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

FORM 10-Q

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

For the Quarterly Period Ended February 29, 2024
or

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

For the Transition Period from __________ to __________

Commission File Number 000-22496

RADIUS RECYCLING, INC.

(Exact name of registrant as specified in its charter)

OREGON	**93-0341923**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
299 SW Clay Street , **Suite 400** , **Portland** , **Oregon**	**97201**
(Address of principal executive offices)	*(Zip Code)*

(503) 224-9900
(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
Class A Common Stock, $1.00 par value	RDUS	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐

Smaller reporting company	Emerging growth company
☐	☐

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 ☒

The registrant had

27,782,161
shares of Class A common stock, par value of $1.00 per share, and

200,000
shares of Class B common stock, par value of $1.00 per share, outstanding as of April 2, 2024.

RADIUS RECYCLING, INC.
FORM 10-Q

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FORWARD-LOOKING STATEMENTS

Statements and information included in this Quarterly Report on Form 10-Q by Radius Recycling, Inc. (formerly Schnitzer Steel Industries, Inc.) that are not purely historical are forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934 and are made pursuant to the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. Except as noted herein or as the context may otherwise require, all references to "we," "our," "us," "the Company," "Radius Recycling," and "Radius" refer to Radius Recycling, Inc. and its consolidated subsidiaries.

Forward-looking statements in this Quarterly Report on Form 10-Q include statements regarding future events or our expectations, intentions, beliefs, and strategies regarding the future, which may include statements regarding the impact of equipment upgrades, equipment failures, and facility damage on production, including timing of repairs and resumption of operations; the realization of insurance recoveries; the Company's outlook, growth initiatives, or expected results or objectives, including pricing, margins, volumes, and profitability; completion of acquisitions and integration of acquired businesses; the progression and impact of investments in processing and manufacturing technology improvements and information technology systems; the impacts of supply chain disruptions, inflation, and rising interest rates; liquidity positions; our ability to generate cash from continuing operations; trends, cyclicality, and changes in the markets we sell into; strategic direction or goals; targets; changes to manufacturing and production processes; the realization of deferred tax assets; planned capital expenditures; the cost of and the status of any agreements or actions related to our compliance with environmental and other laws; expected tax rates, deductions, and credits; the impact of sanctions and tariffs, quotas, and other trade actions and import restrictions; the impact of pandemics, epidemics, or other public health emergencies, such as the coronavirus disease 2019 ("COVID-19") pandemic; the impact of labor shortages or increased labor costs; obligations under our retirement plans; benefits, savings, or additional costs from business realignment, cost containment, and productivity improvement programs; the potential impact of adopting new accounting pronouncements; and the adequacy of accruals.

Forward-looking statements by their nature address matters that are, to different degrees, uncertain, and often contain words such as "outlook," "target," "aim," "believes," "expects," "anticipates," "intends," "assumes," "estimates," "evaluates," "may," "will," "should," "could," "opinions," "forecasts," "projects," "plans," "future," "forward," "potential," "probable," and similar expressions. However, the absence of these words or similar expressions does not mean that a statement is not forward-looking.

We may make other forward-looking statements from time to time, including in reports filed with the Securities and Exchange Commission, press releases, presentations, and on public conference calls. All forward-looking statements we make are based on information available to us at the time the statements are made, and we assume no obligation to update any forward-looking statements, except as may be required by law. Our business is subject to the effects of changes in domestic and global economic conditions and a number of other risks and uncertainties that could cause actual results to differ materially from those included in, or implied by, such forward-looking statements. Some of these risks and uncertainties are discussed in "Item 1A. Risk Factors" of Part I of our most recent Annual Report on Form 10-K. Examples of these risks include: potential environmental cleanup costs related to the Portland Harbor Superfund site or other locations; the impact of goodwill impairment charges; the impact of equipment upgrades, equipment failures, and facility damage on production; failure to realize or delays in realizing expected benefits from capital and other projects, including investments in processing and manufacturing technology improvements and information technology systems; the cyclicality and impact of general economic conditions; the impact of inflation, rising interest rates, and foreign currency fluctuations; changing conditions in global markets including the impact of sanctions and tariffs, quotas, and other trade actions and import restrictions; increases in the relative value of the U.S. dollar; economic and geopolitical instability including as a result of military conflict; volatile supply and demand conditions affecting prices and volumes in the markets for raw materials and other inputs we purchase; significant decreases in recycled metal prices; imbalances in supply and demand conditions in the global steel industry; difficulties associated with acquisitions and integration of acquired businesses; supply chain disruptions; reliance on third-party shipping companies, including with respect to freight rates and the availability of transportation; the impact of impairment of assets other than goodwill; the impact of pandemics, epidemics, or other public health emergencies, such as the COVID-19 pandemic; inability to achieve or sustain the benefits from productivity, cost savings, and restructuring initiatives; inability to renew facility leases; customer fulfillment of their contractual obligations; potential limitations on our ability to access capital resources and existing credit facilities; restrictions on our business and financial covenants under the agreement governing our bank credit facilities; the impact of consolidation in the steel industry; product liability claims; the impact of legal proceedings and legal compliance; the impact of climate change; the impact of not realizing deferred tax assets; the impact of tax increases and changes in tax rules; the impact of one or more cybersecurity incidents; the impact of increasing attention to environmental, social, and governance matters; translation risks associated with fluctuation in foreign exchange rates; the impact of hedging transactions; inability to obtain or renew business licenses and permits; environmental compliance costs and potential environmental liabilities; increased environmental regulations and enforcement; compliance with climate change and greenhouse gas emission laws and regulations; the impact of labor shortages or increased labor costs; reliance on employees subject to collective bargaining agreements; and the impact of the underfunded status of multiemployer plans in which we participate.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

RADIUS RECYCLING, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited, in thousands, except per share amounts)
(Currency - U.S. Dollar)

	February 29, 2024	August 31, 2023
Assets		
Current assets:		
Cash and cash equivalents	$ 13,562	$ 6,032
Accounts receivable, net of allowance for credit losses of $ 1,593 and $ 1,590	218,745	210,442
Inventories	314,421	278,642
Refundable income taxes	3,426	3,245
Prepaid expenses and other current assets	44,438	51,979
Total current assets	594,592	550,340
Property, plant and equipment, net of accumulated depreciation of $ 940,096 and $ 902,231	691,901	706,805
Operating lease right-of-use assets	117,763	115,686
Investments in joint ventures	10,491	10,750
Goodwill	229,319	229,419
Intangibles, net of accumulated amortization of $ 15,451 and $ 12,442	31,279	32,540
Deferred income taxes	19,457	22,713
Other assets	50,727	47,696
Total assets	$ 1,745,529	$ 1,715,949
Liabilities and Equity		
Current liabilities:		

Short-term borrowings	$ 5,459	$ 5,813
Accounts payable	192,200	209,423
Accrued payroll and related liabilities	26,141	35,144
Environmental liabilities	13,656	13,743
Operating lease liabilities	19,932	19,835
Accrued income taxes	78	358
Other accrued liabilities	46,510	39,614
Total current liabilities	303,976	323,930
Deferred income taxes	46,187	58,617
Long-term debt, net of current maturities	368,119	243,579
Environmental liabilities, net of current portion	52,034	53,034
Operating lease liabilities, net of current maturities	97,959	96,086
Other long-term liabilities	29,788	29,044
Total liabilities	898,063	804,290
Commitments and contingencies (Note 5)		
Radius Recycling, Inc. (“Radius”) shareholders’ equity:		
Preferred stock – 20,000 shares $ 1.00 par value authorized, none issued	—	—

Class A common stock – 75,000 shares $ 1.00 par value authorized, 27,782 and 27,312 shares issued and outstanding	27,782	27,312
Class B common stock – 25,000 shares $ 1.00 par value authorized, 200 and 200 shares issued and outstanding	200	200
Additional paid-in capital	24,503	26,035
Retained earnings	831,636	894,316
Accumulated other comprehensive loss	(39,684)	(39,683)
Total Radius shareholders' equity	844,437	908,180
Noncontrolling interests	3,029	3,479
Total equity	847,466	911,659
Total liabilities and equity	$ 1,745,529	$ 1,715,949

The accompanying Notes to the Unaudited Condensed Consolidated Financial Statements are an integral part of these statements.

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RADIUS RECYCLING, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited, in thousands, except per share amounts)
(Currency - U.S. Dollar)

	Three Months Ended		Six Months Ended	
	February 29, 2024	February 28, 2023	February 29, 2024	February 28, 2023
Revenues	$ 621,059	$ 755,953	$ 1,293,956	$ 1,354,683
Operating expense:				
Cost of goods sold	580,996	682,937	1,214,416	1,232,948
Selling, general and administrative	62,160	63,957	125,262	128,185
(Income) from joint ventures	(30)	(311)	(703)	(1,101)
Asset impairment charges	1,476	—	1,476	—
Restructuring charges and other exit-related activities	3,175	828	3,210	2,420
Operating (loss) income	(26,718)	8,542	(49,705)	(7,769)
Interest expense	(5,803)	(4,908)	(10,613)	(8,232)
Other loss, net	(263)	(99)	(432)	(3,983)
(Loss) income from continuing operations before income taxes	(32,784)	3,535	(60,750)	(19,984)
Income tax (expense) benefit	(1,195)	513	8,975	6,545
(Loss) income from continuing operations	(33,979)	4,048	(51,775)	(13,439)
(Loss) income from discontinued operations, net of tax	(31)	224	(33)	155
Net (loss) income	(34,010)	4,272	(51,808)	(13,284)
Net loss (income) attributable to noncontrolling interests	31	81	(135)	(151)
Net (loss) income attributable to Radius shareholders	$ (33,979)	$ 4,353	$ (51,943)	$ (13,435)
Net (loss) income per share attributable to Radius shareholders:				
Basic:				

(Loss) income per share from continuing operations	$ (1.19)	$ 0.15	$ (1.83)	$ (0.49)
Net (loss) income per share	$ (1.19)	$ 0.16	$ (1.83)	$ (0.48)
Diluted:				
(Loss) income per share from continuing operations	$ (1.19)	$ 0.14	$ (1.83)	$ (0.49)
Net (loss) income per share	$ (1.19)	$ 0.15	$ (1.83)	$ (0.48)
Weighted average number of common shares:				
Basic	28,454	28,081	28,337	27,912
Diluted	28,454	28,617	28,337	27,912

The accompanying Notes to the Unaudited Condensed Consolidated Financial Statements are an integral part of these statements.

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RADIUS RECYCLING, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
(Unaudited, in thousands)
(Currency - U.S. Dollar)

	Three Months Ended		Six Months Ended	
	February 29, 2024	**February 28, 2023**	**February 29, 2024**	**February 28, 2023**
Net (loss) income	$ (34,010)	$ 4,272	$ (51,808)	$ (13,284)
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	(83)	(1,361)	(582)	(3,607)
Cash flow hedges, net	285	—	178	—
Pension obligations, net	216	58	403	91
Total other comprehensive income (loss), net of tax	418	(1,303)	(1)	(3,516)
Comprehensive (loss) income	(33,592)	2,969	(51,809)	(16,800)
Less comprehensive loss (income) attributable to noncontrolling interests	31	81	(135)	(151)
Comprehensive (loss) income attributable to Radius shareholders	$ (33,561)	$ 3,050	$ (51,944)	$ (16,951)

The accompanying Notes to the Unaudited Condensed Consolidated Financial Statements are an integral part of these statements.

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RADIUS RECYCLING, INC.
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(Unaudited, in thousands, except per share amounts)
(Currency - U.S. Dollar)

Three Months Ended February 28, 2023	Common Stock Class A Shares	Common Stock Class A Amount	Common Stock Class B Shares	Common Stock Class B Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Radius Shareholders' Equity	Noncontrolling Interests	Total Equity
Balance as of December 1, 2022	27,165	$ 27,165	200	$ 200	$ 18,582	$ 918,094	$ (39,302)	$ 924,739	$ 3,765	$ 928,504
Net income (loss)	—	—	—	—	—	4,353	—	4,353	(81)	4,272
Other comprehensive loss, net of tax	—	—	—	—	—	—	(1,303)	(1,303)	—	(1,303)
Distributions to noncontrolling interests	—	—	—	—	—	—	—	—	(193)	(193)
Issuance of restricted stock	90	90	—	—	(90)	—	—	—	—	—
Restricted stock withheld for taxes	—	—	—	—	(2)	—	—	(2)	—	(2)
Share-based compensation cost	—	—	—	—	2,341	—	—	2,341	—	2,341
Dividends ($ 0.1875 per common share)	—	—	—	—	—	(5,181)	—	(5,181)	—	(5,181)
Balance as of February 28, 2023	27,255	$ 27,255	200	$ 200	$ 20,831	$ 917,266	$ (40,605)	$ 924,947	$ 3,491	$ 928,438

Three Months Ended February 29, 2024	Common Stock Class A Shares	Common Stock Class A Amount	Common Stock Class B Shares	Common Stock Class B Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Radius Shareholders' Equity	Noncontrolling Interests	Total Equity
Balance as of December 1, 2023	27,663	$ 27,663	200	$ 200	$ 22,258	$ 870,975	$ (40,102)	$ 880,994	$ 3,282	$ 884,276
Net loss	—	—	—	—	—	(33,979)	—	(33,979)	(31)	(34,010)
Other comprehensive income, net of tax	—	—	—	—	—	—	418	418	—	418

Distributions to noncontrolling interests	—	—	—	—	—	—	—	—	(222)	(222)
Issuance of restricted stock	119	119	—	—	(119)	—	—	—	—	—
Restricted stock withheld for taxes	—	—	—	—	(1)	—	—	(1)	—	(1)
Share-based compensation cost	—	—	—	—	2,365	—	—	2,365	—	2,365
Dividends ($0.1875 per common share)	—	—	—	—	—	(5,360)	—	(5,360)	—	(5,360)
Balance as of February 29, 2024	27,782	$ 27,782	200	$ 200	$ 24,503	$ 831,636	$ (39,684)	$ 844,437	$ 3,029	$ 847,466

The accompanying Notes to the Unaudited Condensed Consolidated Financial Statements are an integral part of these statements.

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RADIUS RECYCLING, INC.
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(Unaudited, in thousands, except per share amounts)
(Currency - U.S. Dollar)

Six Months Ended February 28, 2023	Common Stock Class A Shares	Common Stock Class A Amount	Common Stock Class B Shares	Common Stock Class B Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Radius Shareholders' Equity	Noncontrolling Interests	Total Equity
Balance as of September 1, 2022	26,747	$ 26,747	200	$ 200	22,975	$ 941,146	$ (37,089)	$ 953,979	$ 4,495	$ 958,474
Net (loss) income	—	—	—	—	—	(13,435)	—	(13,435)	151	(13,284)
Other comprehensive loss, net of tax	—	—	—	—	—	—	(3,516)	(3,516)	—	(3,516)
Distributions to noncontrolling interests	—	—	—	—	—	—	—	—	(1,155)	(1,155)
Issuance of restricted stock	762	762	—	—	(762)	—	—	—	—	—
Restricted stock withheld for taxes	(254)	(254)	—	—	(6,555)	—	—	(6,809)	—	(6,809)
Share-based compensation cost	—	—	—	—	5,173	—	—	5,173	—	5,173
Dividends ($ 0.375 per common share)	—	—	—	—	—	(10,445)	—	(10,445)	—	(10,445)
Balance as of February 28, 2023	27,255	$ 27,255	200	$ 200	$ 20,831	$ 917,266	$ (40,605)	$ 924,947	$ 3,491	$ 928,438

Six Months Ended February 29, 2024	Common Stock Class A Shares	Common Stock Class A Amount	Common Stock Class B Shares	Common Stock Class B Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Radius Shareholders' Equity	Noncontrolling Interests	Total Equity
Balance as of September 1, 2023	27,312	$ 27,312	200	$ 200	$ 26,035	$ 894,316	$ (39,683)	$ 908,180	$ 3,479	$ 911,659
Net (loss) income	—	—	—	—	—	(51,943)	—	(51,943)	135	(51,808)
Other comprehensive loss, net of tax	—	—	—	—	—	—	(1)	(1)	—	(1)

Distributions to noncontrolling interests	—	—	—	—	—	—	—	—	(585)	(585)
Issuance of restricted stock	681	681	—	—	(681)	—	—	—	—	—
Restricted stock withheld for taxes	(211)	(211)	—	—	(4,592)	—	—	(4,803)	—	(4,803)
Share-based compensation cost	—	—	—	—	3,741	—	—	3,741	—	3,741
Dividends ($ 0.375 per common share)	—	—	—	—	—	(10,737)	—	(10,737)	—	(10,737)
Balance as of February 29, 2024	27,782	$ 27,782	200	$ 200	$ 24,503	$ 831,636	$ (39,684)	$ 844,437	$ 3,029	$ 847,466

The accompanying Notes to the Unaudited Condensed Consolidated Financial Statements are an integral part of these statements.

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RADIUS RECYCLING, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, in thousands)
(Currency - U.S. Dollar)

	Six Months Ended	
	February 29, 2024	**February 28, 2023**
Cash flows from operating activities:		
Net loss	$ (51,808)	$ (13,284)
Adjustments to reconcile net loss to cash (used in) provided by operating activities:		
Asset impairment charges	1,967	4,000
Exit-related asset impairments	—	143
Depreciation and amortization	47,782	43,850
Inventory write-downs	—	575
Deferred income taxes	(9,500)	(6,337)
Undistributed equity in earnings of joint ventures	(703)	(1,101)
Share-based compensation expense	3,741	5,144
(Gain) loss on disposal of assets, net	(459)	16
Unrealized foreign exchange loss, net	273	85
Credit loss, net	177	195
Changes in assets and liabilities, net of acquisitions:		
Accounts receivable	(14,504)	(13,914)
Inventories	(30,423)	33,834
Income taxes	144	(4,783)
Prepaid expenses and other current assets	12,519	9,758
Other long-term assets	(3,696)	(1,389)
Operating lease assets and liabilities	(195)	232

Accounts payable	(6,368)	12,245
Accrued payroll and related liabilities	(8,996)	(33,421)
Other accrued liabilities	2,686	(7,177)
Environmental liabilities	(1,072)	(4,914)
Other long-term liabilities	1,042	1,935
Distributed equity in earnings of joint ventures	1,000	—
Net cash (used in) provided by operating activities	(56,393)	25,692
Cash flows from investing activities:		
Capital expenditures	(39,791)	(74,511)
Acquisitions, net of acquired cash	—	(26,902)
Proceeds from insurance and sale of assets	2,133	3,026
Purchase of investments	(6,000)	—
Net cash used in investing activities	(43,658)	(98,387)
Cash flows from financing activities:		
Borrowings from long-term debt	389,692	333,242
Repayment of long-term debt	(265,910)	(274,036)
Payment of debt issuance costs	—	(156)
Taxes paid related to net share settlement of share-based payment awards	(4,803)	(6,809)
Distributions to noncontrolling interests	(585)	(1,155)
Dividends paid	(10,798)	(10,671)
Net cash provided by financing activities	107,596	40,415
Effect of exchange rate changes on cash	(15)	(64)

Net increase (decrease) in cash and cash equivalents	7,530	(32,344)
Cash and cash equivalents as of beginning of period	6,032	43,803
Cash and cash equivalents as of end of period	$ 13,562	$ 11,459

The accompanying Notes to the Unaudited Condensed Consolidated Financial Statements are an integral part of these statements.

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RADIUS RECYCLING, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, in thousands)
(Currency - U.S. Dollar)

	Six Months Ended	
	February 29, 2024	February 28, 2023
SUPPLEMENTAL DISCLOSURES:		
Cash paid during the period for:		
Interest	$ 9,792	$ 7,339
Income taxes, net	$ 368	$ 4,332
Schedule of noncash investing and financing transactions:		
Purchases of property, plant and equipment included in liabilities	$ 5,470	$ 13,815

The accompanying Notes to the Unaudited Condensed Consolidated Financial Statements are an integral part of these statements.

Note 1 - Summary of Significant Accounting Policies

Basis of Presentation

The accompanying Unaudited Condensed Consolidated Financial Statements of Radius Recycling, Inc. (formerly Schnitzer Steel Industries, Inc.) and its majority-owned and wholly-owned subsidiaries (the “Company”) have been prepared pursuant to generally accepted accounting principles in the United States of America (“U.S. GAAP”) for interim financial information and the rules and regulations of the United States Securities and Exchange Commission (the “SEC”) for Form 10-Q, including Article 10 of Regulation S-X. The year-end condensed consolidated balance sheet data was derived from audited financial statements but does not include all disclosures required by U.S. GAAP. Certain information and note disclosures normally included in annual financial statements have been condensed or omitted pursuant to the rules and regulations of the SEC. In the opinion of management, all normal, recurring adjustments considered necessary for a fair statement have been included. Management suggests that these Unaudited Condensed Consolidated Financial Statements be read in conjunction with the financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the fiscal year ended August 31, 2023. The results for the three and six months ended February 29, 2024 and February 28, 2023 are not necessarily indicative of the results of operations for the entire fiscal year.

Liquidity

The Company currently faces challenging market conditions resulting in compressed operating margins. As of February 29, 2024, the Company was in compliance with all of the financial covenants under its credit facilities, the aggregate principal amount outstanding under which was $

355
million, with $

438
million remaining available for borrowing (see Note 13 – Debt). The Company has taken steps to reduce its operating costs and improve margins. If market conditions do not improve, the Company is unable to realize the expected value of its cost savings initiatives, or other negative factors occur, the Company anticipates it would be unable to remain in compliance with the current financial covenants under its credit agreement. If the Company were unable to meet its financial covenants and then were unable to renegotiate the terms of its financial covenants, all debt outstanding under the credit facilities could become immediately due and payable. If such actions became necessary, the Company expects that it would be successful in renegotiating an amendment or obtaining a waiver on terms acceptable to the Company, however there can be no assurance that it would be able to do so.

Company Name

On July 26, 2023, the Company announced its new brand and assumed name, Radius Recycling. The Company’s shareholders approved an amendment to the Company’s Articles of Incorporation to change the corporate name of the Company from Schnitzer Steel Industries, Inc. to Radius Recycling, Inc. at the Annual Meeting of Shareholders held on January 30, 2024 (the “Name Change”). That same day, the Company effectuated the Name Change by filing articles of amendment of the Articles of Incorporation with the Oregon Secretary of State and amended and restated its Bylaws to reflect the Name Change.

Segment Reporting

The Company acquires and recycles ferrous and nonferrous scrap metal for sale to foreign and domestic metal producers, processors, and brokers, and it procures salvaged vehicles and sells serviceable used auto parts from these vehicles through a network of self-service auto parts stores. Most of these auto parts stores supply the Company’s shredding facilities with auto bodies that are processed into saleable recycled metal products. In addition to the sale of recycled metal products processed at its facilities, the Company provides a variety of recycling and related services. The Company also produces a range of finished steel long products at its electric arc furnace (“EAF”) steel mill using recycled ferrous metal sourced internally from its recycling and joint venture operations and other raw materials.

The accounting standards for reporting information about operating segments define an operating segment as a component of an enterprise that engages in business activities from which it may earn revenues and incur expenses for which discrete financial information is available that is evaluated regularly by the chief operating decision-maker in deciding how to allocate resources and in assessing performance. The Company’s internal organizational and reporting structure reflects a functionally based, integrated model and includes a single operating and reportable segment.

Cash and Cash Equivalents

Cash and cash equivalents include short-term securities that are not restricted by third parties and have an original maturity date of 90 days or less. Included in accounts payable are book overdrafts representing outstanding payments in excess of funds on deposit of $

49
million and $

62
million as of February 29, 2024 and August 31, 2023, respectively.

Accounts Receivable, net

Accounts receivable represent amounts primarily due from customers on product and other sales. These accounts receivable, which are reduced by an allowance for credit losses, are recorded at the invoiced amount and do not bear interest. The Company extends credit to customers under contracts containing customary and explicit payment terms, and payment is generally required within 30 to 60 days of shipment. Nonferrous export sales typically require a deposit prior to shipment. Historically, almost all of the Company's ferrous export sales have been made with letters of credit. Ferrous and nonferrous metal sales to domestic customers and finished steel sales are generally made on open account, and a portion of these sales are covered by credit insurance.

The Company evaluates the collectibility of its accounts receivable based on a combination of factors, including whether sales were made pursuant to letters of credit or required deposits prior to shipment, the aging of customer receivable balances, the financial condition of the Company's customers, historical collection rates, and economic trends. Management uses this evaluation to estimate the amount of customer receivables that may not be collected in the future and records a provision for expected credit losses. Accounts are written off when all efforts to collect have been exhausted.

Also included in accounts receivable are short-term advances to scrap metal suppliers used as a mechanism to acquire unprocessed scrap metal. The advances are generally repaid with scrap metal, as opposed to cash. Repayments of advances with scrap metal are treated as noncash operating activities in the Unaudited Condensed Consolidated Statements of Cash Flows and totaled $

6

million for each of the six months ended February 29, 2024 and February 28, 2023.

Prepaid Expenses

The Company's prepaid expenses, reported within prepaid expenses and other current assets in the Unaudited Condensed Consolidated Balance Sheets, totaled $

13
million and $

27
million as of February 29, 2024 and August 31, 2023, respectively, and consisted primarily of deposits on capital projects and prepaid services, property taxes, and insurance.

Other Assets

The Company's other assets, exclusive of prepaid expenses and assets relating to certain employee benefit plans, consisted primarily of receivables from insurers, advances to a supplier of metals recycling equipment, cash held in a client trust account relating to a legal settlement, short-term certificates of deposit, two equity investments, capitalized implementation costs for cloud computing arrangements, major spare parts and equipment, debt issuance costs, and notes and other contractual receivables. Other assets are reported within either prepaid expenses and other current assets or other assets in the Unaudited Condensed Consolidated Balance Sheets based on their expected use either during or beyond the current operating cycle of one year from the reporting date.

Receivables from insurers represent the portion of insured losses expected to be recovered from the Company's insurers under various insurance policies or from a Qualified Settlement Fund holding settlement amounts deposited by certain insurers of claims against the Company related to the Portland Harbor Superfund site. The receivables are recorded at an amount not to exceed the recorded loss and only if the terms of legally enforceable insurance contracts support that the insurance recovery will not be disputed and is deemed collectible, or if recovery of the loss by the Company from a Qualified Settlement Fund is probable. Receivables from insurers as of each reporting date relate to environmental claims, property loss and damage and other claims in connection with the December 2021 fire at the Company's shredder facility in Everett, Massachusetts, workers' compensation claims, and third-party claims. As of February 29, 2024, receivables from insurers totaled $

19
million, including $

12
million relating to environmental claims. As of August 31, 2023, receivables from insurers totaled $

14
million, including $

10
million relating to environmental claims. See "Accounting for Impacts of Involuntary Events" below in this Note for further discussion of receivables and advance payments from insurers relating to property damage and business interruption claims.

Other assets as of February 29, 2024 and August 31, 2023 also included $

13
million and $

11
million, respectively, representing advances to a supplier of metals recycling equipment.

Other assets as of August 31, 2023 also included approximately $

7
million in connection with cash deposited into a client trust account in fiscal 2021 to fund the remediation of a site, a portion of which was previously leased to and operated by an indirect, wholly-owned subsidiary. The cash was deposited into the client trust account by other potentially liable parties pursuant to a settlement agreement resolving a lawsuit relating to allocation of the remediation costs, including agreement by the Company's subsidiary to perform certain remedial actions. In the second quarter of fiscal 2024, the approximately $

7

million was distributed to the Company from the client trust account for purposes of holding the funds and maximizing returns, each consistent with the terms of the settlement agreement, of which $

6

million was held in short-term certificates of deposit and is reported within prepaid expenses and other current assets as of February

29, 2024. See “Other Legacy Environmental Loss Contingencies” within “Contingencies – Environmental” in Note 5 - Commitments and Contingencies for further discussion of this matter.

The Company invested $

6

million in the equity of a privately-held U.S. waste and recycling entity in fiscal 2017. The investment is accounted for under the guidance for investments in equity securities. During the first half of fiscal 2023, the equity investment was determined to not have a readily determinable fair value and, therefore, was carried at cost and adjusted for impairments and observable price changes. In the first quarter of fiscal 2023, the Company identified an impairment indicator for its investment and, based on its fair value measurement incorporating observable trading prices of the publicly-traded entity and unobservable inputs, recognized a $

4

million impairment in other loss, net on the Unaudited Condensed Consolidated Statement of Operations. During the third quarter of fiscal 2023, the publicly-traded entity allowed for an exchange event, and the Company exchanged its full investment in the subsidiary's equity units for shares of the publicly-traded entity, which have a readily determinable fair value, and which the Company still held as of February 29, 2024. As of February 29, 2024 and August 31, 2023, the fair value of the investment was less than $

1

million and $

1

million, respectively. The investment is reported within prepaid expenses and other current assets in the Unaudited Condensed Consolidated Balance Sheets.

Other assets as of February 29, 2024 and August 31, 2023 included approximately $

7

million and $

5

million, respectively, of capitalized cloud computing arrangement implementation costs. Amortization of capitalized implementation costs is recorded on a straight-line basis over the term of the cloud computing arrangement, which is the non-cancellable period of the agreement, together with periods covered by renewal options which the Company is reasonably certain to exercise. This amortization expense is reported within operating expense, separately from depreciation and amortization expense for property, plant, and equipment and intangible assets as reported on the Unaudited Condensed Consolidated Statements of Cash Flows.

Accounting for Impacts of Involuntary Events

Assets destroyed or damaged as a result of involuntary events are written off or reduced in carrying value to their salvage value. When recovery of all or a portion of the amount of property damage loss or other covered expenses through insurance proceeds is demonstrated to be probable, a receivable is recorded and offsets the loss or expense up to the amount of the total loss or expense. No gain is recorded until all contingencies related to the insurance claim have been resolved.

On May 22, 2021, the Company experienced a fire at its steel mill in McMinnville, Oregon. Direct physical loss or damage to property from the incident was limited to the mill’s melt shop, with no bodily injuries and no physical loss or damage to other buildings or equipment. The Company experienced loss of business income during the shutdown of the steel mill and the subsequent ramp-up phase which was substantially completed in fiscal 2022. The Company filed insurance claims for the physical loss and damage experienced at the mill’s melt shop and business income losses resulting from the matter. In the fourth quarter of fiscal 2023, the Company reached a full and final settlement with its insurers for its claims. All insurance proceeds and recovery gains in connection with the Company’s claims had been received and recognized, respectively, as of August 31, 2023.

On December 8, 2021, the Company experienced a fire at its metals recycling facility in Everett, Massachusetts. Direct physical loss or damage to property from the incident was limited to the facility’s shredder building and equipment, with no bodily injuries and no physical loss or damage to property reported at other buildings or equipment. As a result of the fire, shredding operations ceased, while all non-shredding operations at the facility continued, including torching, shearing, separating, and sorting purchased non-shreddable recycled ferrous metals. On January 28, 2022, shredding operations at the facility began ramping up following the replacement and repairs to shredder equipment that had been damaged. In addition, shredding operations temporarily ceased at the facility on June 18, 2022 and, following discussions with the Massachusetts Department of Environmental Protection and the Massachusetts Attorney General’s office, the Company installed a temporary emission capture system and controls that allowed for the resumption of shredding operations on November 11, 2022 and for continued operation during the repair and replacement of the shredder enclosure building. Non-shredding operations at the facility continued during this period. The repair and replacement of most property that experienced physical loss or damage, primarily buildings and improvements, was substantially completed by the end of fiscal 2023. The Company filed insurance claims for the property that experienced physical loss or damage and anticipated business income losses resulting from the matter. As of August 31, 2023, the Company had recognized, in aggregate, $

34

million in insurance recovery gains and had received, in aggregate, advance payments from insurers totaling approximately $

33

million towards its claims. During the first half of fiscal 2024, the Company recognized an additional $

6

million insurance receivable and related insurance recovery gain, reported within cost of goods sold on the Unaudited Condensed Consolidated Statements of Operations, $

2

million of which was recognized in the second quarter of fiscal 2024. As of February 29, 2024, the Company had recognized, in aggregate, $

40

million in insurance recovery gains and had received, in aggregate, advance payments from insurers totaling approximately $

37
million towards its claims, and not reflecting any final or full settlement of claims with the insurers. As of February 29, 2024 and August 31, 2023, the Company had receivables

from its insurers of $

3
million and $

1
million, respectively, reported within prepaid expenses and other current assets on the Unaudited Condensed Consolidated Balance Sheets.

Business Acquisitions

The Company recognizes the assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree at the acquisition date, measured at their fair values as of that date. Contingent purchase consideration is recorded at fair value at the date of acquisition. Any excess purchase price over the fair value of the net assets acquired is recorded as goodwill. Within one year from the date of acquisition, the Company may update the value allocated to the assets acquired and liabilities assumed and the resulting goodwill balance as a result of information received regarding the valuation of such assets and liabilities that was not available at the time of purchase. Measuring assets and liabilities at fair value requires the Company to determine the price that would be paid by a third-party market participant based on the highest and best use of the assets or interests acquired. Acquisition costs are expensed as incurred. See Note 3 - Business Acquisitions for further detail.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to significant concentration of credit risk consist primarily of cash and cash equivalents, accounts receivable, and derivative financial instruments. The majority of cash and cash equivalents is maintained with major financial institutions. Balances with these and certain other institutions exceeded the Federal Deposit Insurance Corporation insured amount of $

250
thousand as of February 29, 2024. Concentration of credit risk with respect to accounts receivable is limited because a large number of geographically diverse customers make up the Company's customer base. The Company controls credit risk through credit approvals, credit limits, credit insurance, letters of credit or other collateral, cash deposits, and monitoring procedures. The Company is exposed to a residual credit risk with respect to open letters of credit by virtue of the possibility of the failure of a bank providing a letter of credit. The counterparties to the Company's derivative financial instruments are major financial institutions.

Recent Accounting Pronouncements

In November 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2023-07 ("ASU 2023-07"), Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures, amending reportable segment disclosure requirements to include disclosure of incremental segment information on an annual and interim basis. Among the disclosure enhancements are new disclosures regarding significant segment expenses that are regularly provided to the chief operating decision-maker and included within each reported measure of segment profit or loss, as well as other segment items bridging segment revenue to each reported measure of segment profit or loss. The amendments in ASU 2023-07 are effective for the Company's fiscal 2025, and interim periods within the Company's fiscal 2026, and are applied retrospectively. Early adoption is permitted. As the amendments apply to reportable segment disclosures only, the Company does not expect adoption to have a material impact on its consolidated financial statements.

In December 2023, the FASB issued Accounting Standards Update 2023-09 ("ASU 2023-09"), Income Taxes (Topic 740): Improvement to Income Tax Disclosures, amending income tax disclosure requirements for the effective tax rate reconciliation and income taxes paid. The amendments in ASU 2023-09 are effective beginning in the Company's fiscal 2026 and are applied prospectively. Early adoption and retrospective application of the amendments are permitted. As the amendments apply to income tax disclosures only, the Company does not expect adoption to have a material impact on its consolidated financial statements.

Note 2 - Inventories

Inventories consisted of the following (in thousands):

	February 29, 2024	August 31, 2023
Processed and unprocessed scrap metal	$ 156,300	$ 143,986
Semi-finished goods	18,146	9,959
Finished goods	73,441	60,348
Supplies	66,534	64,349
Inventories	$ 314,421	$ 278,642

Note 3 - Business Acquisitions

Fiscal 2023 Business Acquisition

On November 18, 2022, the Company used cash on hand and borrowings under its existing credit facilities to acquire the operating assets of ScrapSource, a recycling services company that provides solutions for industrial companies that generate scrap metal from their manufacturing process. The acquired business expands the Company's national recycling services operations, giving rise to expected benefits supporting the amount of acquired goodwill. The total purchase consideration of approximately $25 million was allocated to the assets acquired and liabilities assumed based on their respective estimated fair values on the date of the acquisition. The $13 million excess of the total purchase consideration over the fair value of the identifiable net assets acquired was recorded as goodwill. The results of operations for the acquired ScrapSource business beginning as of the November 18, 2022 acquisition date are included in the accompanying financial statements. For the three and six months ended February 28, 2023, the revenues and net income contributed by the acquired ScrapSource business and reported in the Unaudited Condensed Consolidated Statements of Operations were not material to the financial statements taken as a whole. For the six months ended February 28, 2023, the unaudited pro forma amounts of revenues and net income of the acquired ScrapSource business were not material to the financial statements taken as a whole; therefore, unaudited pro forma amounts for the Company are not provided.

Note 4 - Goodwill

The Company evaluates goodwill for impairment annually on July 1 and upon the occurrence of certain triggering events or substantive changes in circumstances that indicate that the fair value of goodwill may be impaired. There were no triggering events identified during the first half of fiscal 2024 requiring an interim goodwill impairment test, and the Company did not record a goodwill impairment charge in any of the periods presented.

Impairment of goodwill is tested at the reporting unit level. A reporting unit is an operating segment or one level below an operating segment (referred to as a "component"). A component of an operating segment is required to be identified as a reporting unit if the component is a business for which discrete financial information is available and segment management regularly reviews its operating results. The Company most recently performed the quantitative impairment test for goodwill carried by three of its reporting units, consisting of two regional metals recycling operations and its network of auto parts stores, as of July 1, 2023. For one of the metals recycling reporting units and the autos reporting unit subject to the quantitative impairment test, the estimated fair value of the reporting unit exceeded its carrying amount by approximately 24% and 33%, respectively, as of July 1, 2023. For the other metals recycling reporting unit, the estimated fair value of the reporting unit was less than its carrying amount, resulting in a partial impairment of goodwill of $39 million.

The determination of fair value of the reporting units used to perform the impairment test requires judgment and involves significant estimates and assumptions about the expected future cash flows and the impact of market conditions on those assumptions. Future events and changing market conditions may impact management's assumptions used to estimate the reporting units' fair value. Although the Company believes the assumptions used in the July 1, 2023 test of its reporting units' goodwill for impairment are reasonable, a lack of recovery or further deterioration in market conditions for recycled metals from current levels, a sustained trend of weaker than anticipated financial performance for the reporting units with allocated goodwill, including the pace and extent of operating margin and volume recovery, a lack of recovery or further decline in the Company's share price from current levels for a sustained period, or an increase in the market-based weighted average cost of capital, among other factors, could significantly impact the Company's impairment analysis and may result in future goodwill impairment charges that, if incurred, could have a material adverse effect on its financial condition and results of operations.

The gross change in the carrying amount of goodwill for the six months ended February 29, 2024 was as follows (in thousands):

	Goodwill
August 31, 2023	$ 229,419
Foreign currency translation adjustment	(100)
February 29, 2024	$ 229,319

Note 5 - Commitments and Contingencies

Contingencies - Environmental

The Company evaluates the adequacy of its environmental liabilities on a quarterly basis. Adjustments to the liabilities are made when additional information becomes available that affects the estimated costs to study or remediate any environmental issues or expenditures are made for which liabilities were established.

Changes in the Company's environmental liabilities for the six months ended February 29, 2024 were as follows (in thousands):

Balance as of September 1, 2023	Liabilities Established (Released), Net	Payments and Other	Balance as of February 29, 2024	Short-Term	Long-Term
$ 66,777	$ 2,227	$ (3,314)	$ 65,690	$ 13,656	$ 52,034

As of February 29, 2024 and August 31, 2023, the Company had environmental liabilities of $66 million and $67 million, respectively, for the potential remediation of locations where it has conducted business or has environmental liabilities from historical or recent activities. These liabilities relate to the investigation and potential remediation of waterways and soil and groundwater contamination and may also involve natural resource damages, governmental fines and penalties, and claims by third parties for personal injury and property damage. Except for Portland Harbor and certain liabilities discussed under "Other Legacy Environmental Loss Contingencies" below, such liabilities were not individually material at any site.

Portland Harbor

In December 2000, the Company was notified by the United States Environmental Protection Agency ("EPA") under the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") that it is one of the potentially responsible parties ("PRPs") that own or operate or formerly owned or operated sites which are part of or adjacent to the Portland Harbor Superfund site ("Portland Harbor").

The precise nature and extent of cleanup of any specific areas within Portland Harbor, the parties to be involved, the timing of any specific remedial action and the allocation of the costs for any cleanup among responsible parties have not yet been determined. The process of site investigation, remedy selection, identification of additional PRPs, and allocation of costs has been underway for a number of years, but significant uncertainties remain. It is unclear to what extent the Company will be liable for environmental costs or third-party contribution or damage claims with respect to Portland Harbor.

From 2000 to 2017, the EPA oversaw a remedial investigation/feasibility study ("RI/FS") at Portland Harbor. The Company was not among the parties that performed the RI/FS, but it contributed to the costs through an interim settlement with the performing parties. The performing parties have indicated that they incurred more than $155 million in that effort.

In January 2017, the EPA issued a Record of Decision ("ROD") that identified the selected remedy for Portland Harbor. The EPA has estimated the total cost of the selected remedy at $1.7 billion with a net present value cost of $1.05 billion (at a 7% discount rate) and an estimated construction period of 13 years following completion of the remedial designs. In the ROD, the EPA stated that the cost estimate is an order-of-magnitude engineering estimate that is expected to be within +50% to -30% of the actual project cost and that changes in the cost elements are likely to occur as a result of new information and data collected during the engineering design. Accordingly, the final cost may differ materially from that set forth in the ROD. The Company has identified a number of concerns regarding the remedy described in the ROD, which is based on data that is more than 15 years old, and the EPA's estimates for the costs and time required to implement the selected remedy. Moreover, the ROD provided only Portland Harbor site-wide cost estimates and did not provide sufficient detail to estimate costs for specific sediment management areas within Portland Harbor. In addition, the ROD did not determine or allocate the responsibility for remediation costs among the PRPs.

In the ROD, the EPA acknowledged that much of the data was more than a decade old at that time and would need to be updated with a new round of "baseline" sampling to be conducted prior to the remedial design phase. The remedial design phase is an engineering phase during which additional technical information and data are collected, identified, and incorporated into technical drawings and specifications developed for the subsequent remedial action. Following issuance of the ROD, the EPA proposed that the PRPs, or a subgroup of PRPs, perform the additional investigative work in advance of remedial design.

In December 2017, the Company and three other PRPs entered into an Administrative Settlement Agreement and Order on Consent with the EPA to perform such pre-remedial design investigation and baseline sampling over a two-year period. The report analyzing the results concluded that Portland Harbor conditions have improved substantially since the data forming the basis of the ROD was collected. The EPA found with a few limited corrections that the new baseline data is of suitable quality and stated that such data will be used, in addition to existing and forthcoming design-level data, to inform implementation of the ROD. However, the EPA did not agree that the data or the analysis warranted a change to the remedy at this time and reaffirmed its commitment to proceed with remedial design. The Company and other PRPs disagree with the EPA's position on use of the more recent data and will continue to pursue limited, but critical, changes to the selected remedy for Portland Harbor during the remedial design phase.

The EPA encouraged PRPs to step forward (individually or in groups) to enter into consent agreements to perform remedial design in various project areas covering Portland Harbor. While certain PRPs executed consent agreements for remedial design work, because of the EPA's refusal to date to modify the remedy to reflect the most current data on Portland Harbor conditions and because of concerns with the terms of the consent agreement, the Company elected not to enter into a consent agreement. In April 2020, the EPA issued a unilateral administrative order ("UAO") to the Company and MMGL, LLC ("MMGL"), an unaffiliated company, for the remedial design work in a portion of Portland Harbor designated as the River Mile 3.5 East Project Area. As required by the UAO, the Company notified the EPA of its intent to comply while reserving all of its sufficient cause defenses. Failure to comply with a UAO, without sufficient cause, could subject the Company to significant penalties or treble damages. Pursuant to the optimized remedial design timeline set forth in the UAO, the EPA's expected schedule for completion of the remedial design work was four years . At the time it issued the UAO in April 2020, the EPA estimated the cost of the work at approximately $ 4 million. The Company has agreed with the other respondent to the UAO, MMGL, that the Company will lead the performance and be responsible for a portion of the costs of the work for remedial design under the UAO and also entered into an agreement with another PRP pursuant to which such other PRP has agreed to fund a portion of the costs of such work. These agreements are not an allocation of liability or claims associated with Portland Harbor as between the respondents or with respect to any third party. As of February 29, 2024 and August 31, 2023, the Company had $ 2 million and $ 1 million in environmental reserves related to this matter, respectively. The Company has insurance policies and Qualified Settlement Funds ("QSFs") pursuant to which the Company is being reimbursed for the costs it has incurred for remedial design. See further discussion of the QSFs below in this Note. As of both February 29, 2024 and August 31, 2023, the Company had insurance and other receivables in the same amount as the environmental reserves for such remedial design work under the UAO. See "Other Assets" in Note 1 - Summary of Significant Accounting Policies for further discussion of insurance and other related receivables. The Company also expects to pursue in the future allocation or contribution from other PRPs for a portion of such remedial design costs. In February 2021, the EPA announced that 100 percent of Portland Harbor's areas requiring active cleanup are in the remedial design phase of the process.

Except for certain early action projects in which the Company is not involved, remediation activities at Portland Harbor are not expected to commence for a number of years. Moreover, those activities are expected to be sequenced, and the order and timing of such sequencing has not been determined. In addition, as noted above, the ROD does not determine the allocation of costs among PRPs.

The Company has joined with approximately 100 other PRPs, including the RI/FS performing parties, in a voluntary process to establish an allocation of costs at Portland Harbor, including the costs incurred in the RI/FS, ongoing remedial design costs, and future remedial action costs. The Company expects the next major stage of the allocation process to proceed in parallel with the remedial design process.

In addition to the remedial action process overseen by the EPA, the Portland Harbor Natural Resource Trustee Council ("Trustee Council") is assessing natural resource damages at Portland Harbor. In 2008, the Trustee Council invited the Company and other PRPs to participate in funding and implementing the Natural Resource Injury Assessment for Portland Harbor. The Company and other participating PRPs ultimately agreed to fund the first two phases of the three-phase assessment, which included the development of the Natural Resource Damage Assessment Plan ("AP") and implementation of the AP to develop information sufficient to facilitate early settlements between the Trustee Council and Phase 2 participants and the identification of restoration projects to be funded by the settlements. In late May 2018, the Trustee Council published notice of its intent to proceed with Phase 3, which will involve the full implementation of the AP and the final injury and damage determination. The Company is proceeding with the process established by the Trustee Council regarding early settlements under Phase 2. The Company has established an environmental reserve of approximately $ 2.3 million for this alleged natural resource damages liability as it continues to work with the Trustee Council to finalize an early settlement. As of each of February 29, 2024 and August 31, 2023, the Company had a receivable in the same amount as the environmental reserve. See "Other Assets" in Note 1 - Summary of Significant Accounting Policies for further discussion of insurance and other related receivables.

On January 30, 2017, one of the Trustees, the Confederated Tribes and Bands of the Yakama Nation, which withdrew from the council in 2009, filed a suit against approximately 30 parties, including the Company, seeking reimbursement of certain past and future response costs in connection with remedial action at Portland Harbor and recovery of assessment costs related to natural resources damages from releases at and from Portland Harbor to the Multnomah Channel and the Lower Columbia River. The parties filed various motions to dismiss or stay this suit, and in August 2019, the court issued an order denying the motions to dismiss and staying the action. The Company intends to defend against the claims in this suit and does not have sufficient information to determine the likelihood of a loss in this matter or to estimate the amount of damages being sought or the amount of such damages that could be allocated to the Company.

The Company's environmental liabilities as of February 29, 2024 and August 31, 2023 included $

6
million and $

5
million, respectively, relating to the Portland Harbor matters described above.

Because the final remedial actions have not yet been designed and there has not been a determination of the allocation among the PRPs of costs of the investigations or remedial action costs, the Company believes it is not possible to reasonably estimate the amount or range of costs which it is likely to or which it is reasonably possible that it will incur in connection with Portland Harbor, although such costs could be material to the Company's financial position, results of operations, cash flows, and liquidity. Among the facts being evaluated are detailed information on the history of ownership of and the nature of the uses of and activities and operations performed on each property within Portland Harbor, which are factors that will play a substantial role in determining the allocation of investigation and remedy costs among the PRPs.

The Company has insurance policies that it believes will provide reimbursement for costs it incurs for defense, remediation, and mitigation for or settlement of natural resource damages claims in connection with Portland Harbor although there are no assurances that those policies will cover all the costs which the Company may incur. Most of these policies jointly insure the Company and MMGL, as the successor to a former subsidiary of the Company. The Company and MMGL have negotiated the settlement with certain insurers of claims against them related to Portland Harbor, continue to seek settlements with other insurers, and formed two QSFs which became operative in fiscal 2020 and the second quarter of fiscal 2023, respectively, to hold such settlement amounts until funds are needed to pay or reimburse costs incurred by the Company and MMGL in connection with Portland Harbor. These insurance policies and the funds in the QSFs may not cover all of the costs which the Company may incur. Each QSF is an unconsolidated variable interest entity ("VIE") with no primary beneficiary. Two managers unrelated to each other, one appointed by the Company and one appointed by MMGL, share equally the power to direct the activities of each VIE that most significantly impact its economic performance. The Company's appointee to co-manage each VIE is an executive officer of the Company. Neither MMGL nor its appointee to co-manage each VIE is a related party of the Company for the purpose of the primary beneficiary assessment or otherwise.

The Oregon Department of Environmental Quality is separately providing oversight of investigations and source control activities by the Company at various sites adjacent to Portland Harbor that are focused on controlling any current "uplands" releases of contaminants into the Willamette River. The Company has accrued liabilities for source control and related work at two sites, reflecting estimated costs of primarily investigation and design, which costs have not been material in the aggregate to date. No liabilities have been established in connection with investigations for any other sites because the extent of contamination, required source control work, and the Company's responsibility for the contamination and source control work, in each case if any, have not yet been determined. The Company believes that, pursuant to its insurance policies and agreements with other third parties, it will be reimbursed for the costs it incurs for required source control evaluation and remediation work; however, the Company's insurance policies and agreements with other third parties may not cover all the costs which the Company incurs. As of both February 29, 2024 and August 31, 2023, the Company had an insurance receivable in the same amount as the environmental reserve for such source control work.

Other Legacy Environmental Loss Contingencies

The Company's environmental loss contingencies as of February 29, 2024 and August 31, 2023, other than Portland Harbor, include actual or possible investigation and remediation costs from historical contamination at sites currently or formerly owned or formerly operated by the Company or at other sites where the Company may have responsibility for such costs due to past disposal or other activities ("legacy environmental loss contingencies"). These legacy environmental loss contingencies relate to the potential remediation of waterways and soil and groundwater contamination and may also involve natural resource damages, governmental fines and penalties, and claims by third parties for personal injury and property damage. The Company has been notified that it is or may be a potentially responsible party at certain of these sites, and investigation and remediation activities are ongoing or may be required in the future. The Company recognizes a liability for such matters when the loss is probable and can be reasonably estimated. When investigation, allocation, and remediation activities are ongoing or where the Company has not yet been identified as having responsibility or the contamination has not yet been identified, it is reasonably possible that the Company may need to recognize additional liabilities in connection with such sites but the Company cannot currently reasonably estimate the possible loss or range of loss absent additional information or developments. Such additional liabilities, individually or in the aggregate, may have a material adverse effect on the Company's results of operations, financial condition, or cash flows.

In fiscal 2018, the Company accrued $ 4 million for the estimated costs related to remediation of shredder residue disposed of in or around the 1970s at third-party sites located near each other. Investigation activities have been conducted under oversight of the applicable state regulatory agency. As of each of February 29, 2024 and August 31, 2023, the Company had $ 4 million accrued for this matter. It is reasonably possible that the Company may recognize additional liabilities in connection with this matter at the time such losses are probable and can be reasonably estimated. The Company previously estimated a range of reasonably possible losses related to this matter in excess of current accruals at between zero and $ 28 million based on a range of remedial alternatives and subject to development and approval by regulators of specific remedy implementation plans. However, subsequent to the development of those remedial alternatives, the Company performed additional investigative activities under new state requirements that are likely to impact the required remedial actions and associated cost estimates, but the scope of such impacts and the amount or the range of the additional associated costs are not reasonably estimable at this time and are subject to further investigation, analysis, and discussion by the Company and regulators. The Company is investigating whether a portion or all of the current and future losses related to this matter, if incurred, are covered by existing insurance coverage or may be offset by contributions from other responsible parties.

In addition, the Company's loss contingencies as of February 29, 2024 and August 31, 2023 included $ 3 million and $ 5 million, respectively, for the estimated costs related to environmental matters in connection with a closed facility owned and previously operated by an indirect, wholly-owned subsidiary, including monitoring and remediation of soil and groundwater conditions and funding for wellhead treatment facilities. In the first quarter of fiscal 2023, the Company accrued an incremental $ 1 million for certain soil remediation activities based on additional information related to estimated costs to complete. Investigation and remediation activities have been conducted under the oversight of the applicable state regulatory agency and are on-going, and the Company's subsidiary has also been working with state and local officials with respect to the protection of public and private water supplies. As part of its activities relating to the protection of public water supplies, the Company's subsidiary agreed to reimburse the municipality for certain studies and plans and to provide funding for the construction and operation by the municipality of wellhead treatment facilities. It is reasonably possible that the Company may recognize additional liabilities in connection with this matter at the time such additional losses are probable and can be reasonably estimated. However, the Company cannot reasonably estimate at this time the possible additional loss or range of possible additional losses associated with this matter pending the on-going implementation of the approved remediation plans for soil and groundwater conditions and completion and operation of the wellhead treatment facilities.

In addition, the Company's loss contingencies as of each of February 29, 2024 and August 31, 2023 included $ 10 million for the estimated costs related to remediation of a site a portion of which was previously leased to and operated by an indirect, wholly-owned subsidiary. In connection with settlement of a lawsuit relating to allocation of the remediation costs, the Company's subsidiary agreed to perform the remedial action related to metals contamination on the site initially estimated to cost approximately $ 7.9 million, and another potentially liable party agreed to perform the remedial action related to creosote contamination at the site. As part of the settlement, other potentially liable parties agreed to make payments totaling approximately $ 7.6 million to fund the remediation of the metals contamination at the site in exchange for a release and indemnity. This amount was fully funded in fiscal 2021. In the fourth quarter of fiscal 2023, the Company increased its estimate of the cost to perform the remedial action by approximately $ 3 million. It is reasonably possible that the Company may recognize additional liabilities in connection with this matter at the time such additional losses are probable and can be reasonably estimated. The Company estimates the reasonably possible additional losses associated with this matter to range from zero to $ 10 million as of February 29, 2024, pending completion, approval, and implementation of the remediation action plan.

Summary - Environmental Contingencies

With respect to environmental contingencies other than the Portland Harbor Superfund site and the Other Legacy Environmental Loss Contingencies, which are discussed separately above, management currently believes that adequate provision has been made for the potential impact of its environmental contingencies. Historically, the amounts the Company has ultimately paid for such remediation activities have not been material in any given period, but there can be no assurance that such amounts paid will not be material in the future.

Contingencies – Other

In addition to legal proceedings relating to the contingencies described above, the Company is a party to various legal proceedings arising in the normal course of business. The Company recognizes a liability for such matters when the loss is probable and can be reasonably estimated. The Company does not anticipate that the liabilities arising from such legal proceedings in the normal course of business, after taking into consideration expected insurance recoveries, will have a material adverse effect on its results of operations, financial condition, or cash flows.

Note 6 - Accumulated Other Comprehensive Loss

Changes in accumulated other comprehensive loss, net of tax, comprise the following (in thousands):

	Three Months Ended February 29, 2024				Three Months Ended February 28, 2023		
	Foreign Currency Translation Adjustments	Cash Flow Hedges, Net	Pension Obligations, Net	Total	Foreign Currency Translation Adjustments	Pension Obligations, Net	Total
Balances - December 1 (Beginning of period)	$ (37,839)	$ (411)	$ (1,852)	$ (40,102)	$ (36,925)	$ (2,377)	$ (39,302)
Other comprehensive (loss) income before reclassifications	(83)	711	—	628	(1,361)	—	(1,361)
Income tax expense	—	(160)	—	(160)	—	—	—
Other comprehensive (loss) income before reclassifications, net of tax	(83)	551	—	468	(1,361)	—	(1,361)
Amounts reclassified from accumulated other comprehensive loss	—	(343)	279	(64)	—	75	75
Income tax expense (benefit)	—	77	(63)	14	—	(17)	(17)
Amounts reclassified from accumulated other comprehensive loss, net of tax	—	(266)	216	(50)	—	58	58
Net periodic other comprehensive (loss) income	(83)	285	216	418	(1,361)	58	(1,303)
Balances - February 29 and 28, respectively (End of period)	$ (37,922)	$ (126)	$ (1,636)	$ (39,684)	$ (38,286)	$ (2,319)	$ (40,605)

	Six Months Ended February 29, 2024				Six Months Ended February 28, 2023		
	Foreign Currency Translation Adjustments	Cash Flow Hedges, Net	Pension Obligations, Net	Total	Foreign Currency Translation Adjustments	Pension Obligations, Net	Total
Balances - September 1 (Beginning of period)	$ (37,340)	$ (304)	$ (2,039)	$ (39,683)	$ (34,679)	$ (2,410)	$ (37,089)
Other comprehensive (loss) income before reclassifications	(582)	908	178	504	(3,607)	(34)	(3,641)
Income tax (expense) benefit	—	(204)	(40)	(244)	—	8	8
Other comprehensive (loss) income before reclassifications, net of tax	(582)	704	138	260	(3,607)	(26)	(3,633)

Amounts reclassified from accumulated other comprehensive loss	—	(679)	342	(337)	—	151	151
Income tax expense (benefit)	—	153	(77)	76	—	(34)	(34)
Amounts reclassified from accumulated other comprehensive loss, net of tax	—	(526)	265	(261)	—	117	117
Net periodic other comprehensive (loss) income	(582)	178	403	(1)	(3,607)	91	(3,516)
Balances - February 29 and 28, respectively (End of period)	$ (37,922)	$ (126)	$ (1,636)	$ (39,684)	$ (38,286)	$ (2,319)	$ (40,605)

Reclassifications from accumulated other comprehensive loss to earnings, both individually and in the aggregate, were not material to the impacted captions in the Unaudited Condensed Consolidated Statements of Operations in all periods presented.

Note 7 - Revenue

Disaggregation of Revenues

The table below illustrates the Company's revenues disaggregated by major product and sales destination (in thousands):

	Three Months Ended		Six Months Ended	
	February 29, 2024	February 28, 2023	February 29, 2024	February 28, 2023
Major product information:				
Ferrous revenues	$ 316,097	$ 434,122	$ 664,994	$ 695,851
Nonferrous revenues	164,481	179,655	333,775	357,330
Steel revenues(1)	100,721	107,825	214,252	232,340
Retail and other revenues	39,760	34,351	80,935	69,162
Total revenues	$ 621,059	$ 755,953	$ 1,293,956	$ 1,354,683
Revenues based on sales destination:				
Foreign	$ 328,259	$ 436,219	$ 686,280	$ 708,903
Domestic	292,800	319,734	607,676	645,780
Total revenues	$ 621,059	$ 755,953	$ 1,293,956	$ 1,354,683

(1) Steel revenues include predominantly sales of finished steel products, in addition to sales of semi-finished goods (billets) and steel manufacturing scrap.

Receivables from Contracts with Customers

The revenue accounting standard defines a receivable as an entity's right to consideration that is unconditional, meaning that only the passage of time is required before payment is due. As of February 29, 2024 and August 31, 2023, receivables from contracts with customers, net of an allowance for credit losses, totaled $ 217 million and $ 208 million, respectively, representing 99 % of total accounts receivable reported in the Unaudited Condensed Consolidated Balance Sheets at each reporting date.

Contract Liabilities

Contract consideration received from a customer prior to revenue recognition is recorded as a contract liability and is recognized as revenue when the Company satisfies the related performance obligation under the terms of the contract. The Company's contract liabilities, which consist almost entirely of customer deposits for recycled metal and finished steel sales contracts, are reported within accounts payable in the Unaudited Condensed Consolidated Balance Sheets and totaled $ 9 million and $ 7 million as of February 29, 2024 and August 31, 2023, respectively. Unsatisfied performance obligations reflected in these contract liabilities relate to contracts with original expected durations of one year or less and, therefore, are not disclosed. The substantial majority of outstanding contract liabilities are reclassified to revenues within three months of the reporting date as a result of satisfying performance obligations.

Note 8 - Share-Based Compensation

In the first quarter of fiscal 2024, as part of the annual awards under the Company's Long-Term Incentive Plan, the Compensation Committee of the Company's Board of Directors granted

290,461
restricted stock units ("RSUs") and

293,239
performance share awards to the Company's key employees and officers under the Company's 1993 Amended and Restated Stock Incentive Plan (the "1993 Plan").

The RSUs have a five-year term and vest

20
% per year commencing October 31, 2024. The aggregate fair value of all the RSUs granted was based on the market closing price of the underlying Class A common stock on the grant date and totaled $

7
million. The compensation expense associated with the RSUs is recognized over the requisite service period of the awards, net of forfeitures, which for participants who were retirement eligible as of the grant date or who will become retirement eligible during the five-year term of the awards is the longer of two years or the period ending on the date retirement eligibility is achieved.

The performance share awards granted in the first quarter of 2024 comprise two separate and distinct awards with different vesting conditions. Awards vest if the threshold level under the specified metric is met at the end of the approximately three-year performance period. The performance metrics are (1) the Company's total shareholder return ("TSR") based on the Company's average TSR percentile rank relative to a designated peer group and (2) the Company's recycled metal volume growth. Award share payouts depend on the extent to which the performance goals have been achieved. The number of shares that a participant receives is equal to the number of performance shares granted multiplied by a payout factor, which ranges from a threshold of 50% to a maximum of 200%. The TSR award stipulates certain limitations to the payout in the event the payout reaches a defined ceiling level or the Company's TSR is negative.

During the first quarter of fiscal 2024, the Company granted 148,032 performance share awards based on its relative TSR metric over an approximately three-year performance period ending August 31, 2026. The Company estimated the fair value of TSR awards granted in the first quarter of fiscal 2024 using a Monte-Carlo simulation model utilizing several key assumptions, including the following:

	Percentage
Expected share price volatility (Radius)	47.9 %
Expected share price volatility (Peer group)	46.6 %
Expected correlation to peer group companies	46.6 %
Risk-free rate of return	4.82 %

The estimated aggregate fair value of the TSR-based performance share awards at the date of grant was $3 million. The compensation expense for these awards based on the grant-date fair value, net of estimated forfeitures, is recognized over the requisite service period (or to the date a qualifying employment termination event entitles the recipient to a prorated award, if before the end of the service period), regardless of whether the market condition has been or will be satisfied.

During the first quarter of fiscal 2024, the Company granted 145,207 performance share awards based on its recycled metal volume growth for the three-year performance period consisting of the Company's 2024, 2025 and 2026 fiscal years. The fair value of the awards granted was based on the market closing price of the underlying Class A common stock on the grant date and totaled $3 million.

The Company accrues compensation cost for the performance share awards related to recycled metal volume growth based on the probable outcome of achieving specified performance conditions, net of estimated forfeitures, over the requisite service period (or to the date a qualifying employment termination event entitles the recipient to a prorated award, if before the end of the service period). The Company reassesses whether achievement of the performance conditions is probable at each reporting date. If it is probable that the actual performance results will exceed the stated target performance conditions, the Company accrues additional compensation cost for the additional performance shares to be awarded. If, upon reassessment, it is no longer probable that the actual performance results will exceed the stated target performance conditions, or it is no longer probable that the target performance conditions will be achieved, the Company reverses any recognized compensation cost for shares no longer probable of being issued. If the performance conditions are not achieved at the end of the performance period, all related compensation cost previously recognized is reversed.

Performance share awards will be paid in Class A common stock as soon as practicable after the end of the requisite service period and vesting date of October 31, 2026.

On January 30, 2024, the Company's shareholders approved the Radius Recycling, Inc. 2024 Omnibus Incentive Plan (the "2024 Omnibus Incentive Plan"). The 2024 Omnibus Incentive Plan authorizes the Compensation Committee of the Board of Directors of the Company to grant to directors, officers, employees, consultants, and advisors of the Company incentive compensation, including share-based compensation. The 2024 Omnibus Incentive Plan provides for 3.0 million shares of the Company's common stock to be available for issuance and replaces and supersedes the remaining shares available for grant under the 1993 Plan.

In the second quarter of fiscal 2024, the Company granted deferred stock units ("DSUs") to each of its non-employee directors under the Company's 2024 Omnibus Incentive Plan. Each DSU gives the director the right to receive one share of Class A common stock at a future date. The grant included an aggregate of 26,400 shares that will vest in full on the day before the Company’s 2025 annual meeting of shareholders, subject to continued Board service. The total fair value of these awards at the grant date was $1 million.

Note 9 - Derivative Financial Instruments

Interest Rate Swaps

The Company is exposed to interest rate risk on its debt and may enter interest rate swap contracts to effectively manage the impact of interest rate changes on its outstanding debt, which has predominantly floating interest rates. The Company does not enter interest rate swap transactions for trading or speculative purposes.

In the fourth quarter of fiscal 2023, the Company entered three pay-fixed interest rate swap transactions, each with a different major financial institution counterparty and designated as a cash flow hedge, to hedge the variability in interest cash flows associated with the Company's variable-rate loans under its bank revolving credit facilities. The interest rate swaps involve the receipt of variable-rate amounts from the counterparty in exchange for the Company making fixed-rate payments over the life of the agreement without exchange of the underlying notional amount. These contracts mature in August 2026. As of both February 29, 2024 and August 31, 2023, the total notional amount of these interest rate swaps was $

150

million. The fair values of the interest rate swaps are based upon inputs corroborated by observable market data which is considered Level 2 of the fair value hierarchy.

The fair value of derivative instruments in the Unaudited Condensed Consolidated Balance Sheet as of February 29, 2024 and August 31, 2023 is as follows (in thousands):

		Asset (Liability) Derivatives	
	Balance Sheet Location	**February 29, 2024**	**August 31, 2023**
Interest rate swap contracts	Prepaid expenses and other current assets	$ 853	$ 1,163
Interest rate swap contracts	Other long-term liabilities	(1,015)	(1,555)

See Note 6 - Accumulated Other Comprehensive Loss for tabular presentation of the effects of interest rate swap derivative cash flow hedges on other comprehensive income. All related cash flow hedge amounts reclassified from accumulated other comprehensive income ("AOCI") were recorded in interest expense on the Unaudited Condensed Consolidated Statement of Operations for the three and six months ended February 29, 2024, which reclassified amounts totaled less than $

1
million and $

1
million, respectively. Total interest expense was $

6
million and $

11
million, respectively, for the three and six months ended February 29, 2024. There was no hedge ineffectiveness with respect to the Company's interest rate swap cash flow hedges for the three and six months ended February 29, 2024.

Note 10 - Income Taxes

Effective Tax Rate

The Company's effective tax rate from continuing operations for the second quarter and first six months of fiscal 2024 was an expense on pre-tax loss of

3.6
% and a benefit on pre-tax loss of

14.8
%, respectively, compared to a benefit on pre-tax income of

14.5
% and a benefit on pre-tax loss of

32.8
%, respectively, for the comparable prior year periods. The Company's effective tax rate from continuing operations for the second quarter of fiscal 2024 was significantly different than the U.S. federal statutory rate of

21
% primarily due to the aggregate effect of the Company's financial performance, permanent differences from non-deductible expenses, and unrecognized tax benefits on intra-period allocation of the estimated annual tax provision, as well as the recognition of a valuation allowance against deferred tax assets in the Company's Puerto Rico tax jurisdiction. The Company recognized this valuation allowance as a result of negative evidence, including recent losses in the tax jurisdiction, outweighing the more subjective positive evidence, indicating that it is more likely than not that the associated tax benefits will not be realized. For the second quarter of fiscal 2023, the Company's effective tax rate from continuing operations was significantly different than the U.S. federal statutory rate of

21

% primarily due to the Company's financial performance and the effect of discrete items.

Valuation Allowances

The Company assesses the realizability of its deferred tax assets on a quarterly basis through an analysis of potential sources of future taxable income, including prior year taxable income available to absorb a carryback of tax losses, reversals of existing taxable temporary differences, tax planning strategies, and forecasts of taxable income. The Company considers all negative and positive evidence, including the weight of the evidence, to determine if valuation allowances against deferred tax assets are required. The Company continues to maintain valuation allowances against certain state and Canadian deferred tax assets, and it recognized a $ 2 million valuation allowance against its deferred tax assets in Puerto Rico in the second quarter of fiscal 2024. Canadian deferred tax assets against which the Company continues to maintain a valuation allowance relate to goodwill treated as indefinite-lived for Canadian tax purposes.

The Company files federal and state income tax returns in the U.S. and foreign tax returns in Puerto Rico and Canada. For U.S. federal income tax returns, fiscal years 2014 to 2023 remain subject to examination under the statute of limitations.

Note 11 - Net (Loss) Income Per Share

The following table sets forth the information used to compute basic and diluted net (loss) income per share attributable to Radius shareholders (in thousands):

	Three Months Ended		Six Months Ended	
	February 29, 2024	February 28, 2023	February 29, 2024	February 28, 2023
(Loss) income from continuing operations	$ (33,979)	$ 4,048	$ (51,775)	$ (13,439)
Net loss (income) attributable to noncontrolling interests	31	81	(135)	(151)
(Loss) income from continuing operations attributable to Radius shareholders	$ (33,948)	$ 4,129	$ (51,910)	$ (13,590)
(Loss) income from discontinued operations, net of tax	(31)	224	(33)	155
Net (loss) income attributable to Radius shareholders	$ (33,979)	$ 4,353	$ (51,943)	$ (13,435)
Computation of shares:				
Weighted average common shares outstanding, basic	28,454	28,081	28,337	27,912
Incremental common shares attributable to dilutive performance share awards, restricted stock units and deferred stock units	—	536	—	—
Weighted average common shares outstanding, diluted	28,454	28,617	28,337	27,912

Common stock equivalent shares of 340,415 and 407,103 were considered antidilutive and were excluded from the calculation of diluted net (loss) income per share for the three and six months ended February 29, 2024, respectively, compared to 56,520 and 796,877 for the three and six months ended February 28, 2023, respectively.

Note 12 - Related Party Transactions

The Company purchases recycled metal from one of its joint venture operations at prices that approximate fair market value. These purchases totaled $ 5 million and $ 4 million for the three months ended February 29, 2024 and February 28, 2023, respectively, and $ 9 million and $ 8 million for the six months ended February 29, 2024 and February 28, 2023, respectively.

Note 13 - Debt

Debt consisted of the following as of February 29, 2024 and August 31, 2023 (in thousands):

	February 29, 2024	August 31, 2023
Bank revolving credit facilities, interest primarily at SOFR or LIBOR plus a spread	$ 355,000	$ 230,000
Finance lease liabilities	6,400	7,200
Other debt obligations	12,178	12,192
Total debt	373,578	249,392
Less current maturities	(5,459)	(5,813)
Debt, net of current maturities	$ 368,119	$ 243,579

On August 22, 2022, the Company and certain of its subsidiaries entered into the Third Amendment to the Third Amended and Restated Credit Agreement (the “Amended Credit Agreement”), by and among Schnitzer Steel Industries, Inc., as the U.S. borrower, Schnitzer Steel Canada Ltd., as the Canadian borrower, Bank of America, N.A., as administrative agent, and other lenders party thereto, which amended and restated our previously existing credit agreement. The Amended Credit Agreement provides for $

800

million and C$

15

million in senior secured revolving credit facilities maturing in August 2027. The $

800

million credit facility includes a $

50

million sublimit for letters of credit, a $

25

million sublimit for swing line loans, and a $

50

million sublimit for multicurrency borrowings. The Company incurred $

2

million in debt issuance costs in connection with the Amended Credit Agreement, which are amortized to interest expense over the five-year term of the arrangement.

Interest rates on outstanding indebtedness under the Amended Credit Agreement are based, at our option, on either the Secured Overnight Financing Rate (“SOFR”) (or the Canadian Dollar Offered Rate, “CDOR” for C$ loans), plus a spread of between

1.25

% and

2.00

%, with the amount of the spread based on a pricing grid tied to our ratio of consolidated net funded debt to EBITDA (as defined by the Amended Credit Agreement), or the greater of (a) the prime rate, (b) the federal funds rate plus

0.50

% or (c) the daily rate equal to Term SOFR plus

1.00

%, in each case, plus a spread of between

0.25

% and

1.00

% based on a pricing grid tied to our consolidated net funded debt to EBITDA ratio. In addition, commitment fees are payable on the unused portion of the credit facilities at rates between

0.175

% and

0.30

% based on a pricing grid tied to our ratio of consolidated net funded debt to EBITDA.

As of February 29, 2024 and August 31, 2023, borrowings outstanding under the credit facilities were $

355

million and $

230

million, respectively. The weighted average interest rate on amounts outstanding under the credit facilities was

6.92

% and

7.17

% as of February 29, 2024 and August 31, 2023.

The credit agreement contains various representations and warranties, events of default, and financial and other customary covenants which limit (subject to certain exceptions) the Company’s ability to, among other things, incur or suffer to exist certain liens, make investments, incur or guaranty additional indebtedness, enter into consolidations, mergers, acquisitions, and sales of assets, make distributions and other restricted payments, change the nature of the business, engage in transactions with affiliates, and enter into restrictive agreements, including agreements that restrict the ability of the subsidiaries to make distributions. As of February 29, 2024, the financial covenants under the credit agreement included (a) a consolidated fixed charge coverage ratio, defined as the four-quarter rolling sum of consolidated EBITDA less defined maintenance capital expenditures and certain environmental expenditures divided by consolidated fixed charges and (b) a consolidated leverage ratio, defined as consolidated funded indebtedness divided by the sum of consolidated net worth and consolidated funded indebtedness. The Company’s obligations under the credit agreement are guaranteed by substantially all of its subsidiaries. The credit facilities and the related guarantees are secured by senior first priority liens on certain of the Company’s and its subsidiaries’ assets, including equipment, inventory, and accounts receivable.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This section includes a discussion of our operations for the three and six months ended February 29, 2024 and February 28, 2023. The following discussion and analysis provide information which management believes is relevant to an assessment and understanding of our financial condition and results of operations. The discussion should be read in conjunction with our Annual Report on Form 10-K for the year ended August 31, 2023, and the Unaudited Condensed Consolidated Financial Statements and the related Notes thereto included in Part I, Item 1 of this report.

General

Founded in 1906, Radius Recycling, Inc., formerly known as Schnitzer Steel Industries, Inc., is one of North America's largest recyclers of ferrous and nonferrous metal, including end-of-life vehicles, and a manufacturer of finished steel products. As a vertically integrated organization, we offer a range of products and services to meet global demand through our network that includes 50 retail self-service auto parts stores, 54 metals recycling facilities, and an electric arc furnace ("EAF") steel mill. Our internal organizational and reporting structure includes a single operating and reportable segment.

We sell recycled ferrous and nonferrous metal in both foreign and domestic markets. We also sell a range of finished steel long products produced at our steel mill. We acquire, process, and recycle end-of-life (salvaged) vehicles, rail cars, home appliances, industrial machinery, manufacturing scrap, and construction and demolition scrap through our facilities. Our retail self-service auto parts stores located across the United States ("U.S.") and Western Canada, which operate under the commercial brand-name Pick-n-Pull, procure the significant majority of our salvaged vehicles and sell serviceable used auto parts from these vehicles. Upon acquiring a salvaged vehicle, we remove catalytic converters, aluminum wheels, and batteries for separate processing and sale prior to placing the vehicle in our retail lot. After retail customers have removed desired parts from a vehicle, we may remove remaining major component parts containing ferrous and nonferrous metals, which are primarily sold to wholesalers. The remaining auto bodies are crushed and shipped to our metals recycling facilities to be shredded or sold to third parties when geographically more economical. At our metals recycling facilities, we process mixed and large pieces of scrap metal into smaller pieces by crushing, torching, shearing, shredding, separating, and sorting, resulting in recycled ferrous, nonferrous, and mixed metal pieces of a size, density, and metal content required by customers to meet their production needs. Each of our shredding, nonferrous processing, and separation systems is designed to optimize the recovery of valuable recycled metal. We also purchase nonferrous metal directly from industrial vendors and other suppliers and aggregate and prepare this metal for shipment to customers by ship, rail, or truck. In addition to the sale of recycled metal processed at our facilities, we also provide a variety of recycling and related services including brokering the sale of ferrous and nonferrous scrap metal generated by industrial entities and demolition projects to customers in the domestic market, among other services. Our steel mill produces semi-finished goods (billets) and finished goods, consisting of rebar, coiled rebar, wire rod, merchant bar, and other specialty products, using recycled ferrous metal sourced internally from our recycling and joint venture operations and other raw materials.

We operate seven deepwater port locations, six of which are equipped with large-scale shredders. Our deepwater port facilities on both the East and West Coasts of the U.S. (in Everett, Massachusetts; Providence, Rhode Island; Oakland, California; Tacoma, Washington; and Portland, Oregon) and access to public deepwater port facilities (in Kapolei, Hawaii and Salinas, Puerto Rico) allow us to ship bulk cargoes of processed recycled ferrous metal to steel manufacturers located in Europe, Africa, the Middle East, Asia, North America, Central America, and South America. Our exports of nonferrous recycled metal are shipped in containers through various public docks to specialty steelmakers, foundries, aluminum sheet and ingot manufacturers, copper refineries and smelters, brass and bronze ingot manufacturers, wire and cable producers, wholesalers, and other recycled metal processors globally. We also transport both ferrous and nonferrous metals by truck, rail, and barge in order to transfer scrap metal between our facilities for further processing, to load shipments at our export facilities, and to meet regional domestic demand.

Our results of operations depend in large part on the demand and prices for recycled metal in foreign and domestic markets and on the supply of raw materials, including end-of-life vehicles, available to be processed at our facilities. Our results of operations also depend substantially on our operating leverage from processing and selling higher volumes of recycled metal as well as our ability to efficiently extract ferrous and nonferrous metals from the shredding process. We respond to changes in selling prices for processed metal by seeking to adjust purchase prices for unprocessed scrap metal in order to manage the impact on our operating results. The spread between selling prices for processed metal and the cost of purchased scrap metal (metal spread) is subject to a number of factors, including differences in the market conditions between the domestic regions where scrap metal is acquired and the areas in the world to which the processed metals are sold, market volatility from the time the selling price is agreed upon with the customer until the time the scrap metal is purchased, changes in the availability of scrap metal including the volume generated by source and grade, and changes in transportation costs. We believe we generally benefit from sustained periods of stable or rising recycled metal selling prices, which allow us to better maintain or increase both operating results and unprocessed scrap metal flow into our facilities. When recycled metal selling prices decline, either sharply or for a sustained period, our operating margins typically compress. With respect to finished steel products produced at our steel mill, our results of operations are impacted by demand and prices for these products, which are sold to customers located primarily in the Western U.S. and Western Canada.

Our quarterly operating results fluctuate based on a variety of factors including, but not limited to, changes in market conditions for recycled ferrous and nonferrous metal and finished steel products, the supply of scrap metal in our domestic markets, varying demand for used auto parts from our self-service retail stores, the efficiency of our supply chain, and variations in production and other operating costs. Certain of these factors are influenced, to a degree, by the impact of seasonal changes including severe weather conditions, which can impact the timing of shipments and inhibit construction activity utilizing our products, scrap metal collection and production levels at our facilities, and retail admissions and parts sales at our auto parts stores. Further, sanctions, trade actions, and licensing, product quality, and inspection requirements can impact the level of profitability on sales of our products and, in certain cases, impede or restrict our ability to sell to certain export markets or require us to direct our sales to alternative market destinations, which can cause our quarterly operating results to fluctuate.

Steel Mill Fire

On May 22, 2021, we experienced a fire at our steel mill in McMinnville, Oregon. Direct physical loss or damage to property from the incident was limited to the mill's melt shop, with no bodily injuries and no physical loss or damage to other buildings or equipment. We experienced loss of business income during the shutdown of the steel mill and the subsequent ramp-up phase which was substantially completed in fiscal 2022. We have insurance that is fully applicable to the losses and filed insurance claims, which are subject to deductibles and various conditions, exclusions, and limits, for the property that experienced physical loss or damage and business income losses resulting from the matter. In the fourth quarter of fiscal 2023, we reached a full and final settlement with our insurers for our claims. All insurance proceeds and recovery gains in connection with our claims had been received and recognized, respectively, as of August 31, 2023.

Everett Facility Shredder Fire

On December 8, 2021, we experienced a fire at our metals recycling facility in Everett, Massachusetts. Direct physical loss or damage to property from the incident was limited to the facility's shredder building and equipment, with no bodily injuries and no physical loss or damage to property reported at other buildings or equipment. As a result of the fire, shredding operations ceased, while all non-shredding operations at the facility continued, including torching, shearing, separating, and sorting purchased non-shreddable recycled ferrous metals. On January 28, 2022, shredding operations at the facility began ramping up following the replacement and repairs to shredder equipment that had been damaged. In addition, shredding operations temporarily ceased at the facility on June 18, 2022 and, following discussions with the Massachusetts Department of Environmental Protection and the Massachusetts Attorney General's office, we installed a temporary emission capture system and controls that allowed for us to resume shredding operations on November 11, 2022 and for continued operation during the repair and replacement of the shredder enclosure building. Non-shredding operations at the facility continued during this period. The repair and replacement of most property that experienced physical loss or damage, primarily buildings and improvements, was substantially completed by the end of fiscal 2023. We have insurance that we believe is fully applicable to the losses, including but not limited to the costs of installing the temporary capture and controls system and any associated loss of business income, and have filed insurance claims, which are subject to deductibles and various conditions, exclusions, and limits, for the property damage or loss and business income losses resulting from the matter. The property damage deductible under the policies insuring our assets in this matter is $0.5 million, while the deductible for lost business income is 10 times the Average Daily Gross Earnings which would have been earned had no interruption occurred, calculated subject to judgments and uncertainties. The insurance claims resolution process may extend significantly beyond completion of repair and replacement of the physical plant property that experienced physical loss or damage and the restart of production activities. As of August 31, 2023, we had recognized, in aggregate, $34 million in insurance recovery gains and had received, in aggregate, advance payments from insurers totaling approximately $33 million towards our claims. During the first half of fiscal 2024, we recognized an additional $6 million insurance receivable and related insurance recovery gain, reported within cost of goods sold on the Unaudited Condensed Consolidated Statements of Operations, $2 million of which was recognized in the second quarter. As of February 29, 2024, we had recognized, in aggregate, $40 million in insurance recovery gains and had received, in aggregate, advance payments from insurers totaling approximately $37 million towards our claims, and not reflecting any final or full settlement of claims with our insurers. As of February 29, 2024 and August 31, 2023, we had receivables from our insurers of $3 million and $1 million, respectively, reported within prepaid expenses and other current assets on the Unaudited Condensed Consolidated Balance Sheets. These amounts do not reflect potential additional recoveries of costs for the repair and replacement of property that experienced physical loss or damage or of business income losses resulting from this matter that may be recognized in the future when settlements of the claims are resolved.

Use of Non-GAAP Financial Measures

In this management's discussion and analysis, we use supplemental measures of our performance, liquidity, and capital structure which are derived from our consolidated financial information, but which are not presented in our consolidated financial statements prepared in accordance with GAAP. We believe that providing these non-GAAP financial measures adds a meaningful presentation of our operating and financial performance, liquidity, and capital structure. For example, we use adjusted EBITDA as one of the measures to compare and evaluate financial performance. Adjusted EBITDA is the sum of our net income before results from discontinued operations, interest expense, income taxes, depreciation and amortization, restructuring charges and other exit-related activities, asset impairment charges, amortization of capitalized cloud computing implementation costs, charges for legacy environmental matters (net of recoveries), business development costs not related to ongoing operations including pre-acquisition expenses, and other items which are not related to underlying business operational performance. See the reconciliations of supplemental financial measures, including adjusted EBITDA, in Non-GAAP Financial Measures at the end of this Item 2.

Our non-GAAP financial measures should be considered in addition to, but not as a substitute for, the most directly comparable GAAP measures. Although we find these non-GAAP financial measures useful in evaluating the performance of our business, our reliance on these measures is limited because they often materially differ from our consolidated financial statements presented in accordance with GAAP. Therefore, we typically use these adjusted amounts in conjunction with our GAAP results to address these limitations. Our non-GAAP financial measures may not be comparable to similarly titled measures of other companies. Other companies, including companies in our industry, may calculate non-GAAP financial measures differently than we do, limiting the usefulness of those measures for comparative purposes.

Financial Highlights of Results of Operations for the Second Quarter of Fiscal 2024

- Diluted loss per share from continuing operations attributable to Radius shareholders in the second quarter of fiscal 2024 was $(1.19), compared to diluted earnings per share of $0.14 in the prior year quarter.
- Adjusted diluted loss per share from continuing operations attributable to Radius shareholders in the second quarter of fiscal 2024 was ($1.04), compared to adjusted diluted earnings per share of $0.14 in the prior year quarter.
- Net loss in the second quarter of fiscal 2024 was $34 million, compared to net income of $4 million in the prior year quarter.
- Adjusted EBITDA in the second quarter of fiscal 2024 was $3 million, compared to $32 million in the prior year quarter.

Our operating results in the second quarter of fiscal 2024 decreased significantly compared to the prior year quarter, reflecting primarily the impact of lower ferrous sales volumes, compressed recycled metal spreads due to persistently tight supply conditions for scrap metal, and lower finished steel prices. Contributing to the year-over-year decline in ferrous sales volumes by 22% was the timing of shipments of bulk cargoes, as the second quarter of fiscal 2024 was impacted by the delay of certain bulk shipments at quarter-end, while volumes in the prior year period reflected a drawdown of inventories due to the delay of several bulk shipments at the end of the first quarter of fiscal 2023. Average net selling prices for our ferrous products increased 5% year-over year as a result of the strengthening in global prices in the early part of the second quarter of fiscal 2024 driven by restocking, before softening towards the end of the quarter due to lower demand including continued elevated levels of Chinese steel exports. Average net selling prices for our nonferrous products decreased 5% compared to the second quarter of fiscal 2023, while additional production using our advanced nonferrous recovery technologies contributed to a 7% increase in nonferrous volumes year-over-year. Finished steel average net selling prices were 12% lower than in the second quarter of fiscal 2023, which contributed to lower metal spreads. Our results in the second quarter of fiscal 2024 also reflected the impact of lower year-over-year platinum group metals (PGM) prices, a less favorable impact from average inventory accounting compared to the prior year quarter, and the impact of inflation. Contributions from productivity and cost reduction initiatives implemented throughout fiscal 2023, as well as new initiatives identified and commenced in the first and second quarters of fiscal 2024, helped to offset the effects of inflationary pressure on operating costs.

Selling, general, and administrative (“SG&A”) expense in the second quarter of fiscal 2024 decreased 3% compared to the prior year quarter. Productivity and cost reduction initiatives more than offset the impact of inflation and growth-related initiatives on our SG&A expense.

The following items further highlight selected liquidity and capital structure metrics:

- For the first six months of fiscal 2024, net cash used in operating activities was $56 million, compared to net cash provided by operating activities of $26 million in the prior year comparable period.
- Debt was $374 million as of February 29, 2024, compared to $249 million as of August 31, 2023, as a result of increased borrowings from our credit facilities primarily to fund working capital needs and capital expenditures.
- Debt, net of cash, was $360 million as of February 29, 2024, compared to $243 million as of August 31, 2023.

See the reconciliations of adjusted diluted earnings per share from continuing operations attributable to Radius shareholders, adjusted EBITDA, and debt, net of cash in Non-GAAP Financial Measures at the end of this Item 2.

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Results of Operations

Selected Financial Measures and Operating Statistics

($ in thousands, except for prices and per share amounts)	Three Months Ended February 29, 2024	Three Months Ended February 28, 2023	%	Six Months Ended February 29, 2024	Six Months Ended February 28, 2023	%
Ferrous revenues	$ 316,097	$ 434,122	(27)%	$ 664,994	$ 695,851	(4)%
Nonferrous revenues	164,481	179,655	(8)%	333,775	357,330	(7)%
Steel revenues[1]	100,721	107,825	(7)%	214,252	232,340	(8)%
Retail and other revenues	39,760	34,351	16%	80,935	69,162	17%
Total revenues	621,059	755,953	(18)%	1,293,956	1,354,683	(4)%
Cost of goods sold	580,996	682,937	(15)%	1,214,416	1,232,948	(2)%
Gross margin (total revenues less cost of goods sold)	$ 40,063	$ 73,016	(45)%	$ 79,540	$ 121,735	(35)%
Gross margin (%)	6.5%	9.7%	(33)%	6.1%	9.0%	(32)%
Selling, general and administrative expense	$ 62,160	$ 63,957	(3)%	$ 125,262	$ 128,185	(2)%
Diluted (loss) income per share from continuing operations attributable to Radius shareholders:						
Reported	$ (1.19)	$ 0.14	(NM)	$ (1.83)	$ (0.49)	273%
Adjusted[2]	$ (1.04)	$ 0.14	(NM)	$ (1.68)	$ (0.30)	463%
Net (loss) income	$ (34,010)	$ 4,272	(NM)	$ (51,808)	$ (13,284)	290%
Adjusted EBITDA[2]	$ 2,796	$ 31,850	(91)%	$ 3,858	$ 40,212	(90)%
Average ferrous recycled metal sales prices ($/LT)[3]:						
Domestic	$ 391	$ 359	9%	$ 366	$ 336	9%
Foreign	$ 381	$ 368	4%	$ 369	$ 364	1%
Average	$ 384	$ 367	5%	$ 368	$ 357	3%
Ferrous volumes (LT, in thousands):						
Domestic[4]	483	444	9%	1,018	876	16%
Foreign	497	819	(39)%	1,114	1,238	(10)%
Total ferrous volumes (LT, in thousands)[4][8]	980	1,263	(22)%	2,132	2,114	1%
Average nonferrous sales price ($/pound)[3][5]	$ 0.94	$ 0.99	(5)%	$ 0.93	$ 0.94	(1)%
Nonferrous volumes (pounds, in thousands)[4][5]	176,477	164,796	7%	358,205	327,516	9%
Finished steel average sales price ($/ST)[3]	$ 832	$ 943	(12)%	$ 832	$ 980	(15)%
Finished steel sales volumes (ST, in thousands)	114	109	5%	243	227	7%
Cars purchased (in thousands)[6]	67	72	(7)%	131	141	(7)%
Number of auto parts stores at period end	50	50	(—)%	50	50	(—)%
Rolling mill utilization[7]	81%	75%	8%	88%	78%	13%

NM = Not Meaningful

LT = Long Ton, which is equivalent to 2,240 pounds. ST = Short Ton, which is equivalent to 2,000 pounds.

(1) Steel revenues include predominantly sales of finished steel products, in addition to sales of semi-finished goods (billets) and steel manufacturing scrap.

(2) See the reconciliations of Non-GAAP Financial Measures at the end of this Item 2.

(3) Price information is shown after netting the cost of freight incurred to deliver the product to the customer.

(4) Ferrous and nonferrous volumes sold externally and delivered to our steel mill for finished steel production.

(5) Average sales price and volume information excludes PGMs in catalytic converters.

(6) Cars purchased by auto parts stores only.

(7) Rolling mill utilization is based on effective annual production capacity under current conditions of 580 thousand tons of finished steel products.

(8) May not foot due to rounding.

Revenues

Revenues in the second quarter and first six months of fiscal 2024 decreased 18% and 4%, respectively, compared to the prior year periods. Our ferrous sales volumes in the second quarter of fiscal 2024 decreased 22% compared to the prior year quarter, reflecting the impact of persistently tight supply conditions for scrap metal, including end-of-life vehicles, and the timing of shipments of bulk cargoes. The second quarter of fiscal 2024 was adversely impacted by the delay of certain bulk shipments at quarter-end, while volumes in the prior year second quarter reflected a drawdown of inventories due to the delay of several bulk shipments at the end of the first quarter of fiscal 2023. Our nonferrous sales volumes in the second quarter and first six months of fiscal 2024 increased 7% and 9%, respectively, partially as a result of additional production using our advanced nonferrous recovery technologies. Our ferrous and nonferrous sales volumes in the first six months of fiscal 2024 also reflected additional volumes arising from the ScrapSource business acquired near the end of the first quarter of fiscal 2023, as well as the adverse impact in the prior year period of disruptions related to an extended shredder outage at the Everett metals recycling facility and a regulatory issue limiting operations at our shredder facility in California, both of which were resolved near the end of the first quarter of fiscal 2023. In the second quarter and first six months of fiscal 2024, the average net selling prices for our ferrous products increased 5% and 3%, respectively, compared to the prior year periods as a result of the strengthening in global prices in the early part of the second quarter of fiscal 2024 driven by restocking, before softening towards the end of the quarter due to lower demand including continued elevated levels of Chinese steel exports. Average net selling prices for our nonferrous products decreased 5% and 1%, respectively, in the second quarter and first six months of fiscal 2024 compared to the prior year periods. Finished steel average selling prices in the second quarter and first six months of fiscal 2024 were 12% and 15% lower, respectively, compared to the prior year periods, while finished steel sales volumes increased 5% and 7%, respectively, reflecting the continued strength of non-residential and infrastructure demand in the Western U.S.

Operating Performance

Net loss in the second quarter and first six months of fiscal 2024 was $34 million and $52 million, respectively, compared to net income of $4 million and net loss of $13 million, respectively, in the prior year periods. Adjusted EBITDA in the second quarter and first six months of fiscal 2024 was $3 million and $4 million, respectively, compared to $32 million and $40 million, respectively, in the prior year periods. The combination of significantly lower second quarter ferrous sales volumes and year-over-year PGM prices, lower year-over-year finished steel prices, as well as higher production and other operating costs, had a significant adverse impact on our operating margins in the second quarter and first six months of fiscal 2024. Compared to the prior year period, ferrous metal spreads in the second quarter of fiscal 2024 remained relatively flat, while ferrous metal spreads in the first six months of fiscal 2024 decreased 6% relative to the first six months of fiscal 2023. Finished steel metal spreads were also lower in the second quarter and first six months of fiscal 2024 primarily driven by decreases in average selling prices compared to the prior year periods. In addition, our results in the second quarter and first six months of fiscal 2024 reflected a less favorable impact from average inventory accounting compared to the prior year periods and the impact of inflation on operating costs.

SG&A expense in the second quarter and first six months of fiscal 2024 decreased 3% and 2%, respectively, compared to the prior year periods. Productivity and cost reduction initiatives more than offset the impact of inflation and growth-related initiatives on our SG&A expense.

In addition to the $60 million in productivity and cost reduction initiatives announced in fiscal 2023, for which we achieved the $15 million full quarterly run rate of benefits starting in the third quarter of fiscal 2023, we began implementing new initiatives in the first quarter of fiscal 2024 with a targeted annual benefit of approximately $30 million through a combination of increased yields, efficiencies in processing, transportation and procurement, and reduced costs including from headcount reductions. We achieved substantially the full quarterly run rate of benefits from these initiatives in the second quarter of fiscal 2024.

During the second quarter of fiscal 2024, we implemented a plan to reduce SG&A expense by 10% and increase production cost efficiencies to deliver $40 million in annual benefits, which are in addition to the $30 million in annual benefits implemented in the first quarter of fiscal 2024. The measures include reductions in headcount and other employee-related expenses, as well as decreases in non-trade procurement spend, transportation and logistics, and other outside services. Approximately half of the targeted quarterly run-rate benefits from these initiatives are expected to be achieved in the third quarter of fiscal 2024, with substantially all of the remainder by the end of the fiscal year. We expect to incur related restructuring charges and other exit-related costs in the range of $6 million, of which $3 million was incurred during the second quarter of fiscal 2024. Contributions from productivity and cost reduction initiatives implemented throughout fiscal 2023, as well as new initiatives implemented in the first and second quarters of fiscal 2024, helped to offset the effects of inflationary pressure on operating costs.

See the reconciliation of adjusted EBITDA in Non-GAAP Financial Measures at the end of this Item 2.

Interest Expense

Interest expense was $6 million and $11 million, respectively, for the second quarter and first six months of fiscal 2024, compared to $5 million and $8 million for the same periods in the prior year. The increase in interest expense was primarily due to higher interest rates on amounts outstanding under our bank credit facilities compared to the prior year periods.

Income Tax

The effective tax rate from continuing operations for the second quarter and first six months of fiscal 2024 was an expense on pre-tax loss of 3.6% and a benefit on pre-tax loss of 14.8%, respectively, compared to a benefit on pre-tax income of 14.5% and a benefit on pre-tax loss of 32.8%, respectively, for the comparable prior year periods. Our effective tax rate from continuing operations for the second quarter of fiscal 2024 was significantly different than the U.S. federal statutory rate of 21% primarily due to the aggregate effect of the Company's financial performance, permanent differences from non-deductible expenses, and unrecognized tax benefits on intra-period allocation of the estimated annual tax provision, as well as the recognition of a $2 million valuation allowance against deferred tax assets in our Puerto Rico tax jurisdiction. We recognized this valuation allowance as a result of negative evidence, including recent losses in the tax jurisdiction, outweighing the more subjective positive evidence, indicating that it is more likely than not that the associated tax benefits will not be realized. For the second quarter of fiscal 2023, our effective tax rate from continuing operations was significantly different than the U.S. federal statutory rate of 21% primarily due to the Company's financial performance and the effect of discrete items.

Liquidity and Capital Resources

We rely on cash provided by operating activities as a primary source of liquidity, supplemented by current cash on hand and borrowings under our existing credit facilities.

Sources and Uses of Cash

We had cash balances of $14 million and $6 million as of February 29, 2024 and August 31, 2023, respectively. Cash balances are intended to be used primarily for working capital, capital expenditures, dividends, share repurchases, investments, and acquisitions. We use excess cash on hand to reduce amounts outstanding under our credit facilities. As of February 29, 2024, debt was $374 million compared to $249 million as of August 31, 2023, and debt, net of cash, was $360 million as of February 29, 2024, compared to $243 million as of August 31, 2023. The increase in debt was primarily due to increased borrowings from our credit facilities mainly to fund working capital needs and capital expenditures. See the reconciliation of debt, net of cash, in Non-GAAP Financial Measures at the end of this Item 2.

Operating Activities

Net cash used in operating activities in the first six months of fiscal 2024 was $56 million, compared to net cash provided by operating activities of $26 million in the first six months of fiscal 2023.

Sources of cash in the first six months of fiscal 2024 included a $13 million decrease in prepaid expenses and other current assets primarily due to a decrease in prepaid insurance premiums. Uses of cash in the first six months of fiscal 2024 included a $30 million increase in inventories primarily due to delay of certain bulk shipments at period-end, a $15 million increase in accounts receivable primarily due to the timing of sales and collections, and a $9 million decrease in accrued payroll and related liabilities primarily due to the payment of incentive compensation in the first quarter of fiscal 2024 previously accrued under our fiscal 2023 plans.

Sources of cash in the first six months of fiscal 2023 included a $34 million decrease in inventory primarily due to lower raw material purchase costs and the timing of purchases and sales and a $12 million increase in accounts payable primarily due to the timing of purchases and payments. Uses of cash in the first six months of fiscal 2023 included a $33 million decrease in accrued payroll and related liabilities primarily due to the payment of incentive compensation in the first quarter of fiscal 2023 previously accrued under our fiscal 2022 plans and a $14 million increase in accounts receivable primarily due to the timing of sales and collections.

Investing Activities

Net cash used in investing activities was $44 million in the first six months of fiscal 2024, compared to $98 million in the first six months of fiscal 2023.

Cash used in investing activities in the first six months of fiscal 2024 included capital expenditures of $40 million to upgrade our equipment and infrastructure and for investments in advanced metals recovery technology, information technology systems, and environmental and safety-related assets, compared to $75 million in the prior year period.

Cash used in investing activities in the first six months of fiscal 2023 included $25 million paid to acquire the assets of the ScrapSource business on November 18, 2022. We funded the acquisition using cash on hand and borrowings under our existing credit facilities.

Financing Activities

Net cash provided by financing activities in the first six months of fiscal 2024 was $108 million, compared to $40 million in the first six months of fiscal 2023.

Cash flows from financing activities in the first six months of fiscal 2024 included $124 million in net borrowings of debt, compared to $59 million in the prior year period (refer to Non-GAAP Financial Measures at the end of this Item 2). Uses of cash in the first six months of fiscal 2024 and 2023 included $5 million and $7 million, respectively, for payment of employee tax withholdings resulting from vesting of share-based awards and $11 million in each period for the payment of dividends.

Debt

Our senior secured revolving credit facilities, which provide for revolving loans of $800 million and C$15 million, mature in August 2027 pursuant to a credit agreement with Bank of America, N.A., as administrative agent, and other lenders party thereto. Interest rates on outstanding indebtedness under the credit agreement are based, at our option, on either the Secured Overnight Financing Rate (“SOFR”) (or the Canadian Dollar Offered Rate, “CDOR” for C$ loans), plus a spread of between 1.25% and 2.00%, with the amount of the spread based on a pricing grid tied to our ratio of consolidated net funded debt to EBITDA (as defined by the credit agreement), or the greater of (a) the prime rate, (b) the federal funds rate plus 0.50% or (c) the daily rate equal to Term SOFR plus 1.00%, in each case, plus a spread of between 0.25% and 1.00% based on a pricing grid tied to our consolidated net funded debt to EBITDA ratio. In addition, commitment fees are payable on the unused portion of the credit facilities at rates between 0.175% and 0.30% based on a pricing grid tied to our ratio of consolidated net funded debt to EBITDA.

Under the credit agreement, we may establish one or more key performance indicators (“KPIs”) to measure our performance with respect to certain of our environmental, social and governance targets. Subject to the terms and conditions of the credit agreement, we may propose to amend the credit agreement to modify (i) the pricing spread and (ii) the commitment fee rate. Such modifications would be tied to our performance against the KPIs and would allow for (i) the pricing spread to be increased or decreased by no more than (a) 0.025% per KPI and (b) 0.05% for all KPIs, and (ii) the commitment fee rate to be increased or decreased by no more than 0.005% for all KPIs. Such adjustments would be determined on an annual basis and would not be cumulative.

We had borrowings outstanding under our credit facilities of $355 million as of February 29, 2024 and $230 million as of August 31, 2023. The weighted average interest rate on amounts outstanding under our credit facilities was 6.92% and 7.17% as of February 29, 2024 and August 31, 2023, respectively.

We use the credit facilities to fund working capital, capital expenditures, dividends, share repurchases, investments, and acquisitions. Our credit agreement contains various representations and warranties, events of default, and financial and other customary covenants which limit (subject to certain exceptions) our ability to, among other things, incur or suffer to exist certain liens, make investments, incur or guaranty additional indebtedness, enter into consolidations, mergers, acquisitions, and sales of assets, make distributions and other restricted payments, change the nature of our business, engage in transactions with affiliates, and enter into restrictive agreements, including agreements that restrict the ability of our subsidiaries to make distributions. The financial covenants under the credit agreement include (a) a consolidated fixed charge coverage ratio, defined as the four-quarter rolling sum of consolidated EBITDA less defined maintenance capital expenditures and certain environmental expenditures divided by consolidated fixed charges, and (b) a consolidated leverage ratio, defined as consolidated funded indebtedness divided by the sum of consolidated net worth and consolidated funded indebtedness.

As of February 29, 2024, we were in compliance with the financial covenants under our credit agreement. The consolidated fixed charge coverage ratio was required to be no less than 1.50 to 1.00 and was 2.37 to 1.00 as of February 29, 2024. The consolidated leverage ratio was required to be no more than 0.55 to 1.00 and was 0.31 to 1.00 as of February 29, 2024.

Our obligations under our credit agreement are guaranteed by substantially all of our subsidiaries. The credit facilities and the related guarantees are secured by senior first priority liens on certain of our and our subsidiaries’ assets, including equipment, inventory, and accounts receivable.

We currently face challenging market conditions resulting in compressed operating margins. We have taken steps to reduce our operating costs and improve margins. If market conditions do not improve, we are unable to realize the expected value of our cost savings initiatives, or other negative factors occur, we anticipate we would be unable to remain in compliance with the financial covenants under the credit agreement. If we do not maintain compliance with our financial covenants and are unable to obtain an amendment or waiver from our lenders, a breach of a financial covenant would constitute an event of default and allow the lenders to exercise remedies under the agreements, the most severe of which is the termination of the credit facility under our committed bank credit agreement and acceleration of the amounts owed under the agreement. If such actions became necessary, we expect that we would be successful in renegotiating an amendment or obtaining a waiver on terms acceptable to the Company. Alternatively, we would be required to evaluate available alternatives and take appropriate steps to obtain alternative funds. We cannot assure that any such alternative funds, if sought, could be obtained or, if obtained, would be adequate or on acceptable terms.

Other debt obligations, which totaled $12 million as of each of February 29, 2024 and August 31, 2023, respectively, primarily relate to equipment purchases, the contract consideration for which includes an obligation to make future monthly payments to the vendor in the form of licensing fees. For accounting purposes, such obligations are treated as a partial financing of the purchase price by the equipment vendor. Monthly payments commence when the equipment is placed in service and achieves specified minimum operating metrics, with payments continuing for a period of four years thereafter.

Capital Expenditures

Capital expenditures totaled $40 million for the first six months of fiscal 2024, compared to $75 million for the prior year period. We currently plan to invest approximately $80 million in capital expenditures in fiscal 2024. These capital expenditures include investments in growth, including new nonferrous processing technologies, and to support volume initiatives as well as post-acquisition and other growth projects, and investments to upgrade our equipment, infrastructure, and information technology systems, and for environmental and safety-related assets, using cash generated from operations and available credit facilities. Supply chain disruptions have contributed to some delays in construction activities and equipment deliveries related to our capital projects, and to the time required to obtain permits from government agencies, resulting in the deferral of certain capital expenditures. Given the continually evolving nature of such disruptions and other factors impacting the timing of project completion, the extent to which forecasted capital expenditures could be deferred is uncertain.

Environmental Compliance

Building on our commitment to recycling and operating our business in an environmentally responsible manner, we continue to invest in facilities that improve our environmental presence in the communities in which we operate. As part of our capital expenditures discussed in the prior paragraph, we invested approximately $9 million in capital expenditures for environmental projects in the first six months of fiscal 2024, and we currently plan to invest approximately $25 million for such projects in fiscal 2024. These projects include investments in equipment to ensure ongoing compliance with air quality and other environmental regulations and storm water systems.

We have been identified by the United States Environmental Protection Agency as one of the potentially responsible parties that own or operate or formerly owned or operated sites which are part of or adjacent to the Portland Harbor Superfund site (“Portland Harbor”). See Note 5 - Commitments and Contingencies in the Notes to the Unaudited Condensed Consolidated Financial Statements in Part I, Item 1 of this report for a discussion of this matter, as well as other legacy environmental loss contingencies. We believe it is not possible to reasonably estimate the amount or range of costs which we are likely to or which it is reasonably possible that we will incur in connection with Portland Harbor, although such costs could be material to our financial position, results of operations, cash flows, and liquidity. We have insurance policies and Qualified Settlement Funds (“QSFs”) that we believe will provide reimbursement for costs we incur for defense, remediation, and mitigation for natural resource damages claims in connection with Portland Harbor, although there are no assurances that those policies and the QSFs will cover all of the costs which we may incur. Significant cash outflows in the future related to Portland Harbor, as well as related to other legacy environmental loss contingencies, could reduce the amounts available for borrowing that could otherwise be used for working capital, capital expenditures, dividends, share repurchases, investments, and acquisitions and could result in our failure to maintain compliance with certain covenants in our debt agreements, and could adversely impact our liquidity.

Dividends

On January 4, 2024, our Board of Directors declared a dividend for the second quarter of fiscal 2024 of $0.1875 per common share, which equates to an annual cash dividend of $0.75 per common share. The dividend was paid on February 20, 2024.

Share Repurchase Program

As of February 29, 2024, pursuant to our board-authorized share repurchase programs, we had remaining authorization to repurchase up to 2.8 million shares of our Class A common stock when we deem such repurchases to be appropriate. We may repurchase our common stock for a variety of reasons, such as to optimize our capital structure and to offset dilution related to share-based compensation arrangements. We consider several factors in determining whether to make share repurchases including, among other things, our cash needs, the availability of funding, our future business plans, and the market price of our stock. We did not repurchase any of our common stock during the second quarter of fiscal 2024.

Assessment of Liquidity and Capital Resources

Historically, our available cash resources, internally generated funds, credit facilities, and equity offerings have financed our acquisitions, capital expenditures, working capital, and other financing needs.

We generally believe our current cash resources, internally generated funds, existing credit facilities, and access to the capital markets will provide adequate short-term and long-term liquidity needs for working capital, capital expenditures, dividends, investments and acquisitions, joint ventures, debt service requirements, environmental obligations, share repurchases, and other contingencies. However, in the event of a sustained market deterioration, we may need additional liquidity which would require us to evaluate available alternatives and take appropriate steps to obtain sufficient additional funds. There can be no assurances that any such supplemental funding, if sought, could be obtained or, if obtained, would be adequate or on acceptable terms.

Contractual Obligations

There were no material changes related to contractual obligations and commitments from the information provided in our Annual Report on Form 10-K for the fiscal year ended August 31, 2023.

We maintain stand-by letters of credit to provide support for certain obligations, including workers' compensation and performance bonds. As of February 29, 2024, we had $7 million outstanding under these arrangements.

Critical Accounting Estimates

There were no material changes to our critical accounting estimates as described in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of our Annual Report on Form 10-K for the year ended August 31, 2023.

Recently Issued Accounting Standards

For a description of recent accounting pronouncements that may have an impact on our financial condition, results of operations, or cash flows, see "Recent Accounting Pronouncements" in Note 1 - Summary of Significant Accounting Policies in the Notes to the Unaudited Condensed Consolidated Financial Statements in Part I, Item 1 of this report.

Non-GAAP Financial Measures

Debt, net of cash

Debt, net of cash is the difference between (i) the sum of long-term debt and short-term borrowings (i.e., total debt) and (ii) cash and cash equivalents. We believe that presenting debt, net of cash is useful to investors as a measure of our leverage, as cash and cash equivalents can be used, among other things, to repay indebtedness.

The following is a reconciliation of debt, net of cash (in thousands):

	February 29, 2024	August 31, 2023
Short-term borrowings	$ 5,459	$ 5,813
Long-term debt, net of current maturities	368,119	243,579
Total debt	373,578	249,392
Less cash and cash equivalents	13,562	6,032
Total debt, net of cash	$ 360,016	$ 243,360

Net borrowings (repayments) of debt

Net borrowings (repayments) of debt is the sum of borrowings from long-term debt and repayments of long-term debt. We present this amount as the net change in our borrowings (repayments) for the period because we believe it is useful for investors as a meaningful presentation of the change in debt.

The following is a reconciliation of net borrowings (repayments) of debt (in thousands):

	Six Months Ended	
	February 29, 2024	February 28, 2023
Borrowings from long-term debt	$ 389,692	$ 333,242
Repayments of long-term debt	(265,910)	(274,036)
Net borrowings (repayments) of debt	$ 123,782	$ 59,206

Adjusted EBITDA, adjusted selling, general, and administrative expense, adjusted (loss) income from continuing operations attributable to Radius shareholders, and adjusted diluted (loss) earnings per share from continuing operations attributable to Radius shareholders

Management believes that providing these non-GAAP financial measures adds a meaningful presentation of our results from business operations excluding adjustments for restructuring charges and other exit-related activities, asset impairment charges, amortization of capitalized cloud computing implementation costs, charges for legacy environmental matters (net of recoveries), business development costs not related to ongoing operations including pre-acquisition expenses, and the income tax benefit allocated to these adjustments, items which are not related to underlying business operational performance, and improves the period-to-period comparability of our results from business operations.

Following are reconciliations of net (loss) income to adjusted EBITDA and adjusted selling, general, and administrative expense (in thousands):

	Three Months Ended		Six Months Ended	
	February 29, 2024	February 28, 2023	February 29, 2024	February 28, 2023
Reconciliation of adjusted EBITDA:				
Net (loss) income	$ (34,010)	$ 4,272	$ (51,808)	$ (13,284)
Loss (income) from discontinued operations, net of tax	31	(224)	33	(155)
Interest expense	5,803	4,908	10,613	8,232
Income tax expense (benefit)	1,195	(513)	(8,975)	(6,545)
Depreciation and amortization	24,311	22,399	47,782	43,850
Restructuring charges and other exit-related activities	3,175	828	3,210	2,420
Asset impairment charges(1)	1,748	—	1,967	4,000
Amortization of cloud computing software costs(2)	247	—	327	—
Charges for legacy environmental matters, net(3)	156	77	479	1,356
Business development costs	140	103	230	338
Adjusted EBITDA	$ 2,796	$ 31,850	$ 3,858	$ 40,212
Selling, general and administrative expense:				
As reported	$ 62,160	$ 63,957	$ 125,262	$ 128,185
Charges for legacy environmental matters, net(3)	(156)	(77)	(479)	(1,356)
Business development costs	(140)	(103)	(230)	(338)
Adjusted	$ 61,864	$ 63,777	$ 124,553	$ 126,491

(1) For the three months ended February 29, 2024 and the six months ended February 29, 2024 and February 28, 2023, asset impairment charges included $272 thousand, $491 thousand and $4 million, respectively, reported within “Other loss, net” on the Unaudited Condensed Consolidated Statement of Operations.

(2) Amortization of cloud computing software costs consists of expense recognized in cost of goods sold and selling, general, and administrative expense resulting from amortization of capitalized implementation costs for cloud computing IT systems. This expense is not included in depreciation and amortization. No amortization of cloud computing software costs was incurred prior to the first quarter of fiscal 2024; therefore, prior period Adjusted EBITDA amounts are not impacted.

(3) Legal and environmental charges, net of recoveries, for legacy environmental matters including those related to the Portland Harbor Superfund site and to other legacy environmental loss contingencies. See Note 5 - Commitments and Contingencies, “Portland Harbor” and “Other Legacy Environmental Loss Contingencies” in the Notes to the Unaudited Condensed Consolidated Financial Statements in Part I, Item 1 of this report.

Following are reconciliations of adjusted net (loss) income from continuing operations attributable to Radius shareholders and adjusted diluted (loss) earnings per share from continuing operations attributable to Radius shareholders (in thousands, except per share data):

	Three Months Ended		Six Months Ended	
	February 29, 2024	February 28, 2023	February 29, 2024	February 28, 2023
(Loss) income from continuing operations attributable to Radius shareholders:				
As reported	$ (33,948)	$ 4,129	$ (51,910)	$ (13,590)
Restructuring charges and other exit-related activities	3,175	828	3,210	2,420
Asset impairment charges(1)	1,748	—	1,967	4,000
Charges for legacy environmental matters, net(2)	156	77	479	1,356
Business development costs	140	103	230	338
Income tax benefit allocated to adjustments(3)	(938)	(1,151)	(1,675)	(2,865)
Adjusted	$ (29,667)	$ 3,986	$ (47,699)	$ (8,341)
Diluted (loss) income per share from continuing operations attributable to Radius shareholders:				
As reported	$ (1.19)	$ 0.14	$ (1.83)	$ (0.49)
Restructuring charges and other exit-related activities, per share	0.11	0.03	0.11	0.09
Asset impairment charges, per share(1)	0.06	—	0.07	0.14
Charges for legacy environmental matters, net, per share(2)	0.01	—	0.02	0.05
Business development costs, per share	—	—	0.01	0.01
Income tax benefit allocated to adjustments, per share(3)	(0.03)	(0.04)	(0.06)	(0.10)
Adjusted(4)	$ (1.04)	$ 0.14	$ (1.68)	$ (0.30)

(1) For the three months ended February 29, 2024 and the six months ended February 29, 2024 and February 28, 2023, asset impairment charges included $272 thousand ($0.01 per share), $491 thousand ($0.02 per share) and $4 million ($0.14 per share), respectively, reported within “Other loss, net” on the Unaudited Condensed Consolidated Statement of Operations.

(2) Legal and environmental charges, net of recoveries, for legacy environmental matters including those related to the Portland Harbor Superfund site and to other legacy environmental loss contingencies. See Note 5 - Commitments and Contingencies, “Portland Harbor” and “Other Legacy Environmental Loss Contingencies” in the Notes to the Unaudited Condensed Consolidated Financial Statements in Part I, Item 1 of this report.

(3) Income tax allocated to the aggregate adjustments reconciling reported and adjusted (loss) income from continuing operations attributable to Radius shareholders and diluted (loss) earnings per share from continuing operations attributable to Radius shareholders is determined based on a tax provision calculated with and without the adjustments.

(4) May not foot due to rounding.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Commodity Price Risk

We are exposed to commodity price risk, mainly associated with variations in the market price for ferrous and nonferrous metals, including scrap metal, finished steel products, auto bodies and other commodities. The timing and magnitude of industry cycles are difficult to predict and are impacted by general economic conditions as well as other factors including political and military events. We respond to increases and decreases in forward selling prices by adjusting purchase prices. We actively manage our exposure to commodity price risk and monitor the actual and expected spread between forward selling prices and purchase costs and processing and shipping expense. Sales contracts are based on prices negotiated with our customers, and generally orders are placed 30 to 60 days ahead of the shipment date. However, financial results may be negatively impacted when forward selling prices fall more quickly than we can adjust purchase prices or when customers fail to meet their contractual obligations. We assess the net realizable value of inventory (“NRV”) each quarter based upon contracted sales orders and estimated future selling prices. Based on contracted sales and estimates of future selling prices, a 10% decrease in the estimated selling price of inventory would not have had a material NRV impact as of February 29, 2024.

Interest Rate Risk

There have been no material changes to our disclosure regarding interest rate risk set forth in Item 7A. Quantitative and Qualitative Disclosures About Market Risk included in our Annual Report on Form 10-K for the year ended August 31, 2023.

Credit Risk

Credit risk relates to the risk of loss that might occur as a result of non-performance by counterparties of their contractual obligations to take delivery of scrap metal and finished steel products and to make financial settlements of these obligations, or to provide sufficient quantities of scrap metal or payment to settle advances, loans and other contractual receivables in connection with demolition and scrap extraction projects. We manage our exposure to credit risk through a variety of methods, including shipping ferrous scrap metal exports under letters of credit, collection of deposits prior to shipment for certain nonferrous export customers, establishment of credit limits for certain sales on open terms, credit insurance and designation of collateral and financial guarantees securing advances, loans, and other contractual receivables. We have experienced reductions in the availability of credit insurance that we have historically used to cover a portion of our recycled metal and finished steel sales to domestic customers, which reduced availability may increase our exposure to customer credit risk. In addition, in higher or rising commodity price environments, we have experienced proportionately lower credit insurance coverage of applicable customer credit limits, which may increase our exposure to customer credit risk.

Historically, we have shipped almost all of our large shipments of ferrous scrap metal to foreign customers under contracts supported by letters of credit issued or confirmed by banks deemed creditworthy. The letters of credit ensure payment by the customer. As we generally sell export recycled ferrous metal under contracts or orders that generally provide for shipment within 30 to 60 days after the price is agreed, our customers typically do not have difficulty obtaining letters of credit from their banks in periods of rising ferrous prices, as the value of the letters of credit are collateralized by the value of the inventory on the ship. However, in periods of significantly declining prices, our customers may not be able to obtain letters of credit for the full sales value of the inventory to be shipped.

As of February 29, 2024 and August 31, 2023, 28% and 38%, respectively, of our accounts receivable balance was covered by letters of credit, and the amount of past due receivables was not material.

Foreign Currency Exchange Rate Risk

We are exposed to foreign currency exchange rate risk, mainly associated with sales transactions and related accounts receivable denominated in the U.S. Dollar by our Canadian subsidiary with a functional currency of the Canadian Dollar.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities and Exchange Act of 1934, as amended (the “Exchange Act”)) that are designed to ensure that information we are required to disclose in the reports we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified by the Securities and Exchange Commission’s rules and forms and that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures. Any controls and procedures, no matter how well designed and operated, can only provide reasonable assurance of achieving the desired control objectives. Our management, with the participation of the Chief Executive Officer and Chief Financial Officer, has completed an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of February 29, 2024, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting (as that term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended February 29, 2024, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Information regarding reportable legal proceedings is contained in Part I, “Item 3. Legal Proceedings” in our Annual Report on Form 10-K for the fiscal year ended August 31, 2023; and in Part II, “Item 1. Legal Proceedings” in our Quarterly Report on Form 10-Q for the quarterly period ended November 30, 2023. Also see Note 5 - Commitments and Contingencies in the Notes to the Unaudited Condensed Consolidated Financial Statements in Part I, Item 1 of this Quarterly Report on Form 10-Q, incorporated by reference herein.

ITEM 1A. RISK FACTORS

There have been no material changes to our risk factors reported or new risk factors identified since the filing of our Annual Report on Form 10-K for the year ended August 31, 2023.

ITEM 5. OTHER INFORMATION

During the three months ended February 29, 2024, no ne of the Company's directors or officers (as defined in Rule 16a-1(f) of the Securities Exchange Act of 1934, as amended), adopted, terminated, or modified a Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement (as such terms are defined in Item 408 of Regulation S-K of the Securities Act of 1933, as amended).

Appointment of Chief Accounting Officer

On April 1, 2024, the Board of Directors (the “Board”) of Radius Recycling, Inc. (the “Company”) appointed Erika Kelley to serve as the Company’s Vice President and Chief Accounting Officer, effective April 8, 2024. Following the effectiveness of Ms. Kelley’s appointment, Stefano Gaggini will step down from his role as interim Chief Accounting Officer but will remain in his role as Senior Vice President and Chief Financial Officer. Prior to her appointment, Ms. Kelley, 46, served in various roles of increasing responsibility with Intel Corporation since 2012, including most recently as Corporate Controller, Accounting Operations since 2022. Prior to that, Ms. Kelley served as Intel Capital/M&A Accounting Senior Controller from 2019 until 2022 and as SEC and External Reporting Controller from 2015 until 2019.

In connection with her appointment, the Company entered into an offer letter with Ms. Kelley, pursuant to which Ms. Kelley will receive a base salary of $350,000 per annum, will be eligible to participate in the Company’s Annual Incentive Compensation Plan (“AICP”), with a target AICP bonus equal to 50% of her annual base salary, and will be recommended to participate in the Company’s Long-Term Incentive Plan. Further, pursuant to the offer letter, Ms. Kelley is entitled to receive a signing bonus of $100,000 upon commencement of employment with the Company and an additional signing bonus of $100,000 after completing 12 months of employment with the Company. In the event that Ms. Kelley voluntarily terminates her employment within 12 months following receipt of either signing bonus, she is required to repay the signing bonus to the Company on a pro-rated basis. Ms. Kelley is also eligible to participate in the Company’s health, welfare and retirement employee benefit plans.

It is expected that Ms. Kelley will enter into the Company’s standard form of indemnification and change in control agreements, in substantially the same forms filed as Exhibits 10.20 and 10.26, respectively, to the Company’s Annual Report on Form 10-K for the fiscal year ended August 31, 2023.

The selection of Ms. Kelley to serve as Vice President and Chief Accounting Officer was not pursuant to any arrangement or understanding with respect to any other person. There are no family relationships between Ms. Kelley and any director or executive officer of the Company, and there are no transactions between Ms. Kelley and the Company that would be required to be reported under Item 404(a) of Regulation S-K.

ITEM 6. EXHIBITS

Exhibit Number	Exhibit Description
3.1	Amended and Restated Articles of Incorporation. Filed as Exhibit 3.1 to the Registrant’s Current Report on Form 8-K filed on February 2, 2024 and incorporated by reference herein.
3.2	Amended and Restated Bylaws of the Registrant. Filed as Exhibit 3.2 to the Registrant’s Current Report on Form 8-K filed on February 2, 2024 and incorporated by reference herein.
10.1*	Form of Deferred Stock Unit Award Agreement under the 2024 Omnibus Incentive Plan used for non-employee directors for awards granted in 2024
10.2*	Summary Sheet for 2024 Non-Employee Director Compensation
10.3*	Radius Recycling, Inc. 2024 Omnibus Incentive Plan. Filed as Exhibit 10.1 to the Registrant’s Registration Statement on Form S-8 filed on January 30, 2024 and incorporated herein by reference.
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
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 With Embedded Linkbase Documents
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

* Management contract or compensatory plan or arrangement.

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RADIUS RECYCLING, INC.

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.

RADIUS RECYCLING, INC.
(Registrant)

Date:	April 4, 2024	By:	/s/ Tamara L. Lundgren Tamara L. Lundgren Chairman, President and Chief Executive Officer
Date:	April 4, 2024	By:	/s/ Stefano R. Gaggini Stefano R. Gaggini Senior Vice President and Chief Financial Officer

Exhibit 10.1

DEFERRED STOCK UNIT
AWARD AGREEMENT

This Deferred Stock Unit Award Agreement (this “Agreement”) is entered into as of __________________ (the “Award Date”) by and between Radius Recycling, Inc., an Oregon corporation (the “Company”), and ________________, a non-employee director of the Company (the “Recipient”), for the award of deferred stock units with respect to Common Stock.

The award of deferred stock units to the Recipient is made pursuant to Section 9 of the Company’s 2024 Omnibus Incentive Plan (the “Plan”) and the Recipient desires to accept the award subject to the terms and conditions of this Agreement and the terms and conditions set forth in the Plan, all of which are incorporated herein in their entirety. Capitalized terms not otherwise defined herein shall have the meaning set forth in the Plan.

IN CONSIDERATION of the mutual covenants and agreements set forth in this Agreement, the parties agree to the following.

1.**Award and Terms of Deferred Stock Units**. The Company awards to the Recipient under the Plan ______ deferred stock units (the “Award”), subject to the restrictions, terms and conditions set forth in this Agreement.

(a)*Rights under Deferred Stock Units*. A deferred stock unit (a “DSU”) represents the unfunded, unsecured right to require the Company to deliver to the Recipient one share of Common Stock for each DSU. The number of shares of Common Stock deliverable with respect to each DSU is subject to adjustment as set forth in Section 11 of the Plan.

(b)*Vesting Date*. The DSUs awarded under this Agreement shall initially be 100% unvested and subject to forfeiture. Subject to Sections 1(c) and (d), the DSUs shall vest in full on the day before the 2025 annual meeting of shareholders (the “Vesting Date”) if the Recipient is a director of the Company on the Vesting Date and has served as a director of the Company continuously from the Award Date to the Vesting Date.

(c)*Acceleration on Death or Disability*. If the Recipient ceases to be a director of the Company by reason of the Recipient’s death or disability, all outstanding but unvested DSUs shall become immediately vested. The term “disability” means a medically determinable mental or physical impairment that, in the opinion of the Board of Directors, causes the Recipient to be unable to perform his or her duties as a director of the Company.

(d)*Acceleration of DSUs on a Change in Control*. Upon a Change in Control of the Company, all outstanding but unvested DSUs shall become immediately vested.

(e)*Forfeiture of DSUs on Termination of Service*. If the Recipient ceases to be a director of the Company for any reason that does not result in acceleration of vesting pursuant to Section 1(c) or 1(d), the Recipient shall immediately forfeit all outstanding but unvested DSUs awarded pursuant to this Agreement and the Recipient shall have no right to receive the related Common Stock.

(f)*Restrictions on Transfer*. The Recipient may not sell, transfer, assign, pledge or otherwise encumber or dispose of the DSUs subject to this Agreement. The Recipient may designate beneficiaries to receive the shares of Common Stock underlying the DSUs subject to this Agreement if the Recipient dies before delivery of the shares of Common Stock by so indicating on a form supplied by the Company. If the Recipient fails to designate a beneficiary, such Common Stock will be delivered as provided in the Company's Deferred Compensation Plan for Non-Employee Directors, as amended and/or restated from time to time (the "Deferred Compensation Plan").

(g)*No Voting Rights; Dividend Equivalents*. The Recipient shall have no rights as a shareholder with respect to the DSUs or the Common Stock underlying the DSUs until the underlying Common Stock is issued to the Recipient. The Recipient will not be entitled to receive cash payments representing any cash dividends paid with respect to the Common Stock underlying the DSUs. Following the Vesting Date, the DSUs shall be credited to the Recipient's account under the Deferred Compensation Plan and dividend equivalents with respect to the DSUs shall thereafter be credited to Recipient's account as provided in the Deferred Compensation Plan.

(h)*Delivery Date for the Shares Underlying the DSU.* The Company shall not issue any shares underlying the DSUs, and the Recipient shall have no right to receive any shares of Common Stock underlying the DSUs (even to the extent vested), while the Recipient is serving as a director of the Company. When the Recipient ceases to serve as a director of the Company for any reason, the Company shall, subject to any deferral elections made by the Recipient as provided in this Section 1(h) and the terms of the Deferred Compensation Plan, deliver shares of Common Stock represented by vested DSUs to the Recipient on the last business day of the month that is six months following the month in which the Recipient's service as a director ceases (the date of delivery of such shares is referred to as a "delivery date"). The shares of Common Stock will be issued in the Recipient's name or, in the event of the Recipient's death or disability, to the Recipient's beneficiary or as provided in the Deferred Compensation Plan. The Recipient may elect to defer the receipt of the shares underlying the DSUs beyond the delivery date provided for in this Section 1(h) pursuant to the terms of the Deferred Compensation Plan.

(i)*Taxes and Tax Withholding*.

(i)The Company shall be entitled to withhold from any delivery of Common Stock hereunder any income or other tax withholding obligations arising as a result of this Award, in amounts determined by the Company.

(ii)The Recipient acknowledges and agrees that no election under Section 83(b) of the Internal Revenue Code can or will be made with respect to the DSUs.

2.**Miscellaneous**.

(a)*Entire Agreement*. This Agreement, the Plan and the Deferred Compensation Plan constitute the entire agreement of the parties with regard to the subjects hereof.

(b)*Interpretation of the Plan and the Agreement.* The Committee shall have the sole authority to interpret the provisions of this Agreement, the Plan and the Deferred Compensation Plan, and all determinations by it shall be final and conclusive.

(c)*Electronic Delivery*. The Recipient consents to the electronic delivery of any prospectus and any other documents relating to this Award in lieu of mailing or other form of delivery.

(d)*Rights and Benefits*. The rights and benefits of this Agreement shall inure to the benefit of and be enforceable by the Company's successors and assigns and, subject to the restrictions on transfer of this Agreement, be binding upon the Recipient's heirs, executors, administrators, successors and assigns.

(e)*Further Action*. The parties agree to execute such further instruments and to take such further action as may reasonably be necessary to carry out the intent of this Agreement.

(f)*Governing Law*. This Agreement and the Plan will be interpreted under the laws of the state of Oregon, exclusive of choice of law rules.

(g)*Counterparts*. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original.

* * *

RADIUS RECYCLING, INC.

By: ______________________________

Authorized Officer

____

[_________________][1]

[1] To the extent that the Company has established, either itself or through a third-party plan administrator, the ability to accept this award electronically, such acceptance shall constitute the Recipient's signature hereto.

Exhibit 10.2

SUMMARY SHEET FOR 2024 NON-EMPLOYEE DIRECTOR COMPENSATION

Radius Recycling, Inc.

The following table sets forth the compensation for the Company's non-employee Directors for the Board term commencing at the 2024 annual meeting of shareholders:

Annual Cash Retainer	Annual cash retainer for non-employee Directors of $90,000 ($120,000 for the Lead Director) paid in arrears in four equal installments on or about March 31, 2024, June 30, 2024, September 30, 2024, and December 30, 2024 (the "Installment Dates") for the Company's most-recently ended fiscal quarter.
Annual Deferred Stock Unit Grant	Annual grant of Deferred Stock Units to non-employee Directors for the right to receive shares of the Company's Class A Common Stock equal to the number of shares determined by dividing $120,000 by the closing market price of the Company's Class A Common Stock on the grant date.
Committee Member and Committee Chairman Fees	Audit Committee: $25,000 annual fee for Chair and $10,000 annual fee for Members. Compensation and Human Resources Committee: $18,000 annual fee for Chair and $7,500 annual fee for Members. Nominating & Corporate Governance Committee: $15,000 annual fee for Chair and $5,000 annual fee for Members. Committee Member and Committee Chairman fees are paid in arrears in four equal installments on the Installment Dates.

All Deferred Stock Units are granted under the Company's 2024 Omnibus Incentive Plan, and are subject to the terms of such plan and the applicable Deferred Stock Units award agreements approved for issuance of Deferred Stock Units to non-employee Directors under the plan.

Non-employee Directors may elect to defer all or part of their compensation under the Deferred Compensation Plan for Non-Employee Directors, which was adopted by the Board in 2006 and amended and restated as of January 2022.

Exhibit 31.1

CERTIFICATION PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

I, Tamara L. Lundgren, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Radius Recycling, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

April 4, 2024

/s/ Tamara L. Lundgren

Tamara L. Lundgren
Chairman, President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

I, Stefano R. Gaggini, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Radius Recycling, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

April 4, 2024

/s/ Stefano R. Gaggini

Stefano R. Gaggini
Senior Vice President and Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Radius Recycling, Inc. (the “Company”) on Form 10-Q for the quarter ended February 29, 2024 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Chairman, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

April 4, 2024

/s/ Tamara L. Lundgren

Tamara L. Lundgren
Chairman, President and Chief Executive Officer

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Radius Recycling, Inc. (the “Company”) on Form 10-Q for the quarter ended February 29, 2024 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Senior Vice President and Chief Financial Officer, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

April 4, 2024

/s/ Stefano R. Gaggini

Stefano R. Gaggini
Senior Vice President and Chief Financial Officer