 23, 2025).</u>
31.1*	<u>Certification of President and Chief Executive Officer of Advanced Drainage Systems, Inc. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
31.2*	<u>Certification of Executive Vice President and Chief Financial Officer of Advanced Drainage Systems, Inc. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
32.1*	<u>Certification of Principal Executive Officer of Advanced Drainage Systems, Inc. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
32.2*	<u>Certification of Principal Financial Officer of Advanced Drainage Systems, Inc. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
101.INS*	Inline 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.
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase.
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase.
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase.
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase.
104	The cover page for the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2025, has been formatted in Inline XBRL and contained in Exhibit 101.

* Filed herewith

SIGNATURES

Pursuant to the requirements 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: November 6, 2025

ADVANCED DRAINAGE SYSTEMS, INC.

By: /s/ D. Scott Barbour
D. Scott Barbour
President and Chief Executive Officer
(Principal Executive Officer)

By: /s/ Scott A. Cottrill
Scott A. Cottrill
Executive Vice President, Chief Financial Officer and Secretary
(Principal Financial Officer)

By: /s/ Tim A. Makowski
Tim A. Makowski
Vice President, Controller, and Chief Accounting Officer