

REFINITIV

DELTA REPORT

10-Q

AZZ - AZZ INC

10-Q - NOVEMBER 30, 2023 COMPARED TO 10-Q - AUGUST 31, 2023

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TOTAL DELTAS 811

 CHANGES 265

 DELETIONS 290

 ADDITIONS 256

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 **August 31, 2023** **November 30, 2023**
or

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

Commission file number: 1-12777



AZZ Inc.

(Exact name of registrant as specified in its charter)

Texas

75-0948250

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

One Museum Place, Suite 500

3100 West 7th Street

Fort Worth, Texas

76107

(Address of principal executive offices)

(Zip Code)

(817) 810-0095

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class

Trading Symbol

Name of each exchange on which registered

Common Stock

AZZ

New York Stock Exchange

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

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

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

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

As of **September 30, 2023** **December 29, 2023**, the registrant had outstanding 25,076,871 shares of common stock; \$1.00 par value per share.

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PART I. FINANCIAL INFORMATION
AZZ INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except par value)
(Uaudited)

Assets	Assets	As of		As of	
		August 31, 2023	February 28, 2023	November 30, 2023	February 28, 2023
Assets	Assets				
Current assets:	Current assets:				
Cash and cash equivalents	Cash and cash equivalents	\$ 2,108	\$ 2,820	\$ 7,509	\$ 2,820
Accounts receivable, net of allowance for credit losses of \$2,137 and \$5,752 at August 31, 2023 and February 28, 2023, respectively		183,951	183,412		
Inventories:					
Raw material		130,230	138,227		
Work-in-process		2,186	1,558		
Finished goods		4,061	4,135		

Trade accounts receivable, net of allowance for credit losses of \$2,096 and \$5,752 at November 30, 2023 and February 28, 2023, respectively		Trade accounts receivable, net of allowance for credit losses of \$2,096 and \$5,752 at November 30, 2023 and February 28, 2023, respectively	142,463	156,443		
Other receivables		Other receivables	31,005	26,969		
Inventories		Inventories	126,737	143,920		
Contract assets	Contract assets	76,799	79,273	Contract assets	75,719	79,273
Prepaid expenses and other	Prepaid expenses and other	10,534	7,991	Prepaid expenses and other	9,295	7,991
Total current assets	Total current assets	409,869	417,416	Total current assets	392,728	417,416
Property, plant and equipment, net	Property, plant and equipment, net	516,499	498,503	Property, plant and equipment, net	525,338	498,503
Right-of-use assets	Right-of-use assets	24,273	26,392	Right-of-use assets	22,830	26,392
Goodwill	Goodwill	705,531	702,512	Goodwill	705,487	702,512
Deferred tax assets	Deferred tax assets	5,820	12,467	Deferred tax assets	5,820	12,467
Intangibles and other assets, net		467,034	479,429			
Intangible assets, net				Intangible assets, net	451,289	469,392
Investment in joint venture	Investment in joint venture	85,535	84,760	Investment in joint venture	97,238	84,760
Other assets				Other assets	8,026	10,037
Total assets	Total assets	\$ 2,214,561	\$ 2,221,479	Total assets	\$ 2,208,756	\$ 2,221,479
Liabilities and Shareholders' Equity	Liabilities and Shareholders' Equity			Liabilities and Shareholders' Equity		
Current Liabilities:	Current liabilities:			Current liabilities:		
Accounts payable	Accounts payable	\$ 127,408	\$ 109,861	Accounts payable	\$ 95,158	\$ 84,256
Income tax payable	Income tax payable	46	272	Income tax payable	45	272
Accrued salaries and wages	Accrued salaries and wages	21,307	26,262	Accrued salaries and wages	25,868	26,262
Other accrued liabilities	Other accrued liabilities	50,984	44,442	Other accrued liabilities	72,476	70,047
Lease liability, short-term	Lease liability, short-term	6,572	6,403	Lease liability, short-term	6,453	6,403
Total current liabilities	Total current liabilities	206,317	187,240	Total current liabilities	200,000	187,240

Long-term debt, net	Long-term debt, net	1,002,364	1,058,120	Long-term debt, net	980,004	1,058,120
Lease liability, long-term	Lease liability, long-term	18,434	20,704	Lease liability, long-term	17,112	20,704
Deferred tax liabilities	Deferred tax liabilities	31,417	40,536	Deferred tax liabilities	33,370	40,536
Other long-term liabilities	Other long-term liabilities	57,952	61,419	Other long-term liabilities	57,120	61,419
Total liabilities	Total liabilities	1,316,484	1,368,019	Total liabilities	1,287,606	1,368,019
Commitments and contingencies (Note 16)						
Commitments and contingencies (Note 17)				Commitments and contingencies (Note 17)		
Shareholders' equity:	Shareholders' equity:			Shareholders' equity:		
Series A Convertible Preferred Stock, \$1 par, shares authorized 240; 240 and 240 shares issued and outstanding at August 31, 2023 and February 28, 2023, respectively		240	240	Series A Convertible Preferred Stock, \$1 par, shares authorized 240; 240 shares issued and outstanding at November 30, 2023 and February 28, 2023	240	240
Common Stock, \$1 par value; 100,000 shares authorized; 25,077 and 24,912 shares issued and outstanding at August 31, 2023 and February 28, 2023, respectively		25,077	24,912	Common Stock, \$1 par value; 100,000 shares authorized; 25,077 and 24,912 shares issued and outstanding at November 30, 2023 and February 28, 2023, respectively	25,077	24,912
Series A Convertible Preferred Stock, \$1 par, shares authorized 240; 240 shares issued and outstanding at November 30, 2023 and February 28, 2023				Series A Convertible Preferred Stock, \$1 par, shares authorized 240; 240 shares issued and outstanding at November 30, 2023 and February 28, 2023	240	240
Common Stock, \$1 par value; 100,000 shares authorized; 25,077 and 24,912 shares issued and outstanding at November 30, 2023 and February 28, 2023, respectively				Common Stock, \$1 par value; 100,000 shares authorized; 25,077 and 24,912 shares issued and outstanding at November 30, 2023 and February 28, 2023, respectively	25,077	24,912
Capital in excess of par value	Capital in excess of par value	331,366	326,839	Capital in excess of par value	333,555	326,839
Retained earnings	Retained earnings	547,208	506,042	Retained earnings	566,235	506,042
Accumulated other comprehensive loss	Accumulated other comprehensive loss	(5,814)	(4,573)	Accumulated other comprehensive loss	(3,957)	(4,573)
Total shareholders' equity	Total shareholders' equity	898,077	853,460	Total shareholders' equity	921,150	853,460
Total liabilities and shareholders' equity	Total liabilities and shareholders' equity	\$ 2,214,561	\$ 2,221,479	Total liabilities and shareholders' equity	\$ 2,208,756	\$ 2,221,479

AZZ INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)
(Uaudited)

		Three Months Ended August 31,				Six Months Ended August 31,				Three Months Ended November 30,				Nine Months Ended November 30,					
		2023		2022		2023		2022		2023		2022		2023		2022			
		Sales	Sales	Cost of sales	Cost of sales	Gross margin	Gross margin	Selling, general and administrative	Selling, general and administrative	Operating income	Operating income	Interest expense	Interest expense	Equity in (earnings) of unconsolidated subsidiaries	Equity in (earnings) of unconsolidated subsidiaries	Other (income) expense, net	Other (income) expense, net		
Sales	Sales	\$398,542	\$406,710	\$789,415	\$613,844	Sales										\$381,605	\$373,301	\$1,171,020	\$987,145
Cost of sales	Cost of sales	301,296	305,155	595,150	452,236	Cost of sales										293,456	300,219	888,606	752,455
Gross margin	Gross margin	97,246	101,555	194,265	161,608	Gross margin										88,149	73,082	282,414	234,690
Selling, general and administrative	Selling, general and administrative	36,239	37,414	67,762	69,558	Selling, general and administrative										35,325	27,689	103,087	97,247
Operating income	Operating income	61,007	64,141	126,503	92,050	Operating income										52,824	45,393	179,327	137,443
Interest expense	Interest expense	27,770	28,144	56,476	35,615	Interest expense										25,855	26,123	82,331	61,739
Equity in (earnings) of unconsolidated subsidiaries	Equity in (earnings) of unconsolidated subsidiaries	(974)	—	(2,394)	—	Equity in (earnings) of unconsolidated subsidiaries													
Equity in earnings of unconsolidated subsidiaries	Equity in earnings of unconsolidated subsidiaries					Other (income) expense, net										(8,742)	(1,006)	(11,136)	(1,006)
Other (income) expense, net	Other (income) expense, net	(88)	55	(50)	28	Other (income) expense, net										41	(610)	(9)	(582)
Income from continuing operations before income taxes	Income from continuing operations before income taxes	34,299	35,942	72,471	56,407	Income from continuing operations before income taxes										35,670	20,886	108,141	77,292
Income tax expense	Income tax expense	5,967	10,822	15,617	15,922	Income tax expense										8,780	2,447	24,397	18,380
Net income from continuing operations	Net income from continuing operations	28,332	25,120	56,854	40,485	Net income from continuing operations										26,890	18,439	83,744	58,912
Income from discontinued operations, net of tax	Income from discontinued operations, net of tax	—	6,737	—	15,449	Income from discontinued operations, net of tax										—	1,665	—	17,126
Loss on disposal of discontinued operations, net of tax	Loss on disposal of discontinued operations, net of tax	—	(89,427)	—	(89,427)	Loss on disposal of discontinued operations, net of tax										—	(40,646)	—	(130,073)
Net loss from discontinued operations	Net loss from discontinued operations	—	(82,690)	—	(73,978)	Net loss from discontinued operations										—	(38,981)	—	(112,947)
Net income (loss)	Net income (loss)	28,332	(57,570)	56,854	(33,493)	Net income (loss)										26,890	(20,542)	83,744	(54,035)
Dividends on preferred stock	Dividends on preferred stock	(3,600)	(1,040)	(7,200)	(1,040)	Dividends on preferred stock										(3,600)	(3,600)	(10,800)	(4,640)
Net income (loss) available to common shareholders	Net income (loss) available to common shareholders	\$ 24,732	\$ (58,610)	\$ 49,654	\$ (34,533)	Net income (loss) available to common shareholders										\$ 23,290	\$ (24,142)	\$ 72,944	\$ (58,675)
Basic earnings (loss) per share	Basic earnings (loss) per share					Basic earnings (loss) per share													
Earnings per common share from continuing operations	Earnings per common share from continuing operations	\$ 0.99	\$ 0.97	\$ 1.99	\$ 1.59	Earnings per common share from continuing operations										\$ 0.93	\$ 0.60	\$ 2.91	\$ 2.19
Loss per common share from discontinued operations	Loss per common share from discontinued operations	\$ —	\$ (3.33)	\$ —	\$ (2.99)	Loss per common share from discontinued operations										\$ —	\$ (1.57)	\$ —	\$ (4.55)
Earnings (loss) per common share	Earnings (loss) per common share	\$ 0.99	\$ (2.36)	\$ 1.99	\$ (1.39)	Earnings (loss) per common share										\$ 0.93	\$ (0.97)	\$ 2.91	\$ (2.37)

Diluted earnings (loss) per share	Diluted earnings (loss) per share						Diluted earnings (loss) per share							
Earnings per common share from continuing operations	Earnings per common share from continuing operations						\$ 0.97	\$ 0.93	\$ 1.95	\$ 1.57	\$ 0.92	\$ 0.59	\$ 2.86	\$ 2.17
Loss per common share from discontinued operations	Loss per common share from discontinued operations						\$ —	\$ (2.85)	\$ —	\$ (2.70)	\$ —	\$ (1.56)	\$ —	\$ (4.52)
Earnings (loss) per common share	Earnings (loss) per common share						\$ 0.97	\$ (1.91)	\$ 1.95	\$ (1.13)	\$ 0.92	\$ (0.97)	\$ 2.86	\$ (2.35)
Weighted average shares outstanding - Basic	Weighted average shares outstanding - Basic						25,054	24,836	24,997	24,772	25,077	24,867	25,024	24,804
Weighted average shares outstanding - Diluted	Weighted average shares outstanding - Diluted						29,210	29,059	29,196	27,428	29,330	24,995	29,278	24,984
Cash dividends declared per common share	Cash dividends declared per common share						\$ 0.17	\$ 0.17	\$ 0.34	\$ 0.34	\$ 0.17	\$ 0.17	\$ 0.51	\$ 0.51

The accompanying notes are an integral part of the consolidated financial statements.

AZZ INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In thousands)
(Uaudited)

	Net income (loss) available to common shareholders	Three Months Ended August 31,				Six Months Ended August 31,				Three Months Ended November 30,		Nine Months Ended November 30,		
		2023		2022		2023		2022		2023	2022	2023	2022	
		Net income (loss) available to common shareholders	Other comprehensive income (loss):	Unrealized translation loss	Unrealized translation gain (loss)	Reclassification of foreign currency translation adjustment from accumulated other comprehensive loss to loss on sale of discontinued operations	Unrealized gain (loss) on derivatives qualified for hedge accounting:	Unrealized gain (loss) on interest rate swap, net of tax ⁽¹⁾	Amounts reclassified from accumulated other comprehensive income to earnings, net of tax ⁽²⁾	Unrealized gain (loss) on derivatives qualified for hedge accounting:	Unrealized gain (loss) on interest rate swap, net of tax ⁽¹⁾	Amounts reclassified from accumulated other comprehensive income to earnings, net of tax ⁽²⁾	Unrealized gain (loss) on derivatives qualified for hedge accounting:	
Net income (loss) available to common shareholders	\$24,732	\$ (58,610)	\$49,654	\$ (34,533)						\$23,290	\$ (24,142)	\$72,944	\$ (58,675)	
Other comprehensive income (loss):										Other comprehensive income (loss):				
Unrealized translation loss	(2,867)	(3,370)	(1,736)	(2,746)						Unrealized translation gain (loss)	3,029	(5,019)	1,293	(7,765)
Unrealized translation gain (loss)										Reclassification of foreign currency translation adjustment from accumulated other comprehensive loss to loss on sale of discontinued operations	—	27,750	—	27,750
Reclassification of foreign currency translation adjustment from accumulated other comprehensive loss to loss on sale of discontinued operations										Unrealized gain (loss) on derivatives qualified for hedge accounting:				
Unrealized gain (loss) on derivatives qualified for hedge accounting:										Unrealized gain (loss) on derivatives qualified for hedge accounting:				
Unrealized gain (loss) on interest rate swap, net of tax ⁽¹⁾	5,531	—	1,982	—						Unrealized gain (loss) on interest rate swap, net of tax ⁽¹⁾	(115)	(3,512)	1,867	(3,512)
Amounts reclassified from accumulated other comprehensive income to earnings, net of tax ⁽²⁾	(938)	—	(1,487)	—						Amounts reclassified from accumulated other comprehensive income to earnings, net of tax ⁽²⁾	(1,057)	—	(2,544)	—

Other comprehensive income (loss)	1,726	(3,370)	(1,241)	(2,746)	Other comprehensive income	1,857	19,219	616	16,473	
Other comprehensive income					Other comprehensive income	1,857	19,219	616	16,473	
Comprehensive income (loss)	Comprehensive income (loss)	\$26,458	\$(61,980)	\$48,413	\$(37,279)	Comprehensive income (loss)	\$25,147	\$(4,923)	\$73,560	\$(42,202)
(1) Net of tax expense of \$2,009 and \$720 for the three and six months ended August 31, 2023, respectively.										
(2) Net of tax benefit of \$(341) and \$(540) for the three and six months ended August 31, 2023, respectively.										
(1) Net of tax expense (benefit) of \$(42) and \$678 for the three and nine months ended November 30, 2023, respectively.					(1) Net of tax expense (benefit) of \$(42) and \$678 for the three and nine months ended November 30, 2023, respectively.					
(2) Net of tax benefit of \$(384) and \$(924) for the three and nine months ended November 30, 2023, respectively.					(2) Net of tax benefit of \$(384) and \$(924) for the three and nine months ended November 30, 2023, respectively.					

The accompanying notes are an integral part of the consolidated financial statements.

AZZ INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Uaudited)

Cash flows from operating activities	Cash flows from operating activities	Six Months Ended		Nine Months Ended	
		August 31,		November 30,	
		2023	2022	2023	2022
Net income (loss) available to common shareholders	Net income (loss) available to common shareholders	\$ 49,654	\$ (34,533)	Net income (loss) available to common shareholders	\$ 72,944
Less: Net loss from discontinued operations	Less: Net loss from discontinued operations	—	73,978	Less: Net loss from discontinued operations	—
Plus: Dividends on preferred stock	Plus: Dividends on preferred stock	7,200	1,040	Plus: Dividends on preferred stock	10,800
Net income from continuing operations	Net income from continuing operations	56,854	40,485	Net income from continuing operations	83,744
Adjustments to reconcile net income from continuing operations to net cash provided by operating activities:	Adjustments to reconcile net income from continuing operations to net cash provided by operating activities:			Adjustments to reconcile net income from continuing operations to net cash provided by operating activities:	
Bad debt expense		79	(1)	Bad debt expense (recovery)	53
Bad debt expense (recovery)				Bad debt expense (recovery)	(38)
Depreciation and amortization	Depreciation and amortization	38,677	33,875	Depreciation and amortization	59,034
Deferred income taxes	Deferred income taxes	(2,656)	(21,823)	Deferred income taxes	(274)
Equity in earnings of unconsolidated entities	Equity in earnings of unconsolidated entities	(2,394)	—	Equity in earnings of unconsolidated entities	(11,136)
Impairment of long-lived assets	Impairment of long-lived assets	—	135	Impairment of long-lived assets	—
Net (gain) on sale of property, plant and equipment	Net (gain) on sale of property, plant and equipment	(13)	(2,742)	Net (gain) on sale of property, plant and equipment	(39)
Amortization of debt financing costs	Amortization of debt financing costs	6,062	4,661	Amortization of debt financing costs	9,105
Share-based compensation expense	Share-based compensation expense	4,019	4,770	Share-based compensation expense	6,207
Changes in current assets and current liabilities	Changes in current assets and current liabilities	21,384	(12,679)	Changes in current assets and current liabilities	38,819
Changes in other long-term assets and long-term liabilities	Changes in other long-term assets and long-term liabilities	(3,672)	(4,670)	Changes in other long-term assets and long-term liabilities	(4,585)
Net cash provided by operating activities of continuing operations	Net cash provided by operating activities of continuing operations	118,340	42,011	Net cash provided by operating activities of continuing operations	180,928
Cash flows from investing activities	Cash flows from investing activities			Cash flows from investing activities	
Purchase of property, plant and equipment	Purchase of property, plant and equipment	(42,726)	(18,696)	Purchase of property, plant and equipment	(66,900)
Acquisition of subsidiaries, net of cash acquired	Acquisition of subsidiaries, net of cash acquired	—	(1,298,513)	Acquisition of subsidiaries, net of cash acquired	—
Other investing activities		20	4,089		

Proceeds from sale of subsidiaries, net		Proceeds from sale of subsidiaries, net	—	106,766
Other investing activities		Other investing activities	47	4,114
Net cash used in investing activities of continuing operations	Net cash used in investing activities of continuing operations	(42,706)	(1,313,120)	Net cash used in investing activities of continuing operations
Cash flows from financing activities	Cash flows from financing activities			Cash flows from financing activities
Proceeds from issuance of common stock	Proceeds from issuance of common stock	1,464	1,767	Proceeds from issuance of common stock
Payments for taxes related to net share settlement of equity awards	Payments for taxes related to net share settlement of equity awards	(791)	(2,306)	Payments for taxes related to net share settlement of equity awards
Proceeds from revolving loan	Proceeds from revolving loan	142,000	175,000	Proceeds from revolving loan
Payments on revolving loan	Payments on revolving loan	(202,000)	(225,000)	Payments on revolving loan
Proceeds from long term debt	Proceeds from long term debt	—	1,540,000	Proceeds from long term debt
Payments of debt financing costs	Payments of debt financing costs	(1,203)	(82,697)	Payments of debt financing costs
Payments on long term debt and finance leases	Payments on long term debt and finance leases	(162)	(153,250)	Payments on long term debt and finance leases
Payments of dividends	Payments of dividends	(15,687)	(8,418)	Payments of dividends
Net cash provided by (used in) financing activities of continuing operations	Net cash provided by (used in) financing activities of continuing operations	(76,379)	1,245,096	Net cash provided by (used in) financing activities of continuing operations
Effect of exchange rate changes on cash	Effect of exchange rate changes on cash	33	2,501	Effect of exchange rate changes on cash
Net cash provided by operating activities from discontinued operations	Net cash provided by operating activities from discontinued operations	—	25,098	Net cash provided by operating activities from discontinued operations
Net cash used in investing activities from discontinued operations	Net cash used in investing activities from discontinued operations	—	(2,328)	Net cash used in investing activities from discontinued operations
Net cash provided by financing activities from discontinued operations				Net cash provided by financing activities from discontinued operations
Net cash provided by discontinued operations				Net cash provided by discontinued operations
Net increase (decrease) in cash and cash equivalents				Net increase (decrease) in cash and cash equivalents
Cash and cash equivalents at beginning of period				Cash and cash equivalents at beginning of period
Net cash provided by discontinued operations				Net cash provided by discontinued operations
Net decrease in cash and cash equivalents		(712)	(742)	Net increase (decrease) in cash and cash equivalents
Cash and cash equivalents at beginning of period		2,820	15,082	Cash and cash equivalents at beginning of period
Cash and cash equivalents at end of period		\$ 2,108	\$ 14,340	Cash and cash equivalents at end of period
Less: Cash and cash equivalents from discontinued operations at end of period		—	(3,000)	
Cash and cash equivalents from continuing operations at end of period	Cash and cash equivalents from continuing operations at end of period	\$ 2,108	\$ 11,340	Cash and cash equivalents from continuing operations at end of period

The accompanying notes are an integral part of the consolidated financial statements.

AZZ INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
 (In thousands)
 (Unaudited)

	Three Months Ended August 31, 2023							Three Months Ended November						
	Series A			Accumulated				Series A			Accumulated			
	Preferred Stock	Common Stock	Capital in Excess of Par Value	Retained Earnings	Other	Comprehensive		Preferred Stock	Common Stock	Capital in Excess of Par Value	Retained Earnings	Other	Comprehensive	
	Shares	Amount	Shares	Amount	Par Value	Earnings	Total	Shares	Amount	Shares	Amount	Par Value	Earnings	Total
Balance at May 31, 2023	240	\$ 240	25,013	\$ 25,013	\$ 326,931	\$ 526,729	\$ (7,540)	\$ 871,373						

Balance at August 31, 2023										Balance at August 31, 2023						
Share-based compensation	Share-based compensation	—	—	—	—	2,115	—	—	—	2,115	Share-based compensation	—	—	—	—	2,189
Common stock issued under stock-based plans and related income tax expense	—	—	22	22	898	—	—	—	920							
Common stock issued under employee stock purchase plan	—	—	42	42	1,422	—	—	—	1,464							
Dividends on preferred stock	Dividends on preferred stock	—	—	—	—	—	(3,600)	—	(3,600)	Dividends on preferred stock	—	—	—	—	(3,600)	
Dividends paid on common shares	Dividends paid on common shares	—	—	—	—	—	(4,253)	—	(4,253)	Dividends paid on common shares	—	—	—	—	(4,253)	
Net income	Net income	—	—	—	—	—	28,332	—	28,332	Net income	—	—	—	—	26,886	
Foreign currency translation	—	—	—	—	—	—	(2,867)	(2,867)								
Interest rate swap	—	—	—	—	—	—	4,593	4,593								
Balance at August 31, 2023		240	\$ 240	25,077	\$ 25,077	\$ 331,366	\$ 547,208	\$ (5,814)	\$ 898,077	Balance at August 31, 2023						
Other comprehensive income	—	—	—	—	—	—	—	—	—	Other comprehensive income	—	—	—	—	—	
Balance at November 30, 2023										Balance at November 30, 2023	240	\$ 240	25,077	\$ 25,077	\$ 333,555	\$ 566,220
Six Months Ended August 31, 2023														Nine Months Ended November 30, 2023		
Series A														Series A		
		Preferred Stock	Common Stock	Capital in Excess of Par Value		Retained Earnings	Other Comprehensive		Preferred Stock		Common Stock	Capital in Excess of Par Value		Retained Earnings		
		Shares	Amount	Shares	Amount	Par Value	Earnings	Loss	Shares	Amount	Shares	Amount	Par Value	Earnings		
Balance at February 28, 2023	Balance at February 28, 2023	240	\$ 240	24,912	\$ 24,912	\$ 326,839	\$ 506,042	\$ (4,573)	\$ 853,460	Balance at February 28, 2023	240	\$ 240	24,912	\$ 24,912	\$ 326,839	\$ 506,042
Share-based compensation	Share-based compensation	—	—	—	—	4,019	—	—	4,019	Share-based compensation	—	—	—	—	—	6,207
Common stock issued under stock-based plans and related income tax expense	Common stock issued under stock-based plans and related income tax expense	—	—	—	—	—	—	—	—	Common stock issued under stock-based plans and related income tax expense	—	—	—	—	—	
Common stock issued under employee stock purchase plan	Common stock issued under employee stock purchase plan	—	—	123	123	(914)	—	—	(791)	Common stock issued under employee stock purchase plan	—	—	123	123	(914)	
Dividends on preferred stock	Dividends on preferred stock	—	—	—	—	—	(7,200)	—	(7,200)	Dividends on preferred stock	—	—	—	—	—	(10,800)
Dividends paid on common shares	Dividends paid on common shares	—	—	—	—	—	(8,488)	—	(8,488)	Dividends paid on common shares	—	—	—	—	—	(12,728)

Net income	Net income	—	—	—	—	—	56,854	—	56,854	Net income	—	—	—	—	—	83,7		
Foreign currency translation		—	—	—	—	—	—	(1,736)	(1,736)									
Interest rate swap		—	—	—	—	—	—	495	495									
Balance at August 31, 2023		240	\$ 240	25,077	\$ 25,077	\$331,366	\$547,208	\$ (5,814)	\$ 898,077									
Other comprehensive income										Other comprehensive income	—	—	—	—	—			
Balance at November 30, 2023										Balance at November 30, 2023	240	\$ 240	25,077	\$ 25,077	\$333,555	\$ 566,2		

Three Months Ended August 31, 2022										Three Months Ended November								
Accumulated																		
Series A					Capital in			Other		Series A					Capital in			
Preferred Stock		Common Stock			Excess of		Par Value		Retained	Comprehensive		Preferred Stock		Common Stock			Par Value	
Shares	Amount	Shares	Amount				Shares	Amount	Earnings	Loss	Total		Shares	Amount	Shares	Amount	Earnings	
Balance at May 31, 2022		—	\$ —	24,788	\$ 24,788	\$ 85,432	\$ 604,039	\$ (26,700)	\$ 687,559									
Balance at August 31, 2022											Balance at August 31, 2022	240	\$ 240	24,862	\$ 24,862	\$323,386	\$ 541,20	
Share-based compensation	Share-based compensation	—	—	—	—	2,772	—	—	2,772	Share-based compensation	—	—	—	—	—	2,348	—	
Issuance of Class A convertible preferred stock in exchange for convertible debt		240	240	—	—	233,482	—	—	233,722									
Common stock issued under stock-based plans and related income tax expense	Common stock issued under stock-based plans and related income tax expense	—	—	22	22	(14)	—	—	8	Common stock issued under stock-based plans and related income tax expense	—	—	14	14	(301)	—	—	
Common stock issued under employee stock purchase plan		—	—	52	52	1,714	—	—	1,766									
Dividends on preferred stock	Dividends on preferred stock	—	—	—	—	—	(1,040)	—	(1,040)	Dividends on preferred stock	—	—	—	—	—	(3,60)	—	
Dividends paid on common shares	Dividends paid on common shares	—	—	—	—	—	(4,226)	—	(4,226)	Dividends paid on common shares	—	—	—	—	—	(4,24)	—	
Net loss		—	—	—	—	—	(57,570)	—	(57,570)									
Foreign currency translation		—	—	—	—	—	—	(3,370)	(3,370)									
Balance at August 31, 2022		240	\$ 240	24,862	\$ 24,862	\$323,386	\$ 541,203	\$ (30,070)	\$ 859,621									
Net income (loss)										Net income (loss)	—	—	—	—	—	(20,54)	—	
Other comprehensive income										Other comprehensive income	—	—	—	—	—	—	—	
Balance at November 30, 2022										Balance at November 30, 2022	240	\$ 240	24,876	\$ 24,876	\$325,433	\$ 512,81		
Six Months Ended August 31, 2022										Nine Months Ended November								

		Series A						Accumulated					Series A					
		Preferred Stock		Common Stock		Capital in		Other		Preferred Stock		Common Stock		Capital in				
		Shares	Amount	Shares	Amount	Par Value	Earnings	Loss	Total	Shares	Amount	Shares	Amount	Par Value	Earnings			
Balance at	Balance at															Balance at		
February 28,	February 28,															February 28,		
2022	2022	—	\$ —	24,688	\$ 24,688	\$ 85,847	\$ 584,154	\$ (27,324)	\$ 667,365	—	\$ —	24,688	\$ 24,688	\$ 85,847	\$ 584,154	2022		
Share-based	Share-based															Share-based		
compensation	compensation	—	—	—	—	4,770	—	—	4,770	—	—	—	—	—	—	compensation		
Issuance of	Issuance of															Issuance of		
Class A	Class A															Class A		
convertible	convertible															convertible		
preferred stock	preferred stock															preferred stock		
in exchange for	in exchange for															in exchange for		
convertible	convertible															convertible		
debt	debt	240	240	—	—	233,482	—	—	233,722	240	240	—	—	—	233,482	debt		
Common	Common															Common		
Common stock	Common stock															Common stock		
issued under	issued under															issued under		
stock-based	stock-based															stock-based		
plans and	plans and															plans and		
related income	related income															related income		
tax expense	tax expense	—	—	122	122	(2,428)	—	—	(2,306)	tax expense	—	—	136	136	(2,728)	tax expense		
Common	Common															Common		
Common stock	Common stock															Common stock		
issued under	issued under															issued under		
employee	employee															employee		
stock purchase	stock purchase															stock purchase		
plan	plan	—	—	52	52	1,715	—	—	1,767	plan	—	—	52	52	1,714	plan		
Dividends on	Dividends on															Dividends on		
preferred stock	preferred stock	—	—	—	—	—	(1,040)	—	(1,040)	preferred stock	—	—	—	—	(4,64)	preferred stock		
Dividends paid	Dividends paid															Dividends paid		
on common	on common															on common		
shares	shares	—	—	—	—	—	(8,418)	—	(8,418)	shares	—	—	—	—	(12,66)	shares		
Net loss	Net loss	—	—	—	—	—	(33,493)	—	(33,493)									
Foreign currency translation	Foreign currency translation	—	—	—	—	—	—	(2,746)	(2,746)									
Balance at August 31, 2022	Balance at August 31, 2022	240	\$ 240	24,862	\$ 24,862	\$ 323,386	\$ 541,203	\$ (30,070)	\$ 859,621	Net income	—	—	—	—	—	(54,03)	Net income	
(loss)	(loss)									(loss)	—	—	—	—	—	—	(loss)	
Other	Other									comprehensive	—	—	—	—	—	—	comprehensive	
comprehensive	comprehensive									income	—	—	—	—	—	—	income	
Balance at	Balance at									November 30,	—	—	—	—	—	—	November 30,	
November 30,	November 30,									2022	240	\$ 240	24,876	\$ 24,876	\$ 325,433	\$ 512,81	2022	

The accompanying notes are an integral part of the consolidated financial statements.

AZZ INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. The Company and Basis of Presentation

AZZ Inc. ("AZZ", the "Company", "our" or "we") was established in 1956 and incorporated under the laws of the state of Texas. We are a provider of hot-dip galvanizing and coil coating solutions to a broad range of end-markets in North America. We have three distinct operating segments: the AZZ Metal Coatings segment, the AZZ Precoat Metals segment, and the AZZ Infrastructure Solutions segment. The Company's AZZ Metal Coatings segment is a leading provider of metal finishing solutions for corrosion protection, including hot-dip galvanizing, spin galvanizing, powder coating, anodizing and plating to the North American steel fabrication and other industries. The AZZ Precoat Metals segment provides aesthetic and corrosion protective coatings and related value-added services for steel and aluminum coil, primarily serving the construction; appliance; heating, ventilation, and air conditioning (HVAC); container; transportation and other end markets in North America. The AZZ Infrastructure Solutions segment consists of the Company's 40% interest in AIS Investment Holdings LLC (the "AVAIL JV"). AIS Investment Holdings LLC is dedicated to delivering safe and reliable transmission of power from generation sources to end customers, and automated weld overlay solutions for corrosion and erosion mitigation to critical infrastructure in markets worldwide. AIS Investment Holdings LLC was wholly-owned by the Company until September 30, 2022, when AZZ contributed its' AZZ Infrastructure Solutions segment, excluding AZZ Crowley Tubing and excluding certain receivables retained by AZZ ("AIS"), to the AVAIL JV and sold a 60% interest in the AVAIL JV to Fernweh Group LLC ("Fernweh"). For the three and **six** nine months ended **August 31, 2022** November 30, 2022, financial data for the AZZ Infrastructure Solutions segment is segregated and reported as discontinued operations.

Presentation

The accompanying condensed consolidated balance sheet as of February 28, 2023 was derived from audited financial statements. The unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information and in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete consolidated financial statements. These financial statements should be read in conjunction with the audited financial statements and related notes for the fiscal year ended February 28, 2023, included in the Company's Annual Report on Form 10-K covering such period. Certain previously reported amounts have been reclassified to conform to current period presentation. See Note 3 for more information about results of operations reported in discontinued operations in the consolidated statement of operations and statement of cash flows for the three and **six** nine months ended **August 31, 2022** November 30, 2022.

The Company's fiscal year ends on the last day of February and is identified as the fiscal year for the calendar year in which it ends. For example, the fiscal year ending February 29, 2024 is referred to as fiscal 2024.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements include all adjustments, consisting only of normal recurring adjustments, which are necessary to present fairly the financial position of the Company as of **August 31, 2023** November 30, 2023, the results of its operations for the three and **six** nine months ended **August 31, 2023** November 30, 2023 and 2022, and cash flows for the **six** nine months ended **August 31, 2023** November 30, 2023 and 2022. The interim results reported herein are not necessarily indicative of results for a full year.

Significant Accounting Policies

Other receivables

Other receivables includes income taxes receivable, receivables for supplier rebates, and other miscellaneous receivables.

Accounting Pronouncements Not Yet Adopted

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures* ("ASU 2023-07"), which expands disclosures about a public entity's reportable segments and requires more enhanced information about a reportable segment's expenses, interim segment profit or loss, and how a public entity's chief operating decision maker uses reported segment profit or loss information in assessing segment performance and allocating resources. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023 and interim periods within fiscal years beginning after December 15, 2024. We are currently assessing the impact of this update on our consolidated financial statement disclosures.

AZZ INC. **NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, which expands disclosures in an entity's income tax rate reconciliation table and regarding cash taxes paid both in the U.S. and foreign jurisdictions. The update will be effective for annual periods beginning after December 15, 2024. We are currently assessing the impact of this update on our consolidated financial statement disclosures.

2. Acquisitions

Precoat Acquisition

On May 13, 2022, the Company acquired Precoat Metals for a purchase price of approximately \$1.3 billion (the "Precoat Acquisition"). AZZ Precoat Metals is the leading independent provider of metal coil coating solutions in North America. The acquisition represented a continued transition of the Company to a focused provider of coating and galvanizing services for critical applications. The Company completed the final purchase accounting valuation during the first quarter of fiscal year 2024.

The Company accounted for the Precoat Acquisition as a business combination under the acquisition method of accounting. Goodwill from the acquisition of \$527.8 million represents the excess purchase price over the estimated value of net tangible and intangible assets and liabilities assumed, and is expected to be deductible for income tax purposes. The Company's chief operating decision maker assesses performance and allocates resources to Precoat separately from the AZZ Metal Coatings segment; therefore, Precoat is accounted for as a separate segment, the AZZ Precoat Metals segment. See Note **7** for more information about the Company's operating segments. Goodwill from the acquisition was allocated to the AZZ

AZZ INC. **NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Precoat Metals segment. Assets acquired and liabilities assumed in the Precoat Acquisition were recorded at their estimated fair values as of the acquisition date. See Note 16 for additional information regarding certain environmental liabilities assumed as part of the Precoat Acquisition.

When determining the fair values of assets acquired and liabilities assumed, management made significant estimates, judgments and assumptions. The Company engaged third-party valuation experts to assist in determination of fair value of property and equipment, intangible assets, pension benefit obligation and certain other assets and liabilities. Management believes that the current information provides a reasonable basis for the fair values of assets acquired and liabilities assumed. During the first quarter of fiscal 2024, the Company made purchase price allocation adjustments that impacted goodwill, contract assets and accrued expenses.

The following table represents the summary of the assets acquired and liabilities assumed, in aggregate, related to the Precoat Acquisition, as of the date of the acquisition (in thousands):

AZZ INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

		May 13, 2022
Assets		
Accounts receivable, net		\$ 77,422
Inventories		43,369
Contract assets		68,314
Prepaid expenses and other		2,247
Property, plant and equipment		305,503
Right-of-use asset assets		13,753
Goodwill		527,793
Deferred tax asset		8,660
Intangibles and other Intangible assets, net		446,000
Other assets		446,546
Total fair value of assets acquired	\$	<u>1,493,607</u>
Liabilities		
Accounts payable	\$	(99,223)
Accrued expenses		(31,761)
Other accrued liabilities		(5,330)
Lease liability, short-term		(2,440)
Lease liability, long-term		(11,313)
Other long-term liabilities		(60,091)
Total fair value of liabilities assumed	\$	<u>(210,158)</u>
Total purchase price, net of cash acquired	\$	<u>1,283,449</u>

Intangible assets include customer relationships, trademarks and technology. Other long-term liabilities include the Company's pension obligation and certain environmental liabilities. Liabilities assumed as part of the Precoat Acquisition. See Notes 15, 16 and 17 for more information about these long-term liabilities.

Unaudited Pro Forma Information

The following unaudited pro forma financial information for the three and six nine months ended August 31, 2023 and 2022 November 30, 2022 combines the historical results of the Company and the acquisition of Precoat Metals, assuming that the companies were combined as of March 1, 2022. The pro forma financial information includes business combination accounting effects from the Precoat Acquisition, including amortization expense from acquired intangible assets, depreciation expense from acquired property, plant and equipment, interest expense from financing transactions which occurred to fund the Precoat Acquisition, acquisition-related transaction costs and tax-related effects. The pro forma information as presented below is for informational purposes only and is not indicative of the results of operations that would have been achieved if the acquisition of Precoat Metals had taken place on March 1, 2022 or of future operating performance.

AZZ INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

		Three Months Ended August 31,				Six Months Ended August 31,				Revenue	Three Months Ended November 30,		Nine Months Ended November 30,		
		2023		2022		2023		2022			2022		2022		
		Revenue	\$ 398,542	Revenue	\$ 406,710	Revenue	\$ 789,415	Revenue	\$ 806,864		Revenue	\$ 373,301	Revenue	\$ 1,180,165	
Revenue	Revenue	\$ 398,542	\$ 406,710	\$ 789,415	\$ 806,864	\$ 373,301	\$ 1,180,165								
Net income from continuing operations ⁽¹⁾	Net income from continuing operations ⁽¹⁾	\$ 28,332	\$ 25,120	56,854	25,015	\$ 18,439	\$ 43,442								

⁽¹⁾ Net income for the six months ended August 31, 2022 includes acquisition costs of approximately \$45.0 million, of which \$11.5 million was incurred by AZZ and \$33.5 million was incurred by Precoat Metals prior to the acquisition.

⁽¹⁾ Net income for the nine months ended November 30, 2022 includes acquisition costs of approximately \$45.0 million, of which \$11.5 million was incurred by AZZ and \$33.5 million was incurred by Precoat Metals prior to the acquisition.

⁽¹⁾ Net income for the nine months ended November 30, 2022 includes acquisition costs of approximately \$45.0 million, of which \$11.5 million was incurred by AZZ and \$33.5 million was incurred by Precoat Metals prior to the acquisition.

3. Discontinued Operations

On September 30, 2022, AZZ contributed its AZZ Infrastructure Solutions ("AIS") segment, excluding AZZ Crowley Tubing, to a joint venture, AIS Investment Holdings LLC (the "AVAIL JV") and sold a 60% interest in the AVAIL JV to Fernweh Group LLC ("Fernweh"). On September 30, 2022, the AVAIL JV was deconsolidated. Beginning October 1, 2022,

AZZ INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

the Company began accounting for its 40% interest in the AVAIL JV under the equity method of accounting. The AVAIL JV is included in the AZZ Infrastructure Solutions segment.

The divestiture of the AZZ Infrastructure Solutions segment represents an intentional strategic shift in our operations and will allow the Company to become a focused provider of coating and galvanizing solutions for critical applications. As a result, the results of the AIS segment were classified as discontinued operations in our condensed statements of operations and excluded from both continuing operations and segment results for the three and ~~six~~ nine months ended ~~August 31, 2022~~ November 30, 2022.

As part of recognizing the business as held for sale in accordance with GAAP, the Company was required to measure AIS at the lower of its carrying amount or fair value less cost to sell. As a result of this analysis, during fiscal 2023, the Company recognized ~~an estimated~~ a non-cash, pre-tax loss on disposal of \$159.9 million, of which ~~\$114.9~~ \$45.0 million was recognized during the three months ended ~~August 31, 2022~~ November 30, 2022, and ~~\$27.8~~ \$114.9 million was recognized during the ~~third~~ second quarter of fiscal 2023. The loss is included in "Loss on disposal of discontinued operations" in the consolidated statements of operations. The loss was determined by comparing the fair value of the consideration received for the sale of a 60% interest in the AIS JV and the fair value of the Company's retained 40% investment in the AIS JV with the net assets of the AIS JV immediately prior to the transaction. The fair value of the Company's retained investment in the AIS JV was determined in a manner consistent with the transaction price received for the sale of the 60% interest in the AIS JV.

AZZ INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The results of operations from discontinued operations for the three and ~~six~~ nine months ended ~~August 31, 2022~~ November 30, 2022, have been reflected as discontinued operations in the consolidated statements of operations and consist of the following (in thousands):

		Three Months Ended		Six Months Ended		Sales	Three Months Ended		Nine Months Ended	
		August 31, 2022	August 31, 2022	August 31, 2022	November 30, 2022		August 31, 2022	November 30, 2022	November 30, 2022	November 30, 2022
Sales	Sales	\$ 106,660		\$ 213,924		Sales	\$ 42,300		\$ 256,224	

Cost of sales	Cost of sales	84,826	167,686	Cost of sales	35,020	202,707
Gross margin	Gross margin	21,834	46,238	Gross margin	7,280	53,517
Selling, general and administrative	Selling, general and administrative	9,710	22,114	Selling, general and administrative	4,074	26,186
Loss on disposal of discontinued operations	Loss on disposal of discontinued operations	114,900	114,900	Loss on disposal of discontinued operations	45,010	159,910
Operating loss from discontinued operations	Operating loss from discontinued operations	(102,776)	(90,776)	Operating loss from discontinued operations	(41,804)	(132,579)
Interest expense	Interest expense	5	6	Interest expense	2	8
Other (income) expense, net	Other (income) expense, net	3,443	4,268	Other (income) expense, net	2,002	6,270
Loss from discontinued operations before income tax	Loss from discontinued operations before income tax	(106,224)	(95,050)	Loss from discontinued operations before income tax	(43,808)	(138,857)
Income tax benefit	Income tax benefit	(23,534)	(21,072)	Income tax benefit	(4,827)	(25,910)
Net loss from discontinued operations	Net loss from discontinued operations	\$ (82,690)	\$ (73,978)	Net loss from discontinued operations	\$ (38,981)	\$ (112,947)
Loss per common share from discontinued operations:	Loss per common share from discontinued operations:			Loss per common share from discontinued operations:		
Basic loss per share	Basic loss per share	\$ (3.33)	\$ (2.99)	Basic loss per share	\$ (1.57)	\$ (4.55)
Diluted loss per share	Diluted loss per share	\$ (2.85)	\$ (2.70)	Diluted loss per share	\$ (1.56)	\$ (4.52)

The depreciation, amortization, capital expenditures, and significant operating and investing non-cash items of the discontinued operations consist of the following (in thousands):

	Six Nine Months Ended August 31, 2022 November 30, 2022
Depreciation and amortization	\$ 6,248 7,279
Purchase of property, plant and equipment	2,878 4,831
Non-cash loss on disposal of discontinued operations	(159,910)
Loss Gain on discontinued operations sale of property, plant and equipment	(114,900) 486

AZZ INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Inventories

The following table summarizes the components of inventory (in thousands):

	As of	
	November 30, 2023	
	\$	\$
Raw material	120,761	138,227
Work in process	1,587	1,558
Finished goods	4,389	4,135
Total inventories	126,737	143,920

5. Earnings Per Share

Basic earnings per share is based on the weighted average number of common shares outstanding during each year. Diluted earnings per share is calculated by giving effect to the potential dilution that could occur if securities or other contracts to issue common shares were exercised and converted into common shares during the year.

AZZ INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table sets forth the computation of basic and diluted earnings per share (in thousands, except per share data):

	Numerator:	Three Months Ended August 31,				Six Months Ended August 31,				Numerator:
		2023		2022		2023		2022		
Net income from continuing operations	Net income from continuing operations	\$ 28,332		\$ 25,120		\$ 56,854		\$ 40,485		Net income from continuing operations
Dividends on preferred stock	Dividends on preferred stock	(3,600)		(1,040)		(7,200)		(1,040)		Dividends on preferred stock
Net income for basic earnings per share continuing operations	Net income for basic earnings per share continuing operations	\$ 24,732		\$ 24,080		\$ 49,654		\$ 39,445		Net income for basic earnings per share continuing operations
After-tax interest expense for Convertible Notes		—		2,006		—		2,554		
Dividends on preferred stock	Dividends on preferred stock	3,600		1,040		7,200		1,040		Dividends on preferred stock
Numerator for diluted earnings per share continuing operations	Numerator for diluted earnings per share continuing operations	\$ 28,332		\$ 27,126		\$ 56,854		\$ 43,039		Numerator for diluted earnings per share continuing operations
Net loss from discontinued operations	Net loss from discontinued operations	\$ —		\$ (82,690)		\$ —		\$ (73,978)		Net loss from discontinued operations
Net income (loss) available to common shareholders	Net income (loss) available to common shareholders	\$ 24,732		\$ (58,610)		\$ 49,654		\$ (34,533)		Net income (loss) available to common shareholders
After-tax interest expense for Convertible Notes		—		2,006		—		2,554		
Dividends on preferred stock	Dividends on preferred stock	3,600		1,040		7,200		1,040		Dividends on preferred stock
Numerator for diluted earnings per share—net income (loss) available to common shareholders	Numerator for diluted earnings per share—net income (loss) available to common shareholders	\$ 28,332		\$ (55,564)		\$ 56,854		\$ (30,939)		Numerator for diluted earnings per share—net income (loss) available to common shareholders
Denominator: Weighted average shares outstanding for basic earnings per share	Denominator: Weighted average shares outstanding for basic earnings per share	25,054		24,836		24,997		24,772		Denominator: Weighted average shares outstanding for basic earnings per share
Effect of dilutive securities: Employee and director stock awards	Effect of dilutive securities: Employee and director stock awards	39		106		82		172		Effect of dilutive securities: Employee and director stock awards
Convertible Notes		—		2,953		—		1,902		

Series A		Series A						Series A	
Convertible Preferred Stock	Convertible Preferred Stock	4,117	1,164	4,117	582	Convertible Preferred Stock	Denominator for diluted earnings per share		
Denominator for diluted earnings per share	Denominator for diluted earnings per share	29,210	29,059	29,196	27,428	Denominator for diluted earnings per share	Denominator for diluted earnings per share		
Basic earnings (loss) per share	Basic earnings (loss) per share					Basic earnings (loss) per share	Basic earnings (loss) per share		
Earnings per common share from continuing operations	Earnings per common share from continuing operations	\$ 0.99	\$ 0.97	\$ 1.99	\$ 1.59	Earnings per common share from continuing operations	Earnings per common share from continuing operations		
Loss per common share from discontinued operations	Loss per common share from discontinued operations	\$ —	\$ (3.33)	\$ —	\$ (2.99)	Loss per common share from discontinued operations	Loss per common share from discontinued operations		
Earnings (loss) per common share	Earnings (loss) per common share	\$ 0.99	\$ (2.36)	\$ 1.99	\$ (1.39)	Earnings (loss) per common share	Earnings (loss) per common share		
Diluted earnings (loss) per share	Diluted earnings (loss) per share					Diluted earnings (loss) per share	Diluted earnings (loss) per share		
Earnings per common share from continuing operations	Earnings per common share from continuing operations	\$ 0.97	\$ 0.93	\$ 1.95	\$ 1.57	Earnings per common share from continuing operations	Earnings per common share from continuing operations		
Loss per common share from discontinued operations	Loss per common share from discontinued operations	\$ —	\$ (2.85)	\$ —	\$ (2.70)	Loss per common share from discontinued operations	Loss per common share from discontinued operations		
Earnings (loss) per common share	Earnings (loss) per common share	\$ 0.97	\$ (1.91)	\$ 1.95	\$ (1.13)	Earnings (loss) per common share	Earnings (loss) per common share		

For the three months ended August 31, 2023 November 30, 2023 and 2022, approximately 126,882 120,819 and 102,616 103,403 shares related to employee equity awards, respectively, were excluded from the computation of diluted earnings per share, as their effect would have been anti-dilutive. For the six nine months ended August 31, 2023 November 30, 2023 and 2022, 125,793 126,356 and 57,025 78,862 shares, respectively, were excluded from the computation of diluted earnings per share as their effect would have been anti-dilutive. In addition, all shares related to the Series A Convertible Preferred Stock (4.1 million weighted average shares) were excluded from the computation of diluted earnings per share for the three and nine months ended November 30, 2022, as their effect would have been anti-dilutive. These shares could be dilutive in future periods.

AZZ INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5.6. Sales

Disaggregated Sales

The following table presents disaggregated sales, for continuing operations, by customer industry (in thousands):

Sales:	Sales:	Three Months Ended August 31,				Three Months Ended November 30,			
		2023		2022		2023		2022	
		Construction	Industrial	Consumer	Transportation	Electrical/Utility	Other (1)	Total Sales	Total Sales
Sales:	Sales:	\$216,807	\$220,657	\$422,337	\$289,882	\$214,081	\$205,316	\$ 637,035	\$493,573
Construction	Construction	42,245	41,214	82,889	79,182	35,489	37,330	118,273	118,457
Industrial	Industrial	34,673	38,340	70,258	45,421	29,384	29,864	99,537	78,972
Consumer	Consumer	35,869	36,825	72,626	69,097	35,871	33,597	107,734	98,715
Transportation	Transportation	25,905	24,172	51,312	46,452	24,804	26,131	76,116	69,100
Electrical/Utility	Electrical/Utility	43,043	45,502	89,993	83,810	41,976	41,063	132,325	128,328
Other (1)	Other (1)								
Total Sales	Total Sales	\$398,542	\$406,710	\$789,415	\$613,844	Total Sales	\$381,605	\$373,301	\$1,171,020
									\$987,145

(1) Other includes less significant markets, such as agriculture, recreation, petro-chem, AZZ Tubular products and sales from recycling.

See also Note 7.8 for sales information by operating segment.

Contract Assets and Liabilities

The timing of revenue recognition, billings and cash collections results in accounts receivable, contract assets (unbilled receivables), and contract liabilities (customer advances and deposits) on the consolidated balance sheets. Our contract assets and contract liabilities are primarily related to the Company's AZZ Precoat Metals segment. Customer billing can occur subsequent to revenue recognition, resulting in contract assets. In addition, the Company can receive advances or deposits from its customers, before revenue is recognized, resulting in contract liabilities. These assets and liabilities are reported on the consolidated balance sheets on a contract-by-contract basis at the end of each reporting period.

As of August 31, 2023 November 30, 2023 and February 28, 2023, the balance for contract assets was \$76.8 million \$75.7 million and \$79.3 million, respectively, primarily related to the AZZ Precoat Metals segment. Contract liabilities of \$1.1 million \$1.0 million and \$1.3 million as of August 31, 2023 November 30, 2023 and February 28, 2023, respectively, are included in "Other accrued liabilities" in the consolidated balance sheets.

6.

AZZ INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Supplemental Cash Flow Information

In order to determine net cash provided by operating activities, net income is adjusted by, among other things, changes in current assets and current liabilities as follows (in thousands):

	Six Months Ended August 31,	
	2023	2022
Decrease (increase) in current assets:		
Accounts receivable, net	\$ (610)	\$ (35,813)
Inventories	7,460	(16,081)
Contract assets	57	(7,751)
Prepaid expenses and other	(2,544)	(9,238)
Increase (decrease) in current liabilities:		
Accounts payable	15,036	32,842
Income taxes payable	(226)	7,388
Accrued expenses	2,211	15,974
Changes in current assets and current liabilities	<u>\$ 21,384</u>	<u>\$ (12,679)</u>

AZZ INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Nine Months Ended November 30,	
	2023	2022
Decrease (increase) in current assets:		
Accounts receivable, net	\$ 13,922	\$ (6,927)
Other receivables	(4,033)	(9,503)
Inventories	17,191	(14,646)
Contract assets	1,136	(3,950)
Prepaid expenses and other	(1,304)	(6,195)
Increase (decrease) in current liabilities:		
Accounts payable	8,654	(15,122)
Income taxes payable	(227)	(3,784)
Accrued expenses	<u>3,480</u>	<u>25,158</u>

Changes in current assets and current liabilities	\$ <u>38,819</u>	\$ <u>(34,969)</u>
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Cash flows related to interest and income taxes were as follows (in thousands):

	Six Months Ended August 31,		Nine Months Ended November 30,	
	2023	2022	2023	2022
Cash paid for interest	\$ 51,539	\$ 23,888	Cash paid for interest	\$ 74,993
Cash paid for income taxes	12,930	10,065	Cash paid for income taxes	\$ 52,488
				17,683
				15,627

Supplemental disclosures of non-cash investing and financing activities were as follows (in thousands):

	Six Months Ended August 31,		Nine Months Ended November 30,	
	2023	2022	2023	2022
Issuance of preferred stock in exchange for convertible notes	Issuance of preferred stock in exchange for convertible notes	\$ —	\$ 233,722	Issuance of preferred stock in exchange for convertible notes
Accrued dividends on preferred stock	Accrued dividends on preferred stock	2,400	1,040	Accrued dividends on preferred stock
Accruals for capital expenditures	Accruals for capital expenditures	5,579	—	Accruals for capital expenditures
				2,400
				4,640
				4,768
				960

7.8. Operating Segments

Segment Information

The Company's Chief Executive Officer, who is the chief operating decision maker ("CODM"), reviews financial information presented on an operating segment basis for purposes of making operating decisions and assessing financial performance. Sales and operating income are the primary measures used by the CODM to evaluate segment operating performance and to allocate resources to the AZZ Metal Coatings and the AZZ Precoat Metals segments, and net income is the primary measure used by the CODM to evaluate performance and allocate resources to the AZZ Infrastructure Solutions segment. Expenses related to certain centralized administration or executive functions that are not specifically related to an operating segment are included in Corporate. As presented in Note 3, the AVAIL JV operating results for the period prior to deconsolidation are included within discontinued operations, with the exception of AZZ Crowley Tubing, which was retained by the Company and merged into the AZZ Metal Coatings segment. See Note 3 for the results of operations related to the AZZ Infrastructure Solutions segment.

A summary of each of the Company's operating segments is as follows:

AZZ INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

AZZ Metal Coatings — provides hot-dip galvanizing, spin galvanizing, powder coating, anodizing and plating, and other metal coating applications to the steel fabrication and other industries through facilities located throughout the United States and Canada. Hot-dip galvanizing is a metallurgical manufacturing process in which molten zinc reacts to steel. The zinc alloying provides corrosion protection and extends the **life-cycle** of fabricated steel for several decades.

AZZ Precoat Metals — engages in the advanced application of protective and decorative coatings and related value-added manufacturing for steel and aluminum coil primarily serving the construction; appliance; heating, ventilation and air conditioning (HVAC); container; transportation and other end markets.

AZZ Infrastructure Solutions — consists of the equity in earnings of the Company's 40% investment in the AVAIL JV, as well as other expenses directly related to AIS receivables and liabilities that were retained following the divestiture of the AIS business. The AVAIL JV provides specialized products and services designed to support primarily industrial and electrical applications. The product offerings include custom switchgear, electrical enclosures, medium- and high-voltage bus ducts, explosion proof and hazardous duty lighting products. The AZZ Infrastructure Solutions segment also focuses on life-cycle extension for the power generation, refining and industrial infrastructure, through providing automated weld overlay solutions for corrosion and erosion mitigation.

AZZ INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Net income from continuing operations by segment for the three and **six** nine months ended **August 31, 2023** **November 30, 2023** and 2022 was as follows (in thousands):

		Three Months Ended August 31, 2023				
		Metal Coatings	Precoat Metals	Infrastructure Solutions ⁽¹⁾	Corporate ⁽²⁾⁽³⁾	Total
Sales		\$ 169,837	\$ 228,705	\$ —	\$ —	\$ 398,542
Cost of sales		119,471	181,825	—	—	301,296
Gross margin		50,366	46,880	—	—	97,246
Selling, general and administrative		5,285	7,874	5,932	17,148	36,239
Operating income (loss) from continuing operations		\$ 45,081	\$ 39,006	(5,932)	(17,148)	61,007
Interest expense				—	27,770	27,770
Equity in earnings of unconsolidated subsidiaries				(974)	—	(974)
Other (income) expense				—	(88)	(88)
Income (loss) from continuing operations before income tax				\$ (4,958)	(44,830)	34,299
Income tax expense					5,967	5,967
Net income (loss) from continuing operations					\$ (50,797)	\$ 28,332
		Six Months Ended August 31, 2023				
		Metal Coatings	Precoat Metals	Infrastructure Solutions ⁽¹⁾	Corporate ⁽²⁾⁽³⁾	Total
Sales	Sales	\$ 338,631	\$ 450,784	\$ —	\$ —	\$ 789,415
Cost of sales	Cost of sales	237,328	357,822	—	—	595,150
Gross margin	Gross margin	101,303	92,962	—	—	194,265
Selling, general and administrative	Selling, general and administrative	10,751	16,266	5,954	34,791	67,762
Operating income (loss) from continuing operations	Operating income (loss) from continuing operations	\$ 90,552	\$ 76,696	(5,954)	(34,791)	126,503
Interest expense	Interest expense			—	56,476	56,476
Equity in earnings of unconsolidated subsidiaries	Equity in earnings of unconsolidated subsidiaries			(2,394)	—	(2,394)
Other (income) expense	Other (income) expense			—	(50)	(50)
Other expense	Other expense				Other expense	29
Income (loss) from continuing operations before income tax	Income (loss) from continuing operations before income tax	\$ (3,560)	(91,217)	72,471	tax	\$ 37,813
Income tax expense	Income tax expense			15,617	15,617	\$ 32,752
Net income (loss) from continuing operations	Net income (loss) from continuing operations	\$ (106,834)	\$ 56,854	Net income (loss) from continuing operations	\$ (43,347)	\$ 8,452
						35,670
						8,780
						8,780
						\$ (52,127)
						\$ 26,890

AZZ INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

		Three Months Ended August 31, 2022					Nine Months Ended November 30, 2023					
		Metal Coatings	Precoat Metals	Infrastructure Solutions ⁽¹⁾	Corporate ⁽²⁾ (3)	Total	Metal Coatings	Precoat Metals	Infrastructure Solutions ⁽¹⁾	Corporate ⁽²⁾ (3)	Total	
Sales	Sales	\$ 165,849	\$ 240,861	\$ —	\$ —	\$ 406,710	Sales	\$ 501,816	\$ 669,204	\$ —	\$ —	\$ 1,171,020
Cost of sales	Cost of sales	116,437	188,718	—	—	305,155	Cost of sales	353,280	535,326	—	—	888,606
Gross margin	Gross margin	49,412	52,143	—	—	101,555	Gross margin	148,536	133,878	—	—	282,414
Selling, general and administrative	Selling, general and administrative	4,416	15,930	—	17,068	37,414	Selling, general and administrative	20,143	24,429	6,244	52,271	103,087
Operating income (loss) from continuing operations	Operating income (loss) from continuing operations	\$ 44,996	\$ 36,213	—	(17,068)	64,141	Operating income (loss) from continuing operations	128,393	109,449	(6,244)	(52,271)	179,327
Interest expense	Interest expense			—	28,144	28,144	Interest expense	—	—	—	82,331	82,331
Equity in earnings of unconsolidated subsidiaries							Equity in earnings of unconsolidated subsidiaries	—	—	(11,136)	—	(11,136)
Other (income) expense	Other (income) expense			—	55	55	Other (income) expense	40	—	—	(49)	(9)
Income (loss) from continuing operations before income tax	Income (loss) from continuing operations before income tax						Income (loss) from continuing operations before income tax					
Income tax expense	Income tax expense						Income tax expense	\$ 128,353	\$ 109,449	\$ 4,892	(134,553)	108,141
Net income (loss) from continuing operations	Net income (loss) from continuing operations						Net income (loss) from continuing operations					
											\$ (158,950)	\$ 83,744
⁽¹⁾ Infrastructure Solutions segment includes the Company's equity in (earnings) loss from its investment in the AVAIL JV, as well as other expenses related to receivables and liabilities that were retained by the Company following the sale of the AIS business.												
⁽²⁾ Infrastructure Solutions segment includes the Company's equity in (earnings) loss from its investment in the AVAIL JV, as well as other expenses related to receivables and liabilities that were retained by the Company following the sale of the AIS business.												
⁽³⁾ Corporate segment includes the Company's equity in (earnings) loss from its investment in the AVAIL JV, as well as other expenses related to receivables and liabilities that were retained by the Company following the sale of the AIS business.												

(2) Interest expense and Income tax expense are included in the Corporate segment as these items are not allocated to the segments.

(3) For fiscal year 2024, amortization expense for acquired intangible assets is included in Corporate expenses in "Selling, general and administrative" expense as these expenses are not allocated to the segments.

(2) Interest expense and Income tax expense are included in the Corporate segment as these items are not allocated to the segments.

(3) For fiscal year 2024, amortization expense for acquired intangible assets is included in Corporate expenses in "Selling, general and administrative" expense as these expenses are not allocated to the segments.

		Six Months Ended August 31, 2022					Three Months Ended November 30, 2022								
		Metal Coatings		Precoat Metals	Infrastructure Solutions ⁽¹⁾		Corporate ⁽²⁾⁽³⁾	Total	Metal Coatings		Precoat Metals	Infrastructure Solutions ⁽¹⁾		Corporate ⁽²⁾	Total
		Sales	Cost of sales	Gross margin	Selling, general and administrative	Operating income (loss) from continuing operations	Interest expense	Other (income) expense	Sales	Cost of sales	Gross margin	Selling, general and administrative	Operating income (loss) from continuing operations	Interest expense	Other (income) expense
Sales	Sales	\$ 329,293	\$ 284,551	\$ —	\$ —	\$ 613,844	\$ 613,844	Sales	\$ 158,274	\$ 215,027	\$ —	\$ —	\$ —	\$ 373,301	
Cost of sales	Cost of sales	230,018	222,218	—	—	452,236	452,236	Cost of sales	120,134	180,085	—	—	—	300,219	
Gross margin	Gross margin	99,275	62,333	—	—	161,608	161,608	Gross margin	38,140	34,942	—	—	—	73,082	
Selling, general and administrative	Selling, general and administrative	9,009	19,472	—	41,077	69,558	69,558	Selling, general and administrative	4,594	13,889	—	—	9,206	27,689	
Operating income (loss) from continuing operations	Operating income (loss) from continuing operations	\$ 90,266	\$ 42,861	—	(41,077)	92,050	92,050	Operating income (loss) from continuing operations	33,546	21,053	—	(9,206)	45,393		
Interest expense	Interest expense	—	—	35,615	35,615	35,615	35,615	Interest expense	—	—	—	26,123	26,123		
Other (income) expense	Other (income) expense	—	—	28	28	28	28	Other (income) expense	—	—	—	(486)	(486)	(610)	
Equity in earnings of unconsolidated subsidiaries	Equity in earnings of unconsolidated subsidiaries	—	—	—	—	—	—	Equity in earnings of unconsolidated subsidiaries	—	—	—	(1,006)	(1,006)	(1,006)	
Other income	Other income	—	—	—	—	—	—	Other income	(124)	—	—	—	—	(486)	(610)
Income (loss) from continuing operations before income tax	Income (loss) from continuing operations before income tax	—	—	(76,720)	56,407	56,407	56,407	Income (loss) from continuing operations before income tax	\$ 33,670	\$ 21,053	\$ 1,006	(34,843)	(34,843)	20,886	
Income tax expense	Income tax expense	—	—	15,922	15,922	15,922	15,922	Income tax expense	—	—	—	2,447	2,447	2,447	

Net income (loss) from continuing operations	Net income (loss) from continuing operations	\$ (92,642)	\$ 40,485	Net income (loss) from continuing operations	\$ (37,290)	\$ 18,439
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(1) Infrastructure Solutions segment includes the Company's equity in (earnings) loss from its investment in the AVAIL JV, as well as other expenses related to receivables and liabilities that were retained by the Company following the sale of the AIS business. See Note 16 for a description of a legal settlement recognized during the three months ended August 31, 2023 related to AIS business.

(2) Interest expense, Other (income) expense and Income tax expense are included in the Corporate segment as these items are not allocated to the segments.

(3) For fiscal year 2024, amortization expense for acquired intangible assets is included in Corporate expenses in "Selling, general and administrative" expense as these expenses are not allocated to the segments.

AZZ INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Nine Months Ended November 30, 2022						
	Infrastructure					Total
	Metal Coatings	Precoat Metals ⁽⁴⁾	Solutions ⁽¹⁾	Corporate ⁽²⁾⁽³⁾		
Sales	\$ 487,567	\$ 499,578	\$ —	\$ —	\$ 987,145	
Cost of sales	350,152	402,303	—	—	752,455	
Gross margin	137,415	97,275	—	—	234,690	
Selling, general and administrative	13,603	33,361	—	50,283	97,247	
Operating income (loss) from continuing operations	123,812	63,914	—	(50,283)	137,443	
Interest expense	—	—	—	61,739	61,739	
Equity in earnings of unconsolidated subsidiaries	—	—	(1,006)	—	(1,006)	
Other (income) expense	6	(41)	—	(547)	(582)	
Income (loss) from continuing operations before income tax	<u>\$ 123,806</u>	<u>\$ 63,955</u>	<u>\$ 1,006</u>	<u>(111,475)</u>	<u>77,292</u>	
Income tax expense				18,380	18,380	
Net income (loss) from continuing operations				<u>\$ (129,855)</u>	<u>\$ 58,912</u>	

(1) Infrastructure Solutions segment includes the Company's equity in (earnings) loss from its investment in the AVAIL JV.

(2) Interest expense and Income tax expense are included in the Corporate segment as these items are not allocated to the segments.

(3) For fiscal year 2023, amortization expense for acquired intangible assets is included in Metal Coatings expenses in "Cost of sales" and in Precoat Metals in "Selling, general and administrative" expense.

(4) For the nine months ended November 30, 2022, Precoat Metals segment includes results from May 13, 2022 - November 30, 2022.

Asset balances by operating segment for each period were as follows (in thousands):

Assets:	Assets:	As of		As of	
		August 31, 2023	February 28, 2023	November 30, 2023	February 28, 2023
Metal Coatings	Metal Coatings	\$ 575,330	\$ 588,337	\$ 559,149	\$ 588,337
Precoat Metals	Precoat Metals	1,504,940	1,488,810	1,504,828	1,488,810
Infrastructure Solutions - Investment in Joint Venture	Infrastructure Solutions - Investment in Joint Venture	85,535	84,760	97,238	84,760
Corporate	Corporate	48,756	59,572	47,541	59,572
Total assets	Total assets	<u>\$ 2,214,561</u>	<u>\$ 2,221,479</u>	<u>\$ 2,208,756</u>	<u>\$ 2,221,479</u>

Financial Information About Geographical Areas

Financial information about geographical areas for the periods presented was as follows (in thousands):

Sales:	Three Months Ended August 31,				Three Months Ended November 30,		Nine Months Ended November 30,	
	31,		Six Months Ended August 31,		2023	2022	2023	2022
	2023	2022	2023	2022				
Sales:			Sales:					
United States	United States	\$ 388,538	\$ 393,835	\$ 769,860	\$ 588,195	United States	\$ 370,485	\$ 363,660
Canada	Canada	10,004	12,875	19,555	25,649	Canada	11,120	9,641
Total	Total	\$ 398,542	\$ 406,710	\$ 789,415	\$ 613,844	Total	\$ 381,605	\$ 373,301
							\$ 1,171,020	\$ 987,145

Property, plant and equipment, net:	As of			
	August 31, 2023		February 28, 2023	
	2023	2022	2023	2022
United States		\$ 496,972	\$ 478,722	
Canada		19,527	19,781	
Total	\$ 516,499	\$ 498,503		

AZZ INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Property, plant and equipment, net:	As of			
	November 30, 2023		February 28, 2023	
	2023	2022	2023	2022
United States	\$ 506,070	\$ 478,722		
Canada	19,268	19,781		
Total	\$ 525,338	\$ 498,503		

8.9. Investments in Unconsolidated Entity

AVAIL JV

Following the sale of its 60% controlling interest in the AVAIL JV to Fernweh, AIS was deconsolidated and the Company began accounting for its 40% interest in the AVAIL JV under the equity method of accounting. The AVAIL JV is included in the AZZ Infrastructure Solutions segment. We record our equity in earnings in the AVAIL JV on a one-month lag to allow sufficient time to review and assess the joint venture's effect on our reported results. As of August 31, 2023 November 30, 2023, our investment in the AVAIL JV is \$85.5 million \$97.2 million. We recorded \$2.4 million \$11.1 million of equity in earnings during the six nine months ended August 31, 2023 November 30, 2023. The reported results as Company has a related-party payable with the AVAIL JV. As of August 31, 2023 reflects November 30, 2023 and February 28, 2023, the effects of the business combination accounting as though such values were recorded at the time the transaction closed.

AZZ INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

balance was \$4.6 million and \$6.3 million, respectively.

Summarized Balance Sheet

	As of
	August 31, November 30, 2023 ⁽¹⁾
Current assets	\$ 248,243 273,535
Long-term assets	177,829 173,312
Total assets	\$ 426,072 446,847
Current liabilities	89,726 102,225
Long-term liabilities	135,694 132,175
Total liabilities	\$ 225,420 234,400
Total partners' capital	200,652 212,447
Total liabilities and partners' capital	\$ 426,072 446,847

Summarized Operating Data	Summarized Operating Data				Summarized Operating Data		
	Three Months Ended August 31, 2023 ⁽¹⁾		Six Months Ended August 31, 2023 ⁽¹⁾				
	Sales	Sales	\$ 104,863	\$ 219,337	Sales	\$ 127,156	\$ 346,493
Gross profit	Gross profit		24,577	50,899	Gross profit	36,150	87,013
Net income	Net income		2,886	8,701	Net income	13,139	21,969

⁽¹⁾ The Company reports on a one-month lag basis; therefore, amounts in the summarized financials above are as of and for the three and six months ended July 31, 2023. Amounts in the table above exclude certain adjustments made by the Company to record equity in earnings of the AVAIL JV, primarily related to goodwill amortization.

(1) The Company reports on a one-month lag basis; therefore, amounts in the summarized financials above are as of and for the three and nine months ended October 31, 2023. Amounts in the table above exclude certain adjustments made by the Company to record equity in earnings of the AVAIL JV, primarily related to goodwill amortization.

(1) The Company reports on a one-month lag basis; therefore, amounts in the summarized financials above are as of and for the three and nine months ended October 31, 2023. Amounts in the table above exclude certain adjustments made by the Company to record equity in earnings of the AVAIL JV, primarily related to goodwill amortization.

9.10. Derivative Instruments

Interest Rate Swap Derivative

As a policy, the Company does not hold, issue or trade derivative instruments for speculative purposes. The Company may periodically enter into forward sale contracts to purchase a specified volume of zinc at fixed prices. These contracts are not accounted for as derivatives because they meet the criteria for the normal purchases and normal sales scope exception in ASC 815.

AZZ INC. NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

We manage our exposure to fluctuations in interest rates using a mix of fixed and variable-rate debt. We utilize fixed-rate interest rate swap agreements to change the variable interest rate to a fixed rate on a portion of our variable-rate debt. On September 27, 2022, the Company entered into a fixed-rate interest rate swap agreement with banks that are parties to the 2022 Credit Agreement. On October 7, 2022, the agreement was amended to change the SOFR-based component of the interest rate on a portion of our variable-rate debt to a fixed rate of 4.277%, resulting in a total fixed rate of 8.627% (the "2022 Swap"). On August 17, 2023, the Company repriced its Term Loan B, to which the 2022 Swap is related, to reduce the interest rate to SOFR + 3.75%. Following the repricing, the 2022 Swap has a total fixed rate of 8.027%. The 2022 Swap had an initial notional amount of \$550.0 million and a maturity date of September 30, 2025. The notional amount of the interest rate swap decreases by a pro-rata portion of any quarterly principal

payments made on the Term Loan B, and the current notional amount is **\$544.5 million** **\$543.1 million**. The objective of the 2022 Swap is to eliminate the variability of cash flows in interest payments attributable to changes in benchmark one-month SOFR interest rates, for approximately one-half of the total amount of our variable-rate debt. The hedged risk is the interest rate risk exposure to changes in interest payments, attributable to changes in benchmark one-month SOFR interest rates over the interest rate swap term. The changes in cash flows of the interest rate swap are expected to exactly offset changes in cash flows of the variable-rate debt. We designated the 2022 Swap as a cash flow hedge at inception. Cash settlements, in the form of cash payments or cash receipts, of the 2022 Swap are recognized in interest expense.

At **August 31, 2023** **November 30, 2023**, changes in fair value attributable to the effective portion of the 2022 Swap were included on the condensed consolidated balance sheets in accumulated other comprehensive income. For derivative instruments that qualify for hedge accounting treatment, the fair value is recognized on our condensed consolidated balance sheets as derivative assets or liabilities with offsetting changes in fair value, to the extent effective, recognized in accumulated other comprehensive income until reclassified into earnings when the interest expense on the underlying debt is reflected in earnings. The portion of a cash flow hedge that does not offset the change in the fair value of the transaction being hedged, which is commonly referred to as

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

the ineffective portion, is immediately recognized in earnings. During the **six** **nine** months ended **August 31, 2023** **November 30, 2023**, we reclassified **\$2.0 million** **\$3.5 million** before income tax, or **\$2.5 million net of tax**, from other comprehensive income to earnings.

10.11. Debt

The Company's long-term debt instruments and balances outstanding for each of the periods presented (in thousands):

		As of		As of	
		August 31, 2023		November 30, 2023	
		Revolving Credit Facility	Term Loan B	Revolving Credit Facility	Term Loan B
Revolving Credit Facility	Revolving Credit Facility	\$ 35,000	\$ 95,000	\$ 10,000	\$ 95,000
Term Loan B	Term Loan B	1,030,250	1,030,250	1,030,250	1,030,250
Total debt, gross	Total debt, gross	\$ 1,065,250	\$ 1,125,250	\$ 1,040,250	\$ 1,125,250
Unamortized debt issuance costs	Unamortized debt issuance costs	(62,886)	(67,130)	(60,246)	(67,130)
Total debt, net				980,004	1,058,120
Less current portion of long-term debt				—	—
Long-term debt, net	Long-term debt, net	\$ 1,002,364	\$ 1,058,120	\$ 980,004	\$ 1,058,120

2022 Credit Agreement and Term Loan B

The Company has a credit agreement with a syndicate of financial institutions as lenders that was entered into on May 13, 2022 (the "2022 Credit Agreement"). On August 17, 2023, the Company repriced the \$1.0 billion Term Loan B, which was outstanding under the 2022 Credit Agreement as of **August 31, 2023** **November 30, 2023**. The repricing reduced the interest rate margin by 50 basis points to an interest rate of Secured Overnight Financing Rate ("SOFR") plus 3.75% and removed the Credit Spread Adjustment, as defined in the 2022 Credit Agreement, of 10 basis points.

The 2022 Credit Agreement includes the following significant terms:

- provides for a senior secured initial term loan in the aggregate principal amount of \$1.3 billion (the "Term Loan B"), due May 13, 2029, which is secured by substantially all of the assets of the Company;
- provides for a maximum senior secured **revolving credit facility** **Revolving Credit Facility** in the aggregate principal amount of \$400.0 million (the "Revolving Credit Facility"), due May 13, 2027;
- includes a letter of credit sub-facility of up to \$100.0 million, which is part of, and not in addition to, the Revolving Credit Facility;

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- borrowings under the Term Loan B bear an interest rate of SOFR plus 3.75% (following the repricing on August 17, 2023 as noted above) and the Revolving Credit Facility bears an interest rate of SOFR plus 4.25% (as of November 30, 2023—see Note 18 for information related to the repricing of the Company's Revolving Credit Facility on December 20, 2023);

- v. includes customary affirmative and negative covenants, and events of default; including restrictions on the incurrence of non-ordinary course debt, investment and dividends, subject to various exceptions, and, exceptions; and,
- vi. includes a maximum quarterly leverage ratio financial covenant, with reporting requirements to our banking group at each quarter-end; quarter-end.

The Company utilizes proceeds from the Revolving Credit Facility primarily to finance working capital needs, capital improvements, dividends, acquisitions and for general corporate purposes.

As defined in the credit agreement, quarterly prepayments were due against the outstanding principal of the Term Loan B and were payable on the last business day of each May, August, November and February, beginning August 31, 2022, in a quarterly aggregate principal amount of \$3.25 million, with the entire remaining principal amount due on May 13, 2029, the maturity date. Additional prepayments made against the Term Loan B contribute to these required quarterly payments. Due to a prepayment of \$240.0 million that the Company made on the Term Loan B during fiscal year 2023 in connection with the sale of the AIS business, the quarterly mandatory principal payment requirement has been met, and the quarterly payments of \$3.25 million are no longer required. not required at this time.

The weighted average interest rate for the Company's outstanding debt, including the Revolving Credit Facility and the Term Loan B, was 8.56% at August 31, 2023 November 30, 2023.

The Company's credit agreement required the Company to maintain a maximum Total Net Leverage Ratio (as defined in the loan agreement) no greater than 6.25 through November 2022. For each subsequent quarter, the maximum ratio decreased by 25 basis points through May 31, 2024, when the maximum Total Net Leverage Ratio reaches 4.5. As of August 31, 2023 November 30, 2023, the Company was required to maintain a Total Net Leverage Ratio no greater than 5.25. As of August 31, 2023 November 30, 2023, we were in compliance with all covenants or other requirements set forth in the debt agreements.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As of August 31, 2023 November 30, 2023, we had \$1.07 \$1.04 billion of floating- and fixed-rate debt outstanding on the Revolving Credit Facility and the Term Loan B, with varying maturities through fiscal 2029. As of August 31, 2023 November 30, 2023, we are in compliance with each of the covenants related to these outstanding borrowings. Additionally, as of August 31, 2023 November 30, 2023, we had approximately \$347.1 \$375.5 million of additional credit available for future draws or letters of credit.

Letters of Credit

As of August 31, 2023 November 30, 2023, we had total outstanding letters of credit in the amount of \$17.9 \$14.5 million. These letters of credit are issued for a number of reasons, but are most commonly issued in lieu of customer retention withholding payments covering warranty, performance periods and insurance collateral.

11.12 Fair Value Measurements

Recurring Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. In accordance with ASC 820, Fair Value Measurements and Disclosures ("ASC 820"), certain of the Company's assets and liabilities, which are carried at fair value, are classified in one of the following three categories:

- Level 1: Quoted market prices in active markets for identical assets or liabilities.
- Level 2: Observable market-based inputs, other than Level 1, or unobservable inputs corroborated by market data.
- Level 3: Unobservable inputs that are not corroborated by market data and reflect the Company's own assumptions.

The carrying amount of the Company's financial instruments (cash equivalents, accounts receivable, accounts payable and accrued liabilities) approximates the fair value of these instruments based upon their short-term nature.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Interest Rate Swap Agreement

The Company's derivative instrument consists of an interest rate swap contract, which is a Level 2 of the fair value hierarchy and included in "Intangibles and other assets, net" "Other assets" in the condensed consolidated balance sheet as of August 31, 2023 November 30, 2023. See Note 9 for more information.

The Company's financial instrument that is measured at fair value on a recurring basis as of August 31, 2023 November 30, 2023 and February 28, 2023 is as follows (dollars in thousands):

Carrying Value			Carrying Value			Carrying Value			Carrying Value		
August 31, 2023			February 28, 2023			November 30, 2023			February 28, 2023		
	Fair Value Measurements Using			Fair Value Measurements Using			Fair Value Measurements Using			Fair Value Measurements Using	
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3

Assets (Liabilities):	Assets (Liabilities):	Assets (Liabilities):
Interest	Interest	Interest
Rate Swap	Rate Swap	Rate Swap
Agreement	Agreement	Agreement
Total	Total	Total
Assets	\$ 4,447	\$ 2,975

Non-recurring Fair Value Measurements

Investment in Joint Venture

The fair value of the AVAIL JV that is accounted for under the equity method was determined based on the transaction price. Subsequent measurement of the fair value of the AVAIL JV is determined based on the income approach. The income approach uses discounted cash flow models that require various observable and non-observable inputs, such as operating margins, revenues, product costs, operating expenses, capital expenditures, terminal-year values and risk-adjusted discount rates. These valuations resulted in Level 3 nonrecurring fair value measurements. As of November 30, 2023, the estimated fair value of the investment in the AVAIL JV approximates the carrying value of \$97.2 million.

Long-Term Debt

The fair value of the Company's Term Loan B is based on quoted market prices in active markets and is included in the Level 1 fair value hierarchy. The fair value of the Company's revolving credit facility is estimated based on market values

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

for debt issues with similar characteristics or rates currently available for debt with similar terms and is included in the Level 2 fair value hierarchy. The principal amount of our outstanding debt was \$1.07 \$1.04 billion and \$1.13 billion at August 31, 2023 November 30, 2023 and February 28, 2023, respectively. The estimated fair value of our outstanding debt was \$1.07 \$1.04 billion and \$1.13 billion at August 31, 2023 November 30, 2023 and February 28, 2023, respectively.

12.13. Leases

The Company is a lessee under various leases for facilities and equipment. As of **August 31, 2023** **November 30, 2023**, the Company was the lessee for **156** **159** operating leases and **24** **25** finance leases with terms of 12 months or more. Many of the operating leases either have renewal options of between one and five years or convert to month-to-month agreements at the end of the specified lease term.

The Company's operating leases are primarily for (i) operating facilities, (ii) vehicles and equipment used in operations, (iii) facilities used for back-office functions and (iv) equipment used for back-office functions, and (v) temporary storage. The majority of the Company's long-term lease expenses have both a fixed and variable component.

Leases with an initial term of 12 months or less are not recorded on the consolidated balance sheets and the Company recognizes lease expense for these leases on a straight-line basis over the lease term. The Company has a significant number of short-term leases, including month-to-month agreements. The Company's short-term lease agreements include expenses incurred hourly, daily, monthly and for other durations of time of one year or less. The Company's future lease commitments as of **August 31, 2023** **November 30, 2023** do not reflect all of the Company's short-term lease commitments.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table outlines the classification of the Company's right-of-use asset and lease liabilities in the balance sheets as of **August 31, 2023**, **November 30, 2023** and **February 28, 2023** (in thousands):

		As of				As of			
		Balance Sheet	August	February		Balance Sheet	November	February	
		Classification	31, 2023	28, 2023		Classification	30, 2023	28, 2023	
Assets	Assets					Assets			
Right-of-use assets	Right-of-use assets	Right-of-use assets		\$ 24,273	\$ 26,392	Right-of-use assets	Right-of-use assets	\$ 22,830	\$ 26,392
Liabilities	Liabilities					Liabilities			
Operating lease liabilities — short-term	Operating lease liabilities — short-term	Lease liability — short-term		\$ 6,145	\$ 6,119	Lease liability — short-term		\$ 5,999	\$ 6,119

Operating lease liabilities — long-term	Operating lease liabilities — long-term	Lease liability - long-term	17,093	19,659	Operating lease liabilities — long-term	Lease liability - long-term	15,732	19,659
Finance lease liabilities — short-term	Finance lease liabilities — short-term	Lease liability - short-term	427	284	Finance lease liabilities — short-term	Lease liability - short-term	454	284
Finance lease liabilities — long-term	Finance lease liabilities — long-term	Lease liability - long-term	1,341	1,045	Finance lease liabilities — long-term	Lease liability - long-term	1,380	1,045

Supplemental information related to the Company's portfolio of operating leases from continuing operations was as follows (in thousands, except years and percentages):

	Three Months Ended August 31,				Three Months Ended November 30,				Nine Months Ended November 30,				
			Six Months Ended August 31,				November 30,				November 30,		
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	
Operating cash flows from operating leases included in lease liabilities	Operating cash flows from operating leases included in lease liabilities	\$ 1,834	\$ 1,999	\$ 3,654	\$ 3,133	Operating cash flows from operating leases included in lease liabilities	\$ 1,811	\$ 2,862	\$ 5,471	\$ 8,069	Operating cash flows from operating leases included in lease liabilities	\$ 1,811	\$ 2,862
Lease liabilities obtained from new ROU assets - operating	Lease liabilities obtained from new ROU assets - operating	373	2,775	1,895	2,885	Lease liabilities obtained from new ROU assets - operating	60	2,396	1,942	4,938	Lease liabilities obtained from new ROU assets - operating	60	2,396
Decrease in ROU assets related to lease terminations	Decrease in ROU assets related to lease terminations	(1,294)	—	(1,302)	—	Decrease in ROU assets related to lease terminations	—	—	(1,294)	—	Decrease in ROU assets related to lease terminations	—	—
Operating and financing cash flows from financing leases included in lease liabilities	Operating and financing cash flows from financing leases included in lease liabilities	113	49	199	94	Operating and financing cash flows from financing leases included in lease liabilities	130	70	330	182	Operating and financing cash flows from financing leases included in lease liabilities	130	70
Lease liabilities obtained from new ROU assets - financing	Lease liabilities obtained from new ROU assets - financing	599	277	599	277	Lease liabilities obtained from new ROU assets - financing	173	—	773	398	Lease liabilities obtained from new ROU assets - financing	173	—

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	As of		As of			
	August 31, 2023	February 28, 2023	November 30, 2023	February 28, 2023		
Weighted-average remaining lease term - operating leases	Weighted-average remaining lease term - operating leases	4.46 years	5.04 years	Weighted-average remaining lease term - operating leases	4.29 years	5.04 years

Weighted-average discount rate - operating leases	Weighted-average discount rate - operating leases	4.41	%	4.31	Weighted-average discount rate - operating leases	4.44	%	4.31	%
Weighted-average remaining lease term - financing leases	Weighted-average remaining lease term - financing leases	4.31 years		4.61 years	Weighted-average remaining lease term - financing leases	4.25 years		4.61 years	
Weighted-average discount rate - financing leases	Weighted-average discount rate - financing leases	5.39	%	5.15	Weighted-average discount rate - financing leases	5.66	%	5.15	%

The following table outlines the classification of lease expense related to operating leases from continuing operations, in the statements of operations (in thousands):

	Three Months Ended August				Six Months Ended August				Three Months Ended November 30,				Nine Months Ended November 30,			
	31,		31,		2023		2022		2023		2022		2023		2022	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Cost of sales	Cost of sales	\$ 3,136	\$ 3,214	\$ 6,237	\$ 5,283	Cost of sales	\$ 2,997	\$ 3,306	\$ 9,234	\$ 8,590						
Selling, general and administrative	Selling, general and administrative	506	567	1,005	941	Selling, general and administrative	495	494	1,500	1,435						
Total lease cost	Total lease cost	\$ 3,642	\$ 3,781	\$ 7,242	\$ 6,224	Total lease cost	\$ 3,492	\$ 3,800	\$ 10,734	\$ 10,025						

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As of **August 31, 2023** **November 30, 2023**, maturities of the Company's lease liabilities **excluding lease liabilities associated with our discontinued operations**, were as follows (in thousands):

Fiscal year:	Fiscal year:	Operating Leases	Finance Leases	Total	Fiscal year:	Operating Leases	Finance Leases	Total
2024	2024	\$ 3,583	\$ 254	\$ 3,837	2024	\$ 1,787	\$ 136	\$ 1,923
2025	2025	6,505	500	7,005	2025	6,532	536	7,068
2026	2026	5,574	423	5,997	2026	5,583	459	6,042
2027	2027	4,401	386	4,787	2027	4,410	423	4,833
2028	2028	2,435	312	2,747	2028	2,441	349	2,790
2029	2029	1,869	101	1,970	2029	1,871	138	2,009
Thereafter	Thereafter	1,252	5	1,257	Thereafter	1,252	24	1,276
Total lease payments	Total lease payments	\$ 25,619	\$ 1,981	\$ 27,600	Total lease payments	\$ 23,876	\$ 2,065	\$ 25,941
Less imputed interest	Less imputed interest	(2,380)	(214)	(2,594)	Less imputed interest	(2,145)	(231)	(2,376)
Total	Total	\$ 23,239	\$ 1,767	\$ 25,006	Total	\$ 21,731	\$ 1,834	\$ 23,565

The Company subleases multiple buildings in Columbia, South Carolina to multiple subtenants. The Columbia sublease agreements are by and between **AZZ** Precoat Metals and multiple subtenants. Sublease income is recognized over the term of the sublease on a straight-line basis and is reported in the consolidated statement of operations in "Cost of sales." The Company recognized **\$0.2** **\$0.3** million and **\$0.5** **\$0.8** million of income from subleases during the three and **six** **nine** months ended **August 31, 2023** **November 30, 2023**, respectively.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. **14.** Income Taxes

Continuing Operations

The provision for income taxes from continuing operations reflects an effective tax rate of **17.4%** **24.6%** for the three months ended **August 31, 2023** **November 30, 2023**, compared to **30.1%** **11.7%** for the three months ended **August 31, 2022** **November 30, 2022**. The **decrease** **increase** in the effective tax rate is attributable to a favorable **adjustments** for the current period related to uncertain tax positions, as well as an unfavorable **adjustment** in the prior year **comparable** period due to the recognition of an outside basis difference related to **management fees recorded as a result of continuing operations versus discontinued operations reporting** the **AVAIL JV**.

The provision for income taxes from continuing operations reflects an effective tax rate of 21.5% 22.6% for the six nine months ended August 31, 2023 November 30, 2023, compared to 28.2% 23.8% for the prior year comparable period. The decrease in the effective tax rate is attributable to favorable adjustments in the current year related to uncertain state tax positions, as well as an unfavorable adjustment in the prior year related to management fees recorded as a result of continuing operations versus discontinued operations reporting.

Discontinued Operations

The following table outlines income or loss and the related tax expense (benefit) from discontinued operations for the three and six nine months ended August 31, 2022 November 30, 2022 (in thousands):

	Three Months Ended		Six Months Ended		Three Months Ended		Nine Months Ended	
	August 31, 2022		August 31, 2022		November 30, 2022		November 30, 2022	
Income from discontinued operations before income taxes	Income from discontinued operations before income taxes	\$ 8,676	\$ 19,850	Income from discontinued operations before income taxes	\$ 1,202	\$ 21,053		
Income tax (expense) benefit	Income tax (expense) benefit	(1,939)	(4,401)	Income tax (expense) benefit	463	(3,927)		
Income from discontinued operations, net of tax	Income from discontinued operations, net of tax	\$ 6,737	\$ 15,449	Income from discontinued operations, net of tax	\$ 1,665	\$ 17,126		
Loss on disposal of discontinued operations	Loss on disposal of discontinued operations	\$ (114,900)	\$ (114,900)	Loss on disposal of discontinued operations	\$ (45,010)	\$ (159,910)		
Income tax benefit	Income tax benefit	25,473	25,473	Income tax benefit	4,364	29,837		
Loss on disposal of discontinued operations, net of tax	Loss on disposal of discontinued operations, net of tax	\$ (89,427)	\$ (89,427)	Loss on disposal of discontinued operations, net of tax	\$ (40,646)	\$ (130,073)		

The provision for income taxes from discontinued operations reflects an effective tax rate of 22.2% 11.0% and 18.7% for both the three and six nine months ended August 31, 2022 November 30, 2022.

14.15. Equity

Series A Convertible Preferred Stock

On August 5, 2022, the Company exchanged its \$240.0 million aggregate principal amount of 6.0% convertible subordinated notes due June 30, 2030 for 240,000 shares of 6.0% Series A Convertible Preferred Stock, following the receipt of shareholder approval for the issuance of preferred stock. The Series A Convertible Preferred Stock is convertible by the holder at any time into shares of the Company's common stock at a conversion price of \$58.30 per common share. The preferred stock accumulates a 6.0% dividend per annum. Dividends are payable quarterly on March 31, June 30, September 30 and December 31 of each year. In addition, the preferred shares are subject to a minimum conversion threshold of 1,000 shares per conversion, and customary anti-dilution and dividend adjustments. The preferred shares have full voting rights as if converted and have a fully participating liquidation preference.

As of both August 31, 2023 November 30, 2023 and February 28, 2023, the 240,000 shares of outstanding Series A Convertible Preferred Stock had accrued dividends of \$2.4 million and could be converted into 4.1 million shares of common stock, at the option of the holder.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Accumulated Other Comprehensive Income

The components of accumulated other comprehensive income (loss) ("AOCI"), after tax, for the three and six nine months ended August 31, 2023 November 30, 2023 and 2022 consisted of the following (in thousands):

	Three Months Ended November 30,								
	2023					2022			
	Foreign Currency	Net Actuarial	Interest Rate	Swap, Net of Tax	Total	Foreign Currency	Net Actuarial	Interest Rate	Swap, Net of Tax
	Translation Gain	Gain (Loss), Net				Translation Gain	Gain (Loss), Net		
Balance as of beginning of period	\$ (9,307)	\$ 119	\$ 3,374	\$ (5,814)	\$ (30,070)	\$ —	\$ —	\$ —	\$ (30,070)

Other comprehensive income before reclassification	3,029	—	(115)	2,914	(5,019)	—	(3,512)	(8,531)
Amounts reclassified from AOCI	—	—	(1,057)	(1,057)	27,750	—	—	27,750
Net change in AOCI	3,029	—	(1,172)	1,857	22,731	—	(3,512)	19,219
Balance as of end of period	\$ (6,278)	\$ 119	\$ 2,202	\$ (3,957)	\$ (7,339)	\$ —	\$ (3,512)	\$ (10,851)

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Three Months Ended August 31,									
	2023					2022			
	Foreign Translation (Loss)	Net Actuarial Gain (Loss), Net of Tax	Interest Rate Swap, Net of Tax	Total	Foreign Translation (Loss)	Net Actuarial Gain (Loss), Net of Tax	Interest Rate Swap, Net of Tax	Total	
	\$ (6,440)	\$ 119	\$ (1,219)	\$ (7,540)	\$ (26,700)	\$ —	\$ —	\$ (26,700)	
Balance as of beginning of period	\$ (6,440)	\$ 119	\$ (1,219)	\$ (7,540)	\$ (26,700)	\$ —	\$ —	\$ (26,700)	
Other comprehensive income before reclassification	(2,867)	—	5,531	2,664	(3,370)	—	—	(3,370)	
Amounts reclassified from AOCI	—	—	(938)	(938)	—	—	—	—	
Net change in AOCI	(2,867)	—	4,593	1,726	(3,370)	—	—	(3,370)	
Balance as of end of period	\$ (9,307)	\$ 119	\$ 3,374	\$ (5,814)	\$ (30,070)	\$ —	\$ —	\$ (30,070)	
Six Months Ended August 31,									
	2023					2022			
	Net			Net			2023		
	Foreign Currency	Actuarial Gain	Interest Rate	Foreign Currency	Actuarial Gain	Interest Rate	Foreign Currency	Actuarial Gain	Interest Rate
Balance as of beginning of period	\$ (7,571)	\$ 119	\$ 2,879	\$ (4,573)	\$ (27,324)	\$ —	\$ (7,571)	\$ 119	\$ 2,879
Other comprehensive income before reclassification	Other comprehensive income before reclassification	(1,736)	—	1,982	246	(2,746)	—	—	(2,746)
Amounts reclassified from AOCI	Amounts reclassified from AOCI	—	—	(1,487)	(1,487)	—	—	—	(2,746)
Net change in AOCI	Net change in AOCI	(1,736)	—	495	(1,241)	(2,746)	—	—	(2,746)
Balance as of end of period	Balance as of end of period	\$ (9,307)	\$ 119	\$ 3,374	\$ (5,814)	\$ (30,070)	\$ —	\$ —	\$ (30,070)
Nine Months Ended November 30,									
	2023					2022			
	Net			Net			2023		
	Foreign Currency	Actuarial Gain	Interest Rate	Foreign Currency	Actuarial Gain	Interest Rate	Foreign Currency	Actuarial Gain	Interest Rate
Balance as of beginning of period	\$ (7,571)	\$ 119	\$ 2,879	\$ (4,573)	\$ (27,324)	\$ —	\$ (7,571)	\$ 119	\$ 2,879
Other comprehensive income before reclassification	Other comprehensive income before reclassification	(1,293)	—	1,867	3,160	(7,765)	—	—	(7,765)
Amounts reclassified from AOCI	Amounts reclassified from AOCI	—	—	(2,544)	(2,544)	27,750	—	—	(2,544)
Net change in AOCI	Net change in AOCI	1,293	—	(677)	616	19,985	—	—	(677)
Balance as of end of period	Balance as of end of period	\$ (6,278)	\$ 119	\$ 2,202	\$ (3,957)	\$ (7,339)	\$ —	\$ —	\$ (7,339)

15.16. Defined Benefit Pension Plan

Pension and Employee Benefit Obligations

In the Company's Precoat Metals segment, certain current or past employees participate in a defined benefit pension plan (the "Plan"). Prior to the Precoat Acquisition, benefit accruals were frozen for all participants. After the freeze, participants no longer accrued benefits under the Plan, and new hires of AZZ Precoat Metals are not eligible to participate in the Plan. As of August 31, 2023 November 30, 2023, the Plan was underfunded, and the Company has a pension liability of \$31.7 \$31.6 million, which is included in "Other long-term liabilities" in the consolidated balance sheets and represents the underfunded portion of the Plan.

16.17. Commitments and Contingencies

Legal

The Company and its subsidiaries are named defendants and plaintiffs in various routine lawsuits incidental to our business. These proceedings include labor and employment claims, various commercial disputes, use of the Company's intellectual property, worker's compensation and environmental matters, all arising in the normal course of

business. As discovery progresses on all outstanding legal matters, the Company will continue to evaluate opportunities to either settle the

AZZ INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

disputes for nuisance value or potentially enter into mediation as a way to resolve the disputes prior to trial. As the pending cases progress through additional discovery and potential mediation, our assessment of the likelihood of an unfavorable outcome on the pending lawsuits may change. Although the outcome of these lawsuits or other proceedings cannot be predicted with certainty, and the amount of any potential liability that could arise with respect to such lawsuits or other matters cannot be predicted at this time, management, after consultation with legal counsel believes it has strong defenses to all of these matters

AZZ INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

and does not expect liabilities, if any, from these claims or proceedings, either individually or in the aggregate, to have a material effect on the Company's financial position, results of operations or cash flows.

The Company's prior-owned affiliate – The Calvert Company entered into a series of commercial contracts in 2011 and 2015 to provide equipment and services to a power plant in Georgia. The general contractor on the project, WECTEC (a subsidiary of Westinghouse), filed bankruptcy in New York in March of 2017. The Company's affiliate continued to perform work on the project for the owners/licensee under an interim bridge contract. We believe the affiliate was eventually terminated for convenience on the project, and the affiliate filed an adversary proceeding in bankruptcy court against WECTEC and the owners to collect all unpaid amounts. The owners of the Georgia power plant filed a countersuit in April of 2018. In connection with the Company selling the majority interest in the AIS business to Fernweh Group on September 30, 2022, the Company agreed to retain this lawsuit. After a long and protracted discovery process and motion practice, we determined in the quarter ended **August 31, 2023** **August 30, 2023** that the most favorable outcome to the Company to resolve the dispute may be a negotiated settlement. This decision was made in consideration of the expenses of a lengthy jury trial and potentially protracted appeal process; the resources necessary to continue the prosecution and defense of the case given the size of the discovery and the number of issues involved; the risk factors typically associated with jury verdicts in light of all of the political circumstances currently present in Georgia regarding the power plant; and the benefit of resolving a dispute whose genesis arose more than twelve years ago based solely upon risk avoidance, and not upon the merits of the case. **All** **During the third quarter of fiscal 2024, all of the parties have agreed to enter** **entered** into a confidential settlement agreement, with no parties admitting any guilt or negligence and the Company **agreeing** **agreed** to pay the owners/licensee \$5.75 million on or around **December 6, 2023** **January 15, 2024** to resolve all outstanding matters related to the dispute. **The settlement agreement is expected to be finalized in the third quarter of fiscal 2024.** In addition, the agreement included the forgiveness of the Company's receivable from WECTEC of \$3.7 million, \$3.7 million, which was fully reserved by the Company. This settlement of \$5.75 million was accrued during the **three months ended August 31, 2023**, **second quarter of fiscal year 2024**, and is included in "Selling, general and administrative" expense in the consolidated statement of operations for the **three nine months ended August 31, 2023** **November 30, 2023** and in "Other accrued liabilities" in the consolidated balance sheet as of **August 31, 2023** **November 30, 2023**. The settlement was included in the AZZ Infrastructure Solutions segment, and the settlement payment will be made in the fourth quarter of fiscal 2024.

In 2017, Southeast Texas Industries, Inc. ("STI") filed a breach of contract lawsuit against the Company in the 1st District Court of Jasper County, Texas (the "Court"). In 2020, the Company filed a counter suit against STI for amounts due to the Company for work performed. The parties unsuccessfully mediated the case in November 2021. On October 16, 2023, the case went to trial, and on October 27, 2023, the jury rendered a verdict in favor of STI and against AZZ Beaumont in the amount of \$4.5 million in damages for breach of contract and breach of express warranty. After a final judgment amount is entered with the Court, the Company expects to pursue all available appellate options as the Company believes it has strong grounds for appeal, which may take up to 2 years. As of November 30, 2023, the Company has recorded a legal accrual of \$4.5 million, which is included in "Other accrued liabilities" on our consolidated balance sheets, reflecting the Company's best estimate of the probable loss. It is reasonably possible that our estimate of the probable loss may change after: (i) the hearing on attorney fees, which is currently scheduled for January 26, 2024; (ii) after the Judge renders a final judgement; or (iii) throughout the appellate process. The Company expects to purchase a supersedeas bond to cover the final judgment amount throughout the duration of the appellate process.

A litigation matter between the Company and a previous customer of an affiliate of the AIS business, which was retained following the disposition of the AIS business, is scheduled to go to trial during the fourth quarter of fiscal 2024. The Company is the Plaintiff and believes that it will be able to recover its damages against the Defendant. As of **August 31, 2023** **November 30, 2023**, the Company has a receivable due from the Defendant, net of allowance, of \$5.2 million, which is included in "Accounts receivable, net" in the consolidated balance sheets. **Neither** **sheets, which the Company believes is collectible. However, neither** the likelihood of an unfavorable outcome nor the ultimate **liability, collectability of this receivable, if any, with respect to this litigation** can be determined at this time.

Environmental

The Company assumed certain environmental liabilities as part of the Precoat Acquisition described in Note 2. As of **August 31, 2023** **November 30, 2023**, the reserve balance for environmental liabilities was **\$22.4** **\$22.0** million, of which **\$3.5** **\$3.2** million is classified as current. Environmental remediation liabilities include costs directly associated with site investigation and clean up, such as materials, external contractor costs, legal and consulting expenses and incremental internal costs directly related to ongoing remediation plans. Estimates used to record environmental remediation liabilities are based on the Company's best estimate of

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

probable future costs based on site-specific facts and circumstances known at the time of the estimate and these estimates are updated on a quarterly basis. Estimates of the cost for the potential or ongoing remediation plans are developed using internal resources and third-party environmental engineers and consultants.

The Company accrues the anticipated cost of environmental remediation when the obligation is probable and the amount can be reasonably estimated. If a range of amounts can be reasonably estimated and no amount within the range is a better estimate than any other amount, then the minimum of the range is accrued. While any revisions to the Company's environmental remediation liabilities could be material to the operating results of any fiscal quarter or fiscal year, the Company does not expect such additional remediation expenses to have an adverse material effect on its financial position, results of operations, or cash flows.

Capital Commitments—Greenfield Aluminum Coil Coating Facility

We are expanding our coatings capabilities by constructing a new 25-acre aluminum coil coating facility in Washington, Missouri that is expected to be operational in 2025. The new facility will be included in the AZZ Precoat Metals segment and is supported by a take-or-pay contract for approximately 75% of the output from the new plant. We expect to spend approximately \$125.8 million in progress payments over the estimated two-year construction timeline and we currently have capital commitments of approximately \$48.4 million. We expect to pay approximately \$71.2 million in fiscal 2024, of which \$33.6 million was paid during the current nine-month period. The remaining payments in fiscal 2024 are expected to be funded through cash flows from operations and borrowings under the Revolving Credit Facility. The project is not expected to result in a material adverse effect on our business, results of operations, cash flow or financial condition.

18. Subsequent Events

On December 20, 2023, the Company repriced the \$400.0 million Revolving Credit Facility, which was outstanding under the 2022 Credit Agreement. The repricing converted from a rate of SOFR + 425 plus a Credit Spread Adjustment of 10 basis points, to a tiered rate ranging from SOFR plus 275 - 350 basis points, depending on the Company's net leverage ratio, with no Credit Spread Adjustment.

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

Forward Looking Statements

Certain statements herein about our expectations of future events or results constitute forward-looking statements for purposes of the safe harbor provisions of The Private Securities Litigation Reform Act of 1995. You can identify forward-looking statements by terminology such as "may," "could," "should," "expects," "plans," "will," "might," "would," "projects," "currently," "intends," "outlook," "forecasts," "targets," "anticipates," "believes," "estimates," "predicts," "potential," "continue," or the negative of these terms or other comparable terminology. Such forward-looking statements are based on currently available competitive, financial, and economic data and management's views and assumptions regarding future events. Such forward-looking statements are inherently uncertain, and investors must recognize that actual results may differ from those expressed or implied in the forward-looking statements. Forward-looking statements speak only as of the date they are made and are subject to risks that could cause them to differ materially from actual results. Certain factors could affect the outcome of the matters described herein. This Quarterly Report may contain forward-looking statements that involve risks and uncertainties including, but not limited to, changes in customer demand for our products and services, including demand by the construction markets, the industrial markets, and the metal coatings markets. We could also experience additional increases in labor costs, components and raw materials including zinc and natural gas, which are used in our hot-dip galvanizing process; supply-chain vendor delays; customer requested delays of our products or services; delays in additional acquisition opportunities; an increase in our debt leverage and/or interest rates on our debt, of which a significant portion is tied to variable interest rates; availability of experienced management and employees to implement AZZ's growth strategy; a downturn in market conditions in any industry relating to the products we inventory or sell or the services that we provide; economic volatility, including a prolonged economic downturn or macroeconomic conditions such as inflation or changes in the political stability in the United States and other foreign markets in which we operate; acts of war or terrorism inside the United States or abroad; and other changes in economic and financial conditions. AZZ has provided additional information regarding risks associated with the business, including in Part I, Item 1A. Risk Factors, in AZZ's Annual Report on Form 10-K for the fiscal year ended February 28, 2023 and other filings with the SEC, available for viewing on AZZ's website at www.azz.com and on the SEC's website at www.sec.gov.

You are urged to consider these factors carefully when evaluating the forward-looking statements herein and are cautioned not to place undue reliance on such forward-looking statements, which are qualified in their entirety by this cautionary statement. These statements are based on information as of the date hereof and AZZ assumes no obligation to update any forward-looking statements, whether as a result of new information, future events, or otherwise.

The following discussion should be read in conjunction with management's discussion and analysis contained in our Annual Report on Form 10-K for the fiscal year ended February 28, 2023, and with the condensed consolidated financial statements and notes thereto included in this Quarterly Report on Form 10-Q.

RESULTS OF OPERATIONS

Overview

We are a provider of hot-dip galvanizing and coil coating solutions to a broad range of end-markets, predominantly in North America. We operate three distinct business segments, the AZZ Metal Coatings segment, the AZZ Precoat Metals segment, and the AZZ Infrastructure Solutions segment. For the three and nine months ended November 30, 2023, the AZZ Infrastructure Solutions segment consists of the Company's 40% investment in the AVAIL JV for the three and six months ended August 31, 2023. For the three and six months ended August 31, 2022 November 30, 2022, the AZZ Infrastructure Solutions segment includes the results of operations of the AIS business prior to the divestiture of the AVAIL JV. See Note 3 of our consolidated financial statements for more information about the divestiture of the AVAIL JV. Our discussion and analysis of financial condition and results of operations is divided by each of our segments, along with corporate costs and other costs not specifically identifiable to a segment. For a reconciliation of segment operating income to consolidated operating income, see Note 7 to the consolidated financial statements. Management believes that the most meaningful analysis of our results of operations is to analyze our performance by segment. We use sales and operating income by segment to evaluate the performance of our segments. Segment operating income consists of sales less cost of sales and selling, general and administrative expenses that are specifically identifiable to a segment.

QUARTER ENDED AUGUST 31, NOVEMBER 30, 2023 COMPARED TO THE QUARTER ENDED AUGUST 31, NOVEMBER 30, 2022

Segment Sales and Operating Income from Continuing Operations

The following table reflects the breakdown of net income from continuing operations by segment (in thousands):

		Three Months Ended August 31, 2023					Three Months Ended November 30, 2023								
		Metal		Precoat	Infrastructure		Corporate ⁽²⁾⁽³⁾	Total	Metal		Precoat	Infrastructure		Corporate ⁽²⁾	Total
		Coatings	Metals	Solutions ⁽¹⁾	Corporate ⁽²⁾⁽³⁾	Total			Coatings	Metals	Solutions ⁽¹⁾	Corporate ⁽³⁾	Total		
Sales	Sales	\$ 169,837	\$ 228,705	\$ —	\$ —	\$ 398,542	Sales	\$ 163,186	\$ 218,419	\$ —	\$ —	\$ —	\$ 381,605		
Cost of sales	Cost of sales	119,471	181,825	—	—	301,296	Cost of sales	115,952	177,504	—	—	—	293,456		
Gross margin	Gross margin	50,366	46,880	—	—	97,246	Gross margin	47,234	40,915	—	—	—	88,149		
Selling, general and administrative	Selling, general and administrative	5,285	7,874	5,932	17,148	36,239	Selling, general and administrative	9,392	8,163	290	17,480	35,325			
Operating income (loss) from continuing operations	Operating income (loss) from continuing operations	\$ 45,081	\$ 39,006	(5,932)	(17,148)	61,007	Operating income (loss) from continuing operations	37,842	32,752	(290)	(17,480)	52,824			
Interest expense	Interest expense	—	—	27,770	27,770	Interest expense	—	—	—	—	25,855	25,855			
Equity in earnings of unconsolidated subsidiaries	Equity in earnings of unconsolidated subsidiaries	(974)	—	(974)	(974)	Equity in earnings of unconsolidated subsidiaries	—	—	(8,742)	—	—	(8,742)			
Other (income) expense	Other (income) expense	—	(88)	(88)	Other expense	29	—	—	—	12	41				
Income (loss) from continuing operations before income tax	Income (loss) from continuing operations before income tax	\$ (4,958)	(44,830)	34,299	Income (loss) from continuing operations before income tax	\$ 37,813	\$ 32,752	\$ 8,452	(43,347)	35,670					
Income tax expense	Income tax expense	5,967	5,967	Income tax expense	8,780	8,780									
Net income (loss) from continuing operations	Net income (loss) from continuing operations	\$ (50,797)	\$ 28,332	Net income (loss) from continuing operations	\$ (52,127)	\$ 26,890									

(1) Infrastructure Solutions segment includes the Company's equity in (earnings) loss from its investment in the AVAIL JV, as well as other expenses related to receivables and liabilities that were retained by the Company following the sale of the AIS business.

(2) Interest expense and Income tax expense are included in the Corporate segment as these items are not allocated to the segments.

(3) For fiscal year 2024, amortization expense for acquired intangible assets is included in Corporate expenses in "Selling, general and administrative" expense as these expenses are not allocated to the segments.

(1) Infrastructure Solutions segment includes the Company's equity in (earnings) loss from its investment in the AVAIL JV, as well as other expenses related to receivables and liabilities that were retained by the Company following the sale of the AIS business.

(2) Interest expense and Income tax expense are included in the Corporate segment as these items are not allocated to the segments.

(3) For fiscal year 2024, amortization expense for acquired intangible assets is included in Corporate expenses in "Selling, general and administrative" expense as these expenses are not allocated to the segments.

		Three Months Ended August 31, 2022					Three Months Ended November 30, 2022								
		Metal		Precoat	Infrastructure		Corporate ⁽²⁾⁽³⁾	Total	Metal		Precoat	Infrastructure		Corporate ⁽²⁾	Total
		Coatings	Metals		Solutions ⁽¹⁾	Corporate ⁽²⁾⁽³⁾			Coatings	Metals	Solutions ⁽¹⁾	Corporate ⁽²⁾	Total		
Sales	Sales	\$ 165,849	\$ 240,861	\$ —	\$ —	\$ —	\$ 406,710	Sales	\$ 158,274	\$ 215,027	\$ —	\$ —	\$ —	\$ 373,301	
Cost of sales	Cost of sales	116,437	188,718	—	—	—	305,155	Cost of sales	120,134	180,085	—	—	—	300,219	
Gross margin	Gross margin	49,412	52,143	—	—	—	101,555	Gross margin	38,140	34,942	—	—	—	73,082	
Selling, general and administrative	Selling, general and administrative	4,416	15,930	—	—	17,068	37,414	Selling, general and administrative	4,594	13,889	—	—	9,206	27,689	
Operating income (loss) from continuing operations	Operating income (loss) from continuing operations	\$ 44,996	\$ 36,213	—	(17,068)	64,141	Operating income (loss) from continuing operations	33,546	21,053	—	(9,206)	45,393			
Interest expense	Interest expense			—	28,144	28,144	Interest expense	—	—	—	26,123	26,123			

Other (income) expense	—	55	55							
Equity in earnings of unconsolidated subsidiaries				Equity in earnings of unconsolidated subsidiaries	—	—	(1,006)	—	(1,006)	
Other income				Other income	(124)	—	—	(486)	(610)	
Income (loss) from continuing operations before income tax	Income (loss) from continuing operations before income tax	\$ —	(45,267)	35,942	Income (loss) from continuing operations before income tax	\$ 33,670	\$ 21,053	\$ 1,006	(34,843)	20,886
Income tax expense	Income tax expense		10,822	10,822	Income tax expense				2,447	2,447
Net income (loss) from continuing operations	Net income (loss) from continuing operations		\$ (56,089)	\$ 25,120	Net income (loss) from continuing operations				\$ (37,290)	\$ 18,439
(1) Infrastructure Solutions segment includes the Company's equity in (earnings) loss from its investment in the AVAIL JV, as well as other expenses related to receivables that were retained by the Company following the sale of the AIS business.										
(2) Interest expense, Other (income) expense and Income tax expense are included in the Corporate segment as these items are not allocated to the segments.										
(3) For fiscal year 2024, amortization expense for acquired intangible assets is included in Corporate expenses in "Selling, general and administrative" expense as these expenses are not allocated to the segments.										
(1) Infrastructure Solutions segment includes the Company's equity in (earnings) loss from its investment in the AVAIL JV.										
(2) Interest expense and Income tax expense are included in the Corporate segment as these items are not allocated to the segments.										
(3) For fiscal year 2023, amortization expense for acquired intangible assets is included in Metal Coatings expenses in "Cost of sales" and in Precoat Metals in "Selling, general and administrative" expense.										

Sales

For the three months ended August 31, 2023 November 30, 2023 (the "current quarter"), consolidated sales decreased \$8.2 million increased \$8.3 million, or 2.0% 2.2%, compared to the three months ended August 31, 2022 November 30, 2022 (the "prior year quarter"). Sales for the AZZ Metal Coatings segment increased \$4.0 million \$4.9 million, or 2.4% 3.1%, for the current quarter, compared to the prior year quarter. The increase was primarily due to an increase in the selling price, partially offset by a higher lower volume of steel processed in during the current quarter, partially offset by a decrease in the selling price. Sales for the AZZ Precoat Metals segment decreased \$12.2 million increased \$3.4 million, or 5.0% 1.6% for the current quarter. The decrease increase is primarily due to an increase in selling price, partially offset by a lower volume of coil coated in the current period, partially offset by an increase in selling price.

period.

Operating Income

For the current quarter, consolidated operating income decreased \$3.1 million increased \$7.4 million, or 4.9% 16.4%, compared to the prior year quarter.

Operating income for the AZZ Metal Coatings segment increased \$0.1 million \$4.3 million, or 0.2% 12.8% for the current quarter, compared to the prior year quarter. The current quarter increase was due to increased volumes sales as described above, offset by higher coupled with lower cost of sales, and partially offset by higher selling, general and administrative expenses. The increase decrease in cost of sales of \$3.0 million \$4.2 million was primarily due to higher lower zinc and labor overhead costs, partially offset by and a change in classification of amortization of intangible assets of \$1.7 million. In addition, selling, \$1.9 million, partially offset by an increase in labor costs. Selling, general and administrative expense increased due to the recognition of a \$4.5 million legal accrual, and the change in classification of certain compensation and information technology costs of \$0.6 million \$0.7 million, to the AZZ Metal Coatings segment, from the Corporate segment.

Operating income for the AZZ Precoat Metals segment increased \$2.8 million \$11.7 million, or 7.7% 55.6% for the current quarter. The increase is primarily due to: lower applied cost of sales (primarily driven by improved efficiencies which offset higher cost of labor and materials, as well as lower freight costs), and; lower selling, general and administrative expense (primarily salaries and wages and the change in classification of amortization of intangible assets), partially offset by assets of \$4.3 million; and the decrease increase in sales as described above.

Operating income for the AZZ Infrastructure Solutions segment decreased \$5.9 \$0.3 million, due to a legal settlement of \$5.75 million and other legal expenses.

Corporate Expenses

Corporate selling, general and administrative expenses increased \$0.1 million \$8.3 million, or 0.5% 89.9%, for the current quarter, compared to the prior year quarter. The increase is primarily due to the Company including to: amortization expense of \$5.9 million related to all intangible assets, which is included in corporate expense. The increase is partially offset by a decrease in acquisition costs of \$4.1 million expense in the current quarter, and allocated to the segments in the prior year quarter; a decrease in income from the transition services agreement associated with the AVAIL JV; and employee-related costs; partially offset by the allocation of certain compensation and information technology costs to the segments, that were previously included in corporate expenses. In addition, income from the transition services agreement associated with the AVAIL JV partially offset the transition services expenditures incurred by the Company to support the transition of the AVAIL JV to its own infrastructure.

Interest Expense

Interest expense for the current quarter decreased \$0.4 million \$0.3 million, to \$27.8 million \$25.9 million, compared to \$28.1 million \$26.1 million for the prior year quarter. The decrease in interest expense is primarily attributable to a decrease in the weighted average debt outstanding, partially offset by an increase in interest rates on our outstanding debt.

Equity in Earnings of Unconsolidated Entities

Equity in earnings of unconsolidated subsidiaries of for the current quarter increased \$7.7 million, to \$8.7 million, compared to \$1.0 million represents our proportionate share of in the prior year quarter. The increase is primarily due to higher earnings from our investment the AVAIL JV, and three months of equity in earnings in the current quarter, compared to one month in the prior year quarter, as the AVAIL JV JV equity in earnings are recorded on a one-month lag.

See Note 8 of our consolidated financial statements for more information about the AVAIL JV.

Income Taxes

The provision for income taxes from continuing operations reflects an effective tax rate of 17.4% 24.6% for the three months ended August 31, 2023 November 30, 2023, compared to 30.1% 11.7% for the three months ended August 31, 2022 November 30, 2022. The decrease increase in the effective tax rate is attributable to a favorable adjustments for the current period related to uncertain tax positions, as well as an unfavorable adjustment in the prior year comparable period due to the recognition of an outside basis difference related to management fees recorded as a result of continuing operations versus discontinued operations reporting the AVAIL JV.

Income from Discontinued Operations

The results of our AZZ Infrastructure Solutions segment were classified as discontinued operations in our condensed consolidated statements of operations and excluded from continuing operations for all periods presented. The results of operations from discontinued operations for the three months ended August 31, 2022 November 30, 2022 consist

of the following (in thousands):

		Three Months Ended
		August 31, November 30, 2022
Sales		\$ 106,660 42,300
Cost of sales		84,826 35,020
Gross margin		21,834 7,280
Selling, general and administrative		9,710 4,074
Loss on disposal of discontinued operations		114,900 45,010
Operating loss from discontinued operations		(102,776) (41,804)
Interest expense		52
Other (income) expense, net		3,443 2,002
Loss from discontinued operations before income tax		(106,224) (43,808)
Income tax benefit		(23,534) (4,827)
Net loss from discontinued operations		\$ (82,690) (38,981)

See Note 3 to our consolidated financial statements included in this Quarterly Report on Form 10-Q for more information.

SIX

NINE MONTHS ENDED AUGUST 31, NOVEMBER 30, 2023 COMPARED TO THE SIX NINE MONTHS ENDED AUGUST 31, NOVEMBER 30, 2022

Segment Sales and Operating Income from Continuing Operations

The following table reflects the breakdown of net income from continuing operations by segment (in thousands):

		Six Months Ended August 31, 2023					Nine Months Ended November 30, 2023					
		Metal Coatings	Precoat Metals	Infrastructure Solutions ⁽¹⁾	Corporate ⁽²⁾	Total	Metal Coatings	Precoat Metals	Infrastructure Solutions ⁽¹⁾	Corporate ⁽²⁾	Total	
Sales	Sales	\$ 338,631	\$ 450,784	\$ —	\$ —	\$ 789,415	Sales	\$ 501,816	\$ 669,204	\$ —	\$ —	\$ 1,171,020
Cost of sales	Cost of sales	237,328	357,822	—	—	595,150	Cost of sales	353,280	535,326	—	—	888,606
Gross margin	Gross margin	101,303	92,962	—	—	194,265	Gross margin	148,536	133,878	—	—	282,414
Selling, general and administrative	Selling, general and administrative	10,751	16,266	5,954	34,791	67,762	Selling, general and administrative	20,143	24,429	6,244	52,271	103,087
Operating income (loss) from continuing operations	Operating income (loss) from continuing operations	\$ 90,552	\$ 76,696	(5,954)	(34,791)	126,503	Operating income (loss) from continuing operations	128,393	109,449	(6,244)	(52,271)	179,327
Interest expense	Interest expense			—	56,476	56,476	Interest expense	—	—	—	82,331	82,331
Equity in earnings of unconsolidated subsidiaries	Equity in earnings of unconsolidated subsidiaries			(2,394)	—	(2,394)	Equity in earnings of unconsolidated subsidiaries	—	—	(11,136)	—	(11,136)
Other (income) expense	Other (income) expense			—	(50)	(50)	Other (income) expense	40	—	—	(49)	(9)

Income (loss) from continuing operations before income tax	Income (loss) from continuing operations before income tax	\$ <u>(3,560)</u>	(91,217)	72,471	Income (loss) from continuing operations before income tax	\$ <u>128,353</u>	\$ <u>109,449</u>	\$ <u>4,892</u>	(134,553)	108,141
Income tax expense	Income tax expense		15,617	15,617	Income tax expense				24,397	24,397
Net income (loss) from continuing operations	Net income (loss) from continuing operations	\$ <u>(106,834)</u>	\$ <u>56,854</u>		Net income (loss) from continuing operations				\$ (158,950)	\$ 83,744
(1) Infrastructure Solutions segment includes the Company's equity in (earnings) loss from its investment in the AVAIL JV, as well as other expenses related to receivables and liabilities that were retained by the Company following the sale of the AIS business.					(1) Infrastructure Solutions segment includes the Company's equity in (earnings) loss from its investment in the AVAIL JV, as well as other expenses related to receivables and liabilities that were retained by the Company following the sale of the AIS business.					
(2) Interest expense and Income tax expense are included in the Corporate segment as these items are not allocated to the segments.					(2) Interest expense and Income tax expense are included in the Corporate segment as these items are not allocated to the segments.					
(3) For fiscal year 2024, amortization expense for acquired intangible assets is included in Corporate expenses in "Selling, general and administrative" expense as these expenses are not allocated to the segments.					(3) For fiscal year 2024, amortization expense for acquired intangible assets is included in Corporate expenses in "Selling, general and administrative" expense as these expenses are not allocated to the segments.					

	Nine Months Ended November 30, 2022				
	Infrastructure				
	Metal Coatings	Precoat Metals ⁽⁴⁾	Solutions ⁽⁵⁾	Corporate ⁽²⁾⁽³⁾	Total
Sales	\$ 487,567	\$ 499,578	\$ —	\$ —	\$ 987,145

Cost of sales	350,152	402,303	—	—	752,455
Gross margin	137,415	97,275	—	—	234,690
Selling, general and administrative	13,603	33,361	—	50,283	97,247
Operating income (loss) from continuing operations	123,812	63,914	—	(50,283)	137,443
Interest expense	—	—	—	61,739	61,739
Equity in earnings of unconsolidated subsidiaries	—	—	(1,006)	—	(1,006)
Other (income) expense	6	(41)	—	(547)	(582)
Income (loss) from continuing operations before income tax	\$ 123,806	\$ 63,955	\$ 1,006	(111,475)	77,292
Income tax expense				18,380	18,380
Net income (loss) from continuing operations				\$ (129,855)	\$ 58,912

(1) Infrastructure Solutions segment includes the Company's equity in (earnings) loss from its investment in the AVAIL JV.

(2) Interest expense and Income tax expense are included in the Corporate segment as these items are not allocated to the segments.

(3) For fiscal year 2023, amortization expense for acquired intangible assets is included in Metal Coatings expenses in "Cost of sales" and in Precoat Metals in "Selling, general and administrative" expense.

(4) For the nine months ended November 30, 2022, Precoat Metals segment includes results from May 13, 2022 - November 30, 2022.

	Six Months Ended August 31, 2022				
	Metal Coatings	Precoat Metals	Infrastructure Solutions ⁽¹⁾	Corporate ⁽²⁾⁽³⁾	Total
Sales	\$ 329,293	\$ 284,551	\$ —	\$ —	\$ 613,844
Cost of sales	230,018	222,218	—	—	452,236
Gross margin	99,275	62,333	—	—	161,608
Selling, general and administrative	9,009	19,472	—	41,077	69,558
Operating income (loss) from continuing operations	\$ 90,266	\$ 42,861	—	(41,077)	92,050
Interest expense			—	35,615	35,615
Other (income) expense			—	28	28
Income (loss) from continuing operations before income tax			\$ —	(76,720)	56,407
Income tax expense				15,922	15,922
Net income (loss) from continuing operations				\$ (92,642)	\$ 40,485

(1) Infrastructure Solutions segment includes the Company's equity in (earnings) loss from its investment in the AVAIL JV, as well as other expenses related to receivables that were retained by the Company following the sale of the AIS business.

(2) Interest expense, Other (income) expense and Income tax expense are included in the Corporate segment as these items are not allocated to the segments.

(3) For fiscal year 2024, amortization expense for acquired intangible assets is included in Corporate expenses in "Selling, general and administrative" expense as these expenses are not allocated to the segments.

Sales

For the **six** nine months ended **August 31, 2023** November 30, 2023 (the "current **six-month** **nine-month** period"), consolidated sales increased **\$175.6 million** **\$183.9 million**, or **28.6%** **18.6%**, compared to the **six** nine months ended **August 31, 2022** November 30, 2022 (the "prior year **six-month** **nine-month** period"). Sales for the AZZ Metal Coatings segment increased **\$9.3 million** **\$14.2 million**, or **2.8%** **2.9%**, for the current **six-month** **nine-month** period, compared to the prior year **six-month** **nine-month** period. The increase in sales was primarily due to an increase in the volume of steel processed during the period, and improved price realization for our superior quality and service. The volume of steel processed also increased in the current period, compared to the prior year period. Sales for the AZZ Precoat Metals segment increased **\$166.2 million** **\$169.6 million**, or **58.4%** **34.0%** for the current **six-month** **nine-month** period, primarily due to the current year including a full **six-month** **nine-month** period compared to the period from May 13, 2022 through **August 31, 2023** November 30, 2023 for the prior year **six-month** **nine-month** period, which contributed **\$178.4 million** in sales, partially offset by a decrease of **8.8 million** in sales due to lower volume of coil coated, partially offset by an increase in selling price.

Operating Income

For the current **six-month** **nine-month** period, consolidated operating income increased **\$34.5 million** **\$41.9 million**, or **37.4%** **30.5%**, compared to the prior year **six-month** **nine-month** period.

Operating income for the AZZ Metal Coatings segment increased **\$0.3 million** **\$4.6 million**, or **0.3%** **3.7%** for the current **six-month** **nine-month** period, compared to the prior year **six-month** **nine-month** period. The increase was due to improved sales as described above offset by higher cost of sales and higher selling, general and administrative

expenses. The increase in cost Cost of sales of \$7.3 million was increased \$3.1 million, primarily due to higher zinc labor and labor cost, overhead costs, partially offset by a change in classification of amortization of intangible assets of \$3.5 million. In addition, selling, \$5.4 million and a decrease in zinc costs. Selling, general and administrative expense increased due to the recognition of a \$4.5 million legal accrual, and the change in classification of certain compensation and information technology costs of \$1.2 million \$2.0 million to the AZZ Metal Coatings segment, from the Corporate segment.

Operating income for the AZZ Precoat Metals segment increased \$33.8 million \$45.5 million, or 78.9% 71.2%. The increase is primarily due to the current year including inclusion of a full six-month 1st quarter of fiscal 2024 compared to a partial fiscal quarter of 2023, which contributed \$31.0 million, and increases in operating income for the 2nd and 3rd quarters of current nine-month period compared to the period from May 13, 2022 through August 31, 2023 for the prior year six-month nine-month period. The increases in the 2nd and 3rd quarters were due to: lower applied cost of sales (primarily driven by improved efficiencies which offset higher cost of labor and materials, as well as lower freight costs); lower selling, general and administrative expense (primarily salaries and wages and the change in classification of amortization of intangible assets of \$12.2 million); and the increase in sales as described above.

Operating income for the AZZ Infrastructure Solutions segment decreased \$6.0 \$6.2 million, due to a legal settlement of \$5.75 million and legal expenses associated with the settlement and other legal expenses.

matters.

Corporate Expenses

Corporate selling, general and administrative expenses decreased \$6.3 million increased \$2.0 million, or 15.3% 4.0%, for the current six-month nine-month period, compared to the prior year six-month nine-month period. The decrease increase is primarily due to: amortization expense of \$18.1 million related to all intangible assets, which is included in corporate expense in the current nine-month period, and allocated to the segments in the prior year nine-month period; a decrease in transition services agreement fees associated with the AVAIL JV; and employee-related costs. These increases were offset by a decrease in acquisition costs of \$15.6 million \$15.3 million incurred in the prior year six-month nine-month period and the allocation of certain compensation and information technology costs to the segments in the current six-month nine-month period, that were previously included in corporate expenses. Expenses also decreased due to transition services agreement fees associated with the AVAIL JV, which partially offset transition services expenses incurred by the Company. In addition, in fiscal year 2024, the Company began including amortization expense of \$12.2 million related to all intangible assets in corporate expense, which partially offset the decrease in expense for the current six-month period.

Interest Expense

Interest expense for the current six-month nine-month period increased \$20.9 million \$20.6 million, to \$56.5 million \$82.3 million, compared to \$35.6 million \$61.7 million for the prior year six-month nine-month period. The increase in interest expense is attributable to the debt that was obtained in conjunction with the Precoat Acquisition, which was outstanding for the full current six-month nine-month period, compared to the prior year, as well as higher rates of interest on our borrowings.

Equity in Earnings of Unconsolidated Entities

Equity in earnings of unconsolidated subsidiaries of \$2.4 million represents our proportionate share of net income or loss from our investment for the current nine-month period increased \$10.1 million, to \$11.1 million, compared to \$1.0 million in the AIS JV prior year nine-month period. The increase is primarily due to higher earnings from the AVAIL JV, and nine months of equity in earnings in the current nine-month period, compared to one month in the prior year nine-month period, as the AVAIL JV equity in earnings are recorded on a one-month lag. See Note 89 of our consolidated financial statements for more information about the AVAIL JV.

Income Taxes

The provision for income taxes from continuing operations reflects an effective tax rate of 21.5% 22.6% for the six nine months ended August 31, 2023 November 30, 2023, compared to 28.2% 23.8% for the prior year comparable period. The decrease in the effective tax rate is attributable to favorable adjustments in the current year related to uncertain state tax positions, as well as an unfavorable adjustment in the prior year related to management fees recorded as a result of continuing operations versus discontinued operations reporting.

Income from Discontinued Operations, net of tax

The results of our AZZ Infrastructure Solutions segment were classified as discontinued operations in our condensed consolidated statements of operations and excluded from continuing operations for all periods presented. The results of operations from discontinued operations for the current and prior year six-month nine-month period consist of the following (in thousands):

Six Nine Months Ended		
August 31, November 30, 2022		
Sales	\$	213,924 256,224
Cost of sales		167,686 202,707
Gross margin		46,238 53,517
 Selling, general and administrative		22,114 26,186
Loss on disposal of discontinued operations		114,900 159,910
Operating loss from discontinued operations		(90,776) (132,579)
 Interest expense		68
Other (income) expense, net		4,268 6,270
Loss from discontinued operations before income tax		(95,050) (138,857)
Income tax benefit		(21,072) (25,910)
Net loss from discontinued operations	\$	(73,978) (112,947)

See Note 3 to our consolidated financial statements included in this Quarterly Report on Form 10-Q for more information.

LIQUIDITY AND CAPITAL RESOURCES

We have historically met our cash needs through a combination of cash flows from operating activities along with bank and bond market debt. Our cash requirements generally include cash dividend payments, capital improvements, debt repayment, acquisitions, and share repurchases. We believe that our cash position, cash flows from operating activities and our expectation of continuing availability to draw upon our credit facilities are sufficient to meet our cash flow needs for the foreseeable future.

Cash Flows

The following table summarizes our cash flows by category for the periods presented (in thousands):

	Six Months Ended August 31,		Nine Months Ended November 30,	
	2023	2022	2023	2022
Net cash provided by operating activities of continuing operations	Net cash provided by operating activities of continuing operations	\$ 118,340	\$ 42,011	Net cash provided by operating activities of continuing operations
Net cash used in investing activities of continuing operations	Net cash used in investing activities of continuing operations	(42,706)	(1,313,120)	Net cash used in investing activities of continuing operations
Net cash provided by (used in) financing activities of continuing operations	Net cash provided by (used in) financing activities of continuing operations	(76,379)	1,245,096	Net cash provided by (used in) financing activities of continuing operations
Net cash provided by operating activities from discontinued operations	Net cash provided by operating activities from discontinued operations	—	25,098	Net cash provided by operating activities from discontinued operations

Net cash used in investing activities from discontinued operations	Net cash used in investing activities from discontinued operations	—	(2,328)	Net cash used in investing activities from discontinued operations	—	(3,991)
Net cash provided by financing activities from discontinued operations	Net cash provided by financing activities from discontinued operations	—	—	Net cash provided by financing activities from discontinued operations	—	120,000
Working Capital	Working Capital	192,728	230,176			

Net cash provided by operating activities of continuing operations for the **six-month** **nine-month** period was **\$118.3** **\$180.9** million compared to **\$42.0** **\$68.6** million for the prior year **six-month** **nine-month** period. The increase in cash provided by operating activities is primarily attributable to an **increase** **increases** in net income from continuing operations **an increase and** in depreciation and amortization, a decrease in deferred income taxes and increases from **the change** **changes** in working capital in the current **six-month** **nine-month** period compared to the prior year **six-month** **nine-month** period. Changes in current assets and current liabilities of **\$34.1** increased cash provided by operating activities by **\$73.8** million, **resulted from due to** decreases in accounts receivable, **other receivables**, inventories and prepaid expenses and increases in accounts payable, partially offset by decreases in accounts payable and other accrued liabilities. Net cash provided by operating activities **from** discontinued operations was **\$25.1 million** **\$8.0** million for the prior year **six-month** **nine-month** period.

Net cash used in investing activities of continuing operations for the **six-month** **nine-month** period was **\$42.7** **\$66.9** million compared to **\$1.31** **\$1.21** billion for the prior year **six-month** **nine-month** period. The decrease in cash used in investing activities for the current quarter was attributable to the Precoat Acquisition completed in the first quarter of fiscal 2023. In the current year, cash used in investing activities was primarily due to cash used for capital **expenditures** **expenditures and increased from the prior year** **nine-month** period due to the construction of the coil coating facility in Washington, Missouri. Net cash used in investing activities **of** discontinued operations was **\$2.3** **\$4.0** million for the prior year **six-month** **nine-month** period.

Net cash used in financing activities of continuing operations for the **six-month** **nine-month** period was **\$76.4** **\$109.4** million compared to net cash provided by financing activities of **\$1.25** **\$1.01** billion for the prior year **six-month** **nine-month** period. The decrease in cash from financing activities during the current quarter was primarily attributable to proceeds from long-term debt in the prior year **six-month** **nine-month** period, which were used to fund the Precoat Acquisition.

Financing and Capital

2022 Credit Agreement and Term Loan B

The Company has a credit agreement with a syndicate of financial institutions as lenders that was entered into on May 13, 2022 (the "2022 Credit Agreement"). On August 17, 2023, the Company repriced the \$1.0 billion Term Loan B, which was outstanding under the 2022 Credit Agreement as of **August 31, 2023** **November 30, 2023**. The repricing reduced the interest rate margin by 50 basis points to an interest rate of Secured Overnight Financing Rate ("SOFR") plus 3.75% and removed the Credit Spread Adjustment, as defined in the 2022 Credit Agreement, of 10 basis points.

The 2022 Credit Agreement includes the following significant terms:

- i. provides for a senior secured initial term loan in the aggregate principal amount of \$1.3 billion (the "Term Loan B"), due May 13, 2029, which is secured by substantially all of the assets of the Company;
- ii. provides for a maximum senior secured **revolving credit facility** **Revolving Credit Facility** in the aggregate principal amount of \$400.0 million (the "Revolving Credit Facility"), due May 13, 2027;
- iii. includes a letter of credit sub-facility of up to \$100.0 million, which is part of, and not in addition to, the Revolving Credit Facility;
- iv. borrowings under the Term Loan B bear an interest rate of SOFR plus 3.75% (following the repricing on August 17, 2023 as noted above) and the Revolving Credit Facility bears an interest rate of SOFR plus 4.25% **(as of November 30, 2023—see below for information related to the repricing of the Company's Revolving Credit Facility on December 20, 2023);**
- v. includes customary affirmative and negative covenants, and events of default; including restrictions on the incurrence of non-ordinary course debt, investment and dividends, subject to various **exceptions, and** **exceptions; and**,
- vi. includes a maximum quarterly leverage ratio financial covenant, with reporting requirements to our banking group at each **quarter-end**; **quarter-end**.

On December 20, 2023, the Company repriced the \$400.0 million Revolving Credit Facility, which was outstanding under the 2022 Credit Agreement. The repricing converted from a rate of SOFR + 425 plus a Credit Spread Adjustment of 10 basis points, to a tiered rate ranging from SOFR plus 275 - 350 basis points, depending on the Company's net leverage ratio, with no Credit Spread Adjustment.

The Company utilizes proceeds from the Revolving Credit Facility primarily to finance working capital needs, capital improvements, dividends, acquisitions and for general corporate purposes.

As defined in the credit agreement, quarterly prepayments were due against the outstanding principal of the Term Loan B and were payable on the last business day of each May, August, November and February, beginning August 31, 2022, in a quarterly aggregate principal amount of \$3.25 million, with the entire remaining principal amount due on May 13, 2029, the maturity date. Additional prepayments made against the Term Loan B contribute to these required quarterly payments. Due to a prepayment of \$240.0 million that the Company made on the Term Loan B during fiscal year 2023 in connection with the sale of the AIS business, the quarterly mandatory principal payment requirement has been met, and the quarterly payments of \$3.25 million are no longer required, not required at this time.

The weighted average interest rate for the Company's outstanding debt, including the Revolving Credit Facility and the Term Loan B, was 8.56% 8.54% at August 31, 2023 November 30, 2023.

The Company's credit agreement required the Company to maintain a maximum Total Net Leverage Ratio (as defined in the loan agreement) no greater than 6.25 through November 2022. For each subsequent quarter, the maximum ratio decreased by 25 basis points through May 31, 2024, when the maximum Total Net Leverage Ratio reaches 4.5. As of August 31, 2023 November 30, 2023, the Company was required to maintain a Total Net Leverage Ratio no greater than 5.25 5.0. As of August 31, 2023 November 30, 2023, we were in compliance with all covenants or other requirements set forth in the debt agreements.

As of August 31, 2023 November 30, 2023, we had \$1.07 \$1.04 billion of floating- and fixed-rate debt outstanding on the Revolving Credit Facility and the Term Loan B, with varying maturities through fiscal 2029. As of August 31, 2023 November 30, 2023, we are in compliance with each of the covenants related to these outstanding borrowings. Additionally, as of August 31, 2023 November 30, 2023, we had approximately \$347.1 \$375.5 million of additional credit available for future draws or letters of credit.

Letters of Credit

As of August 31, 2023 November 30, 2023, we had total outstanding letters of credit in the amount of \$17.9 \$14.5 million. These letters of credit are issued for a number of reasons, but are most commonly issued in lieu of customer retention withholding payments covering warranty, performance periods and insurance collateral.

Interest Rate Swap

We manage our exposure to fluctuations in interest rates using a mix of fixed and variable-rate debt. We utilize fixed-rate interest rate swap agreements to change the variable interest rate to a fixed rate on a portion of our variable-rate debt. On September 27, 2022, the Company entered into a fixed-rate an interest rate swap agreement with banks that are parties to the 2022 Credit Agreement. On October 7, 2022, the agreement was amended to change the SOFR-based component of the interest rate on a portion of our variable-rate debt to a fixed rate of 4.277%, resulting in a total fixed rate of 8.627% (the "2022 Swap"). On August 17, 2023, the Company repriced its Term Loan B, to which the 2022 Swap is related, to reduce the interest rate to SOFR + 3.75%. Following the repricing, the 2022 Swap has a total fixed rate of 8.027%. The 2022 Swap had an initial notional amount of \$550.0 million and a maturity date of September 30, 2025. The notional amount of the interest rate swap decreases by a pro-rata portion of any quarterly principal payments made on the Term Loan B, and the current notional amount is \$544.5 million \$543.1 million. The objective of the 2022 Swap is to eliminate the variability of cash flows in interest payments attributable to changes in benchmark one-month SOFR interest rates, for approximately one-half of the total amount of our variable-rate debt. The hedged risk is the interest rate risk exposure to changes in interest payments, attributable to changes in benchmark one-month SOFR interest rates over the interest rate swap term. The changes in cash flows of the interest rate swap are expected to exactly offset changes in cash flows of the variable-rate debt. We designated the 2022 Swap as a cash flow hedge at inception. Cash settlements, in the form of cash payments or cash receipts, of the 2022 Swap are recognized in interest expense.

Greenfield Aluminum Coil Coating Facility

We are expanding our coatings capabilities by constructing a new 25-acre aluminum coil coating facility in Washington, Missouri that is expected to be operational in 2025. The new facility will be included in the AZZ Precoat Metals segment and is supported by a take-or-pay contract for approximately 75% of the output from the new plant. We expect to spend approximately \$109.9 million \$125.8 million in progress payments over the estimated two-year construction timeline and we currently have capital commitments of approximately \$50 million \$48.4 million. We expect to pay approximately \$70.0 \$71.2 million in fiscal 2024, of which \$20.0 \$33.6 million was paid during the current six-month nine-month period. The remaining payments in fiscal 2024 are expected to be funded through cash flows from operations and borrowings under the Revolving Credit Facility. The project is not expected to result in a material adverse effect on our business, results of operations, cash flow or financial condition.

Share Repurchase Program

During the six nine months ended August 31, 2023 November 30, 2023 and 2022, to prioritize repayments of debt, including debt incurred to finance the Precoat Acquisition, the Company did not repurchase shares of common stock under the 2020 Share Authorization. The Company has \$84.0 million that may be used to purchase shares. See Part II, "Item 2. Unregistered Sales of Equity Securities and Use of Proceeds."

Other Exposures

We have exposure to commodity price increases in all three of our operating segments, primarily zinc and natural gas in the AZZ Metal Coatings segment, and natural gas, steel and aluminum in the AZZ Precoat Metals segment. We attempt to minimize these increases through fixed cost contract purchases on zinc and natural gas. In addition to these measures, we attempt to recover other cost increases through improvements to our manufacturing process, supply chain management, and through increases in prices where competitively feasible. We have indirect exposure to copper, aluminum, steel and nickel-based alloys in the AZZ Infrastructure Solutions segment through our 40% investment in the AVAIL JV.

Off Balance Sheet Arrangements and Contractual Obligations

As of August 31, 2023 November 30, 2023, the Company did not have any off-balance sheet arrangements as defined under SEC rules. Specifically, there were no off-balance sheet transactions, arrangements, obligations (including contingent obligations), or other relationships with unconsolidated entities or other persons that have, or may have,

a material effect on the financial condition, changes in financial condition, sales or expenses, results of operations, liquidity, capital expenditures or capital resources of the Company.

As of **August 31, 2023** **November 30, 2023**, we had outstanding letters of credit in the amount of **\$17.9 million** **\$14.5 million**. These letters of credit are issued for a number of reasons, but are most commonly issued to support collateral requirements with insurance companies.

Critical Accounting Policies and Estimates

The preparation of financial statements and related disclosures in conformity with U.S. GAAP requires us to make judgments, assumptions, and estimates that affect the amounts reported in the condensed consolidated financial statements and the accompanying notes. We continuously evaluate our estimates and assumptions based upon current facts, historical experience, and various other factors that we believe are reasonable under the circumstances to determine reported amounts of assets, liabilities, sales and expenses that are not readily apparent from other sources.

There were no significant changes to our critical accounting policies and estimates compared to the critical accounting policies and estimates disclosed in Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, of our Annual Report on Form 10-K for the year ended February 28, 2023.

Non-GAAP Disclosures

In addition to reporting financial results in accordance with Generally Accepted Accounting Principles in the United States ("GAAP"), we provided adjusted net income and adjusted earnings per share, (collectively, the "Adjusted Earnings Measures"), which are non-GAAP measures. Management believes that the presentation of these measures provides investors with greater transparency when comparing operating results across a broad spectrum of companies, which provides a more complete understanding of our financial performance, competitive position and prospects for future capital investment and debt reduction. Management also believes that investors regularly rely on non-GAAP financial measures, such as adjusted net income and adjusted earnings per share, to assess operating performance and that such measures may highlight trends in our business that may not otherwise be apparent when relying on financial measures calculated in accordance with GAAP.

In calculating adjusted earnings net income and adjusted earnings per share, management excludes intangible asset amortization, acquisition expenses, transaction related expenses and certain legal settlements, settlements and accruals. Management also provides EBITDA and Adjusted EBITDA, which are non-GAAP measures. Management defines EBITDA as earnings excluding depreciation, amortization, interest, and provision for income taxes. Adjusted EBITDA is defined as earnings excluding depreciation, amortization, interest, provision for income taxes, acquisition expenses, transaction related expenses and certain legal settlements, settlements and accruals. Management believes EBITDA and Adjusted EBITDA are used by investors to analyze operating performance and evaluate the Company's ability to incur and service debt and its capacity for making capital expenditures in the future. EBITDA and Adjusted EBITDA are also useful to investors to help assess the Company's estimated enterprise value. In addition, management believes that the adjustments shown below are useful to investors in order to allow them to compare the Company's financial results during the periods shown without the effect of each of these adjustments.

Management provides non-GAAP financial measures for informational purposes and to enhance understanding of the Company's GAAP consolidated financial statements. Readers should consider these measures in addition to, but not instead of or superior to, the Company's financial statements prepared in accordance with GAAP. These non-GAAP financial measures may be determined or calculated differently by other companies, limiting the usefulness of those measures for comparative purposes.

The following tables provide a reconciliation for the three and **six** **nine** months ended **August 31, 2023** **November 30, 2023** and 2022 between the various measures calculated in accordance with GAAP to the Adjusted Earnings Measures (in thousands, except per share data):

Adjusted Net Income and Adjusted Earnings Per Share from Continuing Operations

	Three Months Ended August 31,				Six Months Ended August 31,				Three Months Ended November								
	2023		2022		2023		2022		30,		Nine Months Ended November						
	Per	Per	Per	Per	Per	Per	Per	Per	2023	2022	2023	2022	2023	2022	2023	2022	
	Diluted	Diluted	Diluted	Diluted	Diluted	Diluted	Diluted	Diluted	Amount	Share ⁽¹⁾	Amount	Share ⁽¹⁾	Amount	Share ⁽¹⁾	Amount	Share ⁽¹⁾	
	Amount	Share ⁽¹⁾	Amount	Share ⁽¹⁾	Amount	Share ⁽¹⁾	Amount	Share ⁽¹⁾	Amount	Share ⁽¹⁾	Amount	Share ⁽¹⁾	Amount	Share ⁽¹⁾	Amount	Share ⁽¹⁾	
Net income from continuing operations	Net income from continuing operations								Net income from continuing operations								
		\$ 28,332		\$ 25,120		\$ 56,854		\$ 40,485			\$ 26,890		\$ 18,439		\$ 83,744		\$ 58,912
	Less:																
Less: preferred stock dividends	preferred stock								Less: preferred stock dividends								
	dividends	(3,600)		(1,040)		(7,200)		(1,040)			(3,600)		(3,600)		(10,800)		(4,640)

Net income from continuing operations available to common shareholders	Net income from continuing operations available to common shareholders	24,732	24,080	49,654	39,445	Net income from continuing operations available to common shareholders	23,290	14,839	72,944	54,272										
Impact of after-tax interest expense for convertible notes	Impact of after-tax interest expense for convertible notes	—	2,006	—	2,554	Impact of after-tax interest expense for convertible notes	—	—	—	—										
Impact of preferred stock dividends	Impact of preferred stock dividends	3,600	1,040	7,200	1,040	Impact of preferred stock dividends	3,600	—	10,800	—										
Net income and diluted earnings per share from continuing operations (2)	Net income and diluted earnings per share from continuing operations (2)	\$ 28,332	\$ 0.97	\$ 27,126	\$ 0.93	\$ 56,854	\$ 1.95	\$ 43,039	\$ 1.57	\$ 26,890	\$ 0.92	14,839	\$ 0.59	83,744	\$ 2.86	54,272	\$ 2			
Impact of preferred stock dividends	Impact of preferred stock dividends	—	—	—	—	Impact of preferred stock dividends	—	—	—	—	4,640									
Net income and diluted earnings per share from continuing operations for Adjusted net income calculation (2)	Net income and diluted earnings per share from continuing operations for Adjusted net income calculation (2)	26,890	0.92	14,839	0.59	83,744	2.86	58,912	2	26,890	0.92	14,839	0.59	83,744	2.86	58,912	2			
Adjustments: Acquisition and transaction-related expenditures (2)	Adjustments: Acquisition and transaction-related expenditures (2)	—	—	2,706	0.09	—	—	15,320	0.56	Adjustments: Acquisition and transaction-related expenditures (2)	—	—	—	—	—	—	—	15,320	0	
Acquisition and transaction-related expenditures (3)	Acquisition and transaction-related expenditures (3)	—	—	—	—	—	—	—	—	Acquisition and transaction-related expenditures (3)	—	—	—	—	—	—	—	—	15,320	0
Amortization of intangible assets	Amortization of intangible assets	5,882	0.20	7,941	0.27	12,236	0.42	11,482	0.42	Amortization of intangible assets	5,872	0.20	6,133	0.25	18,108	0.62	17,615	0		
Legal settlement (3)	Legal settlement (3)	5,750	0.20	—	—	5,750	0.20	—	—	Legal settlement (3)	4,500	0.15	—	—	10,250	0.35	—	—	10,250	0
Legal settlement and accrual (4)	Legal settlement and accrual (4)	—	—	—	—	—	—	—	—	Legal settlement and accrual (4)	4,500	0.15	—	—	10,250	0.35	—	—	10,250	0
Subtotal	Subtotal	11,632	0.40	10,647	0.37	17,986	0.62	26,802	0.98	Subtotal	10,372	0.35	6,133	0.25	28,358	0.97	32,935	1		
Tax impact (4)	Tax impact (4)	(2,792)	(0.10)	(2,555)	(0.09)	(4,317)	(0.15)	(6,432)	(0.23)	Tax impact (4)	(2,489)	(0.08)	(1,472)	(0.06)	(6,806)	(0.23)	(7,904)	(0.07)	(7,904)	(0.07)
Total adjustments	Total adjustments	8,840	0.30	8,092	0.28	13,669	0.47	20,370	0.74	Total adjustments	7,883	0.27	4,661	0.19	21,552	0.74	25,031	0	25,031	0

Adjusted net income and adjusted earnings per share from continuing operations	Adjusted net income and adjusted earnings per share from continuing operations	\$37,172	\$ 1.27	\$35,218	\$ 1.21	\$70,523	\$ 2.42	\$63,409	\$ 2.31	Adjusted net income and adjusted earnings per share from continuing operations	\$34,773	\$ 1.19	\$19,500	\$ 0.78	\$105,296	\$ 3.60	\$83,943	\$ 3
Weighted average shares outstanding -	Weighted average shares outstanding -									Weighted average shares outstanding -								
Diluted	Diluted	29,210		29,059		29,196		27,428	Diluted	29,330		24,995		29,278		28,0		

(a) Earnings per share amounts included in the table above may not sum due to rounding differences. Year-to-date earnings per share does not always represent the sum of the quarters' earnings per share when the preferred shares for any quarter in the year-to-date period are anti-dilutive.

(c) For the nine months ended November 30, 2022, the calculation of diluted earnings per share is based on weighted average shares outstanding of 24,984, as the preferred shares are anti-dilutive for this calculation. The calculation of adjusted diluted earnings per share is based on weighted average shares outstanding of 28,022, as the preferred shares are dilutive for this calculation. Adjusted net income for adjusted earnings per share also includes the addback of preferred dividends.

(d) Includes Corporate expenses related to the Precoat Metals acquisition and the divestiture of AZZ Infrastructure Solutions business into the AVAIL JV.

(e) (4) Related For the three months ended November 30, 2023, represents a legal accrual related to a the Metal Coatings segment of \$4.5 million. For the nine months ended November 20, 2023, consists of the \$4.5 million accrual for the Metal Coatings segment and \$5.75 million for the settlement for of a litigation matter related to the AIS segment that was retained following the sale of the AIS business. See Note 16, 17.

(f) (5) The non-GAAP effective tax rate for each of the periods presented is estimated at 24.0%.

Adjusted EBITDA from Continuing Operations

		Three Months Ended August 31,				Six Months Ended August 31,				Three Months Ended November 30,				Nine Months Ended November 30,				
		2023		2022		2023		2022		2023		2022		2023		2022		
		Net income from continuing operations	Interest expense	Income tax expense	Depreciation and amortization	Net income from continuing operations	Interest expense	Income tax expense	Depreciation and amortization	Net income from continuing operations	Interest expense	Income tax expense	Depreciation and amortization	Net income from continuing operations	Interest expense	Income tax expense	Depreciation and amortization	
Net income from continuing operations	Net income from continuing operations	\$ 28,332	\$ 25,120	\$ 56,854	\$ 40,485	Net income from continuing operations	Interest expense	Income tax expense	Depreciation and amortization	Net income from continuing operations	\$ 26,890	\$ 18,439	\$ 83,744	\$ 58,912	Net income from continuing operations	Interest expense	Income tax expense	Depreciation and amortization
Interest expense	Interest expense	27,770	28,144	56,476	35,615	Interest expense	25,855	26,123	8,780	Interest expense	25,855	26,123	82,331	61,739	Interest expense	25,855	26,123	8,780
Income tax expense	Income tax expense	5,967	10,822	15,617	15,922	Income tax expense	8,780	2,447	2,447	Income tax expense	8,780	2,447	24,397	18,380	Income tax expense	8,780	2,447	2,447
Depreciation and amortization	Depreciation and amortization	20,153	21,902	38,677	33,875	Depreciation and amortization	20,357	21,938	21,938	Depreciation and amortization	20,357	21,938	59,034	55,813	Depreciation and amortization	20,357	21,938	21,938
Adjustments:	Acquisition and transaction-related expenditures	—	2,706	—	15,320	Adjustments:	Acquisition and transaction-related expenditures	—	—	Adjustments:	—	—	—	15,320	Adjustments:	—	—	—
Acquisition and transaction-related expenditures	Acquisition and transaction-related expenditures	—	2,706	—	15,320	Acquisition and transaction-related expenditures	—	—	Acquisition and transaction-related expenditures	—	—	—	15,320	Acquisition and transaction-related expenditures	—	—	—	
Legal settlement	Legal settlement	5,750	—	5,750	—	Legal settlement	4,500	—	Legal settlement	4,500	—	10,250	—	Legal settlement	4,500	—	—	
Legal settlement and accrual	Legal settlement and accrual	—	—	—	—	Legal settlement and accrual	—	—	Legal settlement and accrual	—	—	—	—	Legal settlement and accrual	—	—	—	
Adjusted EBITDA from continuing operations	Adjusted EBITDA from continuing operations	\$ 87,972	\$ 88,694	\$ 173,374	\$ 141,217	Adjusted EBITDA from continuing operations	\$ 86,382	\$ 68,947	\$ 259,756	Adjusted EBITDA from continuing operations	\$ 86,382	\$ 68,947	\$ 259,756	\$ 210,164	Adjusted EBITDA from continuing operations	\$ 86,382	\$ 68,947	\$ 210,164

Adjusted EBITDA from Continuing Operations by Segment

	Three Months Ended August 31,	Six Months Ended August 31,
--	-------------------------------	-----------------------------

	2023	2022	2023	2022
Metal Coatings				
Operating income	\$ 45,081	\$ 44,996	\$ 90,552	\$ 90,266
Other income (expense)	13	(141)	(11)	(131)
Depreciation and amortization expense	6,553	8,171	12,969	16,560
EBITDA	<u>\$ 51,647</u>	<u>\$ 53,026</u>	<u>\$ 103,510</u>	<u>\$ 106,695</u>
Precoat Metals				
Operating income	\$ 39,006	\$ 36,213	\$ 76,696	\$ 42,861
Other income (expense)	—	41	—	41
Depreciation and amortization expense	7,440	13,329	12,905	16,510
EBITDA	<u>\$ 46,446</u>	<u>\$ 49,583</u>	<u>\$ 89,601</u>	<u>\$ 59,412</u>
Infrastructure Solutions				
Operating loss	\$ (5,932)	\$ —	\$ (5,954)	\$ —
Equity in earnings of unconsolidated subsidiaries	974	—	2,394	—
Legal Settlement	5,750	—	5,750	—
Adjusted EBITDA	<u>\$ 792</u>	<u>\$ —</u>	<u>\$ 2,190</u>	<u>\$ —</u>

 A reconciliation of adjusted EBITDA by segment to net income from continuing operations is as follows (in thousands):

	Three Months Ended November 30, 2023				
	Metal Coatings	Precoat Metals	Infrastructure Solutions	Corporate	Total
Net income (loss) from continuing operations	\$ 37,813	\$ 32,752	\$ 8,452	\$ (52,127)	\$ 26,890
Interest expense	—	—	—	25,855	25,855
Income tax expense	—	—	—	8,780	8,780
Depreciation and amortization	6,678	7,501	—	6,178	20,357
Adjustments:					
Legal accrual	4,500	—	—	—	4,500
Adjusted EBITDA from continuing operations	<u>\$ 48,991</u>	<u>\$ 40,253</u>	<u>\$ 8,452</u>	<u>\$ (11,314)</u>	<u>\$ 86,382</u>

	Nine Months Ended November 30, 2023				
	Metal Coatings	Precoat Metals	Infrastructure Solutions	Corporate	Total
Net income (loss) from continuing operations	\$ 128,353	\$ 109,449	\$ 4,892	\$ (158,950)	\$ 83,744
Interest expense	—	—	—	82,331	82,331
Income tax expense	—	—	—	24,397	24,397
Depreciation and amortization	19,647	20,407	—	18,980	59,034
Adjustments:					
Legal settlement and accrual	4,500	—	5,750	—	10,250
Adjusted EBITDA from continuing operations	<u>\$ 152,500</u>	<u>\$ 129,856</u>	<u>\$ 10,642</u>	<u>\$ (33,242)</u>	<u>\$ 259,756</u>

	Three Months Ended November 30, 2022				
	Metal Coatings	Precoat Metals	Infrastructure Solutions	Corporate	Total
Net income (loss) from continuing operations	\$ 33,670	\$ 21,053	\$ 1,006	\$ (37,290)	\$ 18,439
Interest expense	—	—	—	26,123	26,123
Income tax expense	—	—	—	2,447	2,447
Depreciation and amortization	8,225	13,381	—	332	21,938
Adjusted EBITDA from continuing operations	<u>\$ 41,895</u>	<u>\$ 34,434</u>	<u>\$ 1,006</u>	<u>\$ (8,388)</u>	<u>\$ 68,947</u>

Nine Months Ended November 30, 2022

	Metal Coatings	Precoat Metals	Infrastructure Solutions	Corporate	Total
Net income (loss) from continuing operations	\$ 123,806	\$ 63,955	\$ 1,006	\$ (129,855)	\$ 58,912
Interest expense	—	—	—	61,739	61,739
Income tax expense	—	—	—	18,380	18,380
Depreciation and amortization	24,785	29,891	—	1,137	55,813
Adjustments:					
Acquisition and transaction-related expenditures	—	—	—	15,320	15,320
Adjusted EBITDA from continuing operations	<u>\$ 148,591</u>	<u>\$ 93,846</u>	<u>\$ 1,006</u>	<u>\$ (33,279)</u>	<u>\$ 210,164</u>

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes to the Company's market risk disclosures during the three and **six** months ended **August 31, 2023** **November 30, 2023**. For a discussion of the Company's exposure to market risk, refer to the Company's market risk disclosures set forth in Part II, Item 7A, Quantitative and Qualitative Disclosures About Market Risk, of our Annual Report on Form 10-K for the year ended February 28, 2023.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of the Company's Chief Executive Officer and Chief Financial Officer, management of the Company has evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of the end of the period covered by this report. Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this Form 10-Q to provide reasonable assurance that information required to be disclosed in Company reports, filed or submitted, under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules; and (ii) accumulated and communicated to our management, including our principal executive and financial officers, as appropriate to allow timely discussions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There have been no significant changes in the Company's internal controls over financial reporting during the period covered by this report that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The Company and its subsidiaries are named defendants and plaintiffs in various routine lawsuits incidental to its business. These proceedings include labor and employment claims, worker's compensation, environmental matters, and various commercial disputes, all of which arise in the normal course of conducting business. As discovery progresses on all outstanding legal matters, the Company will continue to evaluate opportunities to either settle the disputes for nuisance value or potentially enter into mediation as a way to resolve the disputes prior to trial. As the pending cases progress through additional discovery, including expert testimony and mediation, our assessment of the likelihood of an unfavorable outcome on one or more of the pending lawsuits may change. The outcome of these lawsuits or other proceedings cannot be predicted with certainty, and the amount of any potential liability that could arise with respect to such lawsuits or other matters cannot be predicted at this time. Management, after consultation with legal counsel, believes it has strong defenses to all of these matters and does not expect liabilities, if any, from these claims or proceedings, either individually or in the aggregate, to have a material effect on the Company's financial position, results of operations or cash flows.

Item 1A. Risk Factors

There are numerous factors that affect our business, financial condition, results of operations and cash flows, many of which are beyond our control. In addition to other information set forth in this Quarterly Report, careful consideration should be given to "Item 1A. Risk Factors" in Part I and "Item 7. Management's Discussion and Analysis of Financial Condition and

Results of Operations" in Part II of our Annual Report, which contain descriptions of significant factors that might cause the actual results of operations in future periods to differ materially from those currently projected in the forward-looking statements contained therein.

There have been no material changes from risk factors previously disclosed in the Company's most recent Annual Report on Form 10-K. See the discussion of the Company's risk factors under Part I, Item 1A. in the Company's Annual Report on Form 10-K for the fiscal year ended February 28, 2023.

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

On November 10, 2020, the Company's Board of Directors authorized a \$100 million share repurchase program pursuant to which the Company may repurchase its common stock (the "2020 Share Authorization"). Repurchases under the 2020 Share Authorization will be made through open market and/or private transactions, in accordance with

applicable federal securities laws, and could include repurchases pursuant to Rule 10b5-1 trading plans, which allows stock repurchases when the Company might otherwise be precluded from doing so.

The Company did not purchase any shares of common stock under the 2020 Share Authorization during the ~~six~~ nine months ended ~~August 31, 2023~~ November 30, 2023. The Company has \$84.0 million that may be used to repurchase outstanding shares of common stock.

Item 5. Other Information.

During the ~~six~~ nine months ended ~~August 31, 2023~~ November 30, 2023, none of our directors or executive officers adopted, modified or terminated a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement as defined in Item 408 of Regulation S-K.

Item 6. Exhibits

3.1+	Amended and Restated Certificate of Formation dated July 12, 2022 (with Certificate of Correction dated May 15, 2023)
3.2+	Certificate of Designations, Preferences, Rights and Limitations of 6.0% Series A Convertible Preferred Stock (included as Exhibit A to Exhibit 3.1 filed herewith)
3.3	Amended and Restated Bylaws dated April 24, 2023 (incorporated by reference to Exhibit 3.1 to the Company's Annual Report on Form 10-K for the fiscal year ended February 28, 2023 filed with the SEC on April 25, 2023)
10.1	First Second Amendment to Credit Agreement, dated as of August 17, 2023 December 20, 2023, by and among AZZ Inc., the Guarantors, the Lenders, and Citibank, N.A. as Administrative Agent and Collateral Agent (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on August 17, 2023)
10.2*	AZZ Inc. 2023 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company Current Report on Form 8-K filed with the SEC on July 11, 2023)
10.3*	Form of Restricted Share Unit Award Agreement under the 2023 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on July 11, 2023)
10.4*	Form of Performance Share Award agreement under the 2023 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the SEC on July 11, 2023 December 21, 2023)
31.1+	Certification of Chief Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2+	Certification of Chief Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a), as adopted 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 Document
101.CAL+	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF+	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB+	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE+	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Date File (embedded with the Inline XBRL document).

+ Filed herewith.

*Indicates a management contract or compensatory plan or arrangement.

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.

AZZ Inc.
(Registrant)

October 10, 2023 January 9,
Date: 2024

By: /s/ Tiffany Moseley
Tiffany Moseley
Chief Accounting Officer and
Principal Accounting Officer

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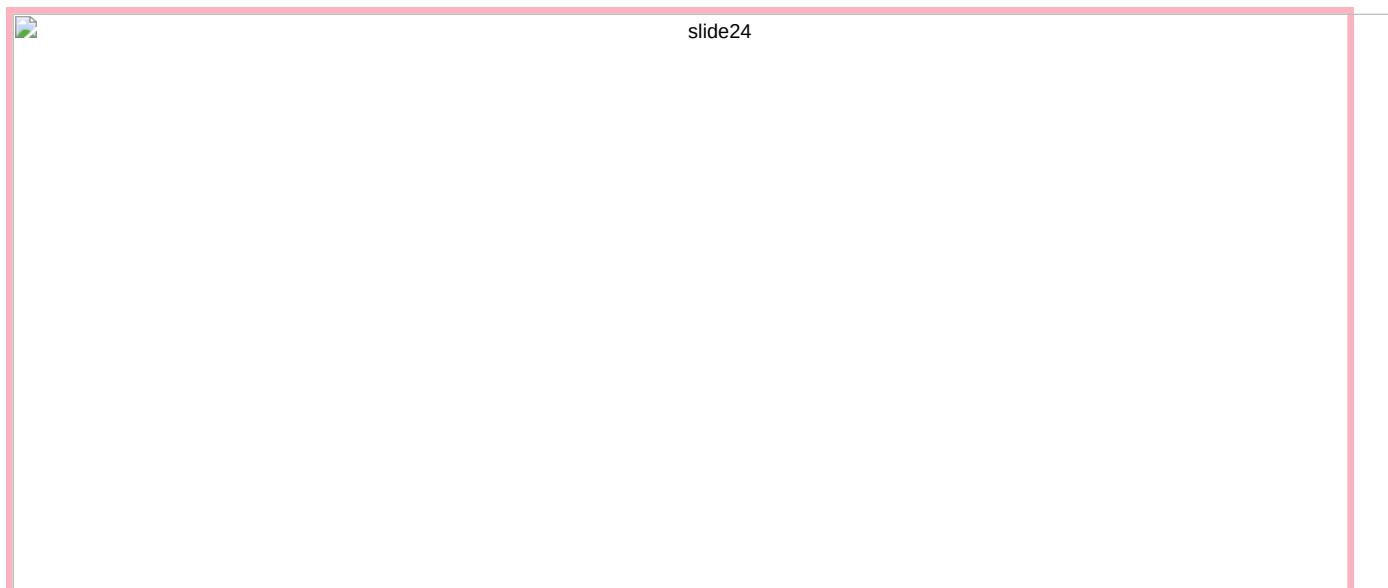




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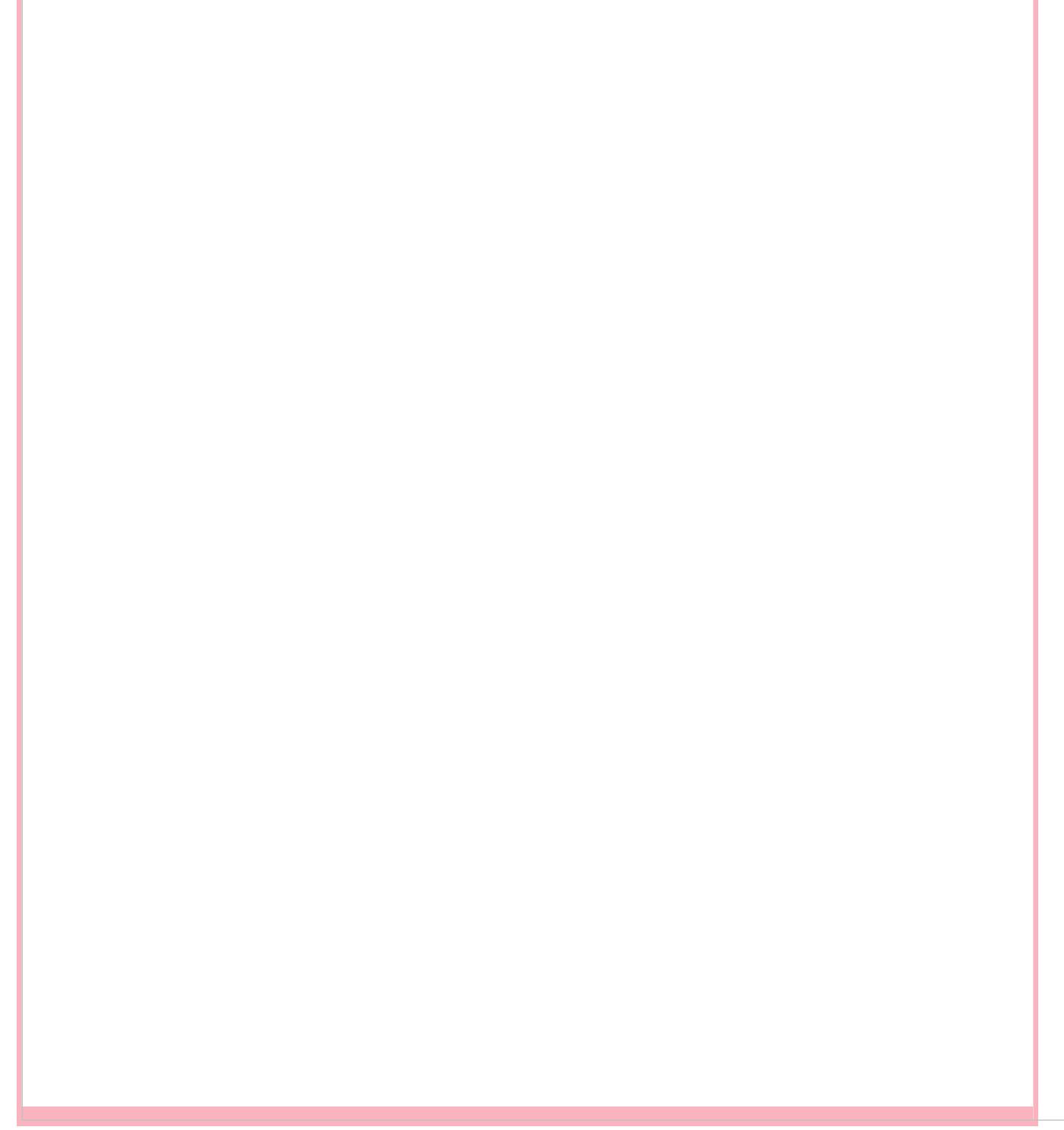


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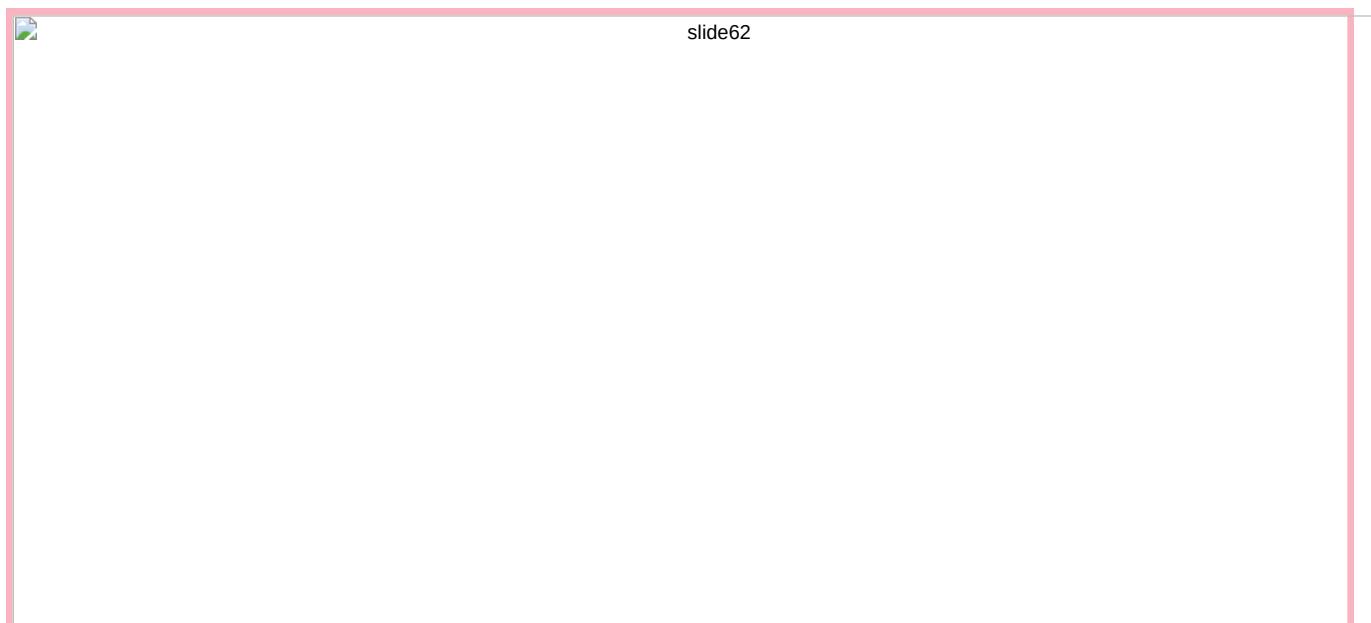


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Exhibit 31.1

Certification by Thomas E. Ferguson
Pursuant to Securities Exchange Act Rule 13a-14(a)

I, Thomas E. Ferguson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of AZZ Inc. for the period ended **August 31, 2023** **November 30, 2023** (the "Report");
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(s) 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(s) 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 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 controls over financial reporting.

Dated: October 10, 2023 January 9, 2024

/s/ Thomas E. Ferguson

Thomas E. Ferguson
President and Chief Executive Officer

Exhibit 31.2
Certification by Philip A. Schlom
Pursuant to Securities Exchange Act Rule 13a-14(a)

I, Philip A. Schlom, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of AZZ Inc. for the period ended August 31, 2023 November 30, 2023 (the "Report");
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 officers 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(s) 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 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 controls over financial reporting.

Dated: October 10, 2023 January 9, 2024

/s/ Philip A. Schlom

Philip A. Schlom
Chief Financial Officer

EXHIBIT 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**

The undersigned, Thomas E. Ferguson, has executed this certification in connection with the filing of AZZ Inc.'s (the "Company") Quarterly Report on Form 10-Q for the period ended August 31, 2023 November 30, 2023 (the "Report"). The undersigned hereby certifies pursuant to U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. to my knowledge 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.

Dated: October 10, 2023 January 9,
2024

/s/ Thomas E. Ferguson

Thomas E. Ferguson
President and Chief Executive Officer

EXHIBIT 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**

The undersigned, Philip A. Schlom, has executed this certification in connection with the filing of AZZ Inc.'s (the "Company") Quarterly Report on Form 10-Q for the period ended August 31, 2023 November 30, 2023 (the "Report"). The undersigned hereby certifies pursuant to U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. to my knowledge 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.

Dated: October 10, 2023 January 9,
2024

/s/ Philip A. Schlom

Philip A. Schlom
Chief Financial Officer

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