

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

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended December 31, 2024

OR

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

Commission file number: 001-36557

**ADVANCED DRAINAGE SYSTEMS, INC.**

(Exact name of registrant as specified in its charter)

Delaware

(State or Other Jurisdiction of  
Incorporation or Organization)

51-0105665

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

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

(614) 658-0050

(Registrant's Telephone Number, Including Area Code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.01 par value per share	WMS	New York Stock Exchange

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

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

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

Large Accelerated Filer

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 January 30, 2025, the registrant had 77,574,661 shares of common stock outstanding, which excludes 200,877 shares of unvested restricted common stock. The shares of common stock trade on the New York Stock Exchange under the ticker symbol "WMS."

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## Forward-Looking Statements

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

Forward-looking statements are subject to known and unknown risks and uncertainties, many of which are beyond our control. We caution you that forward-looking statements are not guarantees of future performance and that our actual consolidated results of operations, financial condition, liquidity and industry development may differ materially from those made in or suggested by the forward-looking statements contained in this Form 10-Q. In addition, even if our actual consolidated results of operations, financial condition, liquidity and industry development are consistent with the forward-looking statements contained in this Form 10-Q, those results or developments may not be indicative of results or developments in subsequent periods. A number of important factors could cause actual results to differ materially from those contained in or implied by the forward-looking statements, including those reflected in forward-looking statements relating to our operations and business, the risks and uncertainties discussed in this Form 10-Q (including under the headings "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations"), and those described from time to time in our other filings with the SEC. Factors that could cause actual results to differ from those reflected in forward-looking statements relating to our operations and business include:

- fluctuations in the price and availability of resins and other raw materials and our ability to pass any increased costs of raw materials on to our customers in a timely manner;
- disruption or volatility in general business and economic conditions in the markets in which we operate ;
- cyclicity and seasonality of the non-residential and residential construction markets and infrastructure spending;
- the risks of increasing competition in our existing and future markets;
- uncertainties surrounding the integration and realization of anticipated benefits of acquisitions;
- the effect of any claims, litigation, investigations or proceedings, including those described under "Part II - Item 1. Legal Proceedings" of this Form 10-Q;
- the effect of weather or seasonality;
- the loss of any of our significant customers;
- the risks of doing business internationally;
- the risks of conducting a portion of our operations through joint ventures;
- our ability to expand into new geographic or product markets;
- the risk associated with manufacturing processes;
- the effects of global climate change;
- our ability to protect against cybersecurity incidents and disruptions or failures of our IT systems;
- our ability to assess and monitor the effects of artificial intelligence, machine learning, and robotics on our business and operations;
- our ability to manage our supply purchasing and customer credit policies;
- our ability to control labor costs and to attract, train and retain highly qualified employees and key personnel;
- our ability to protect our intellectual property rights;
- changes in laws and regulations, including environmental laws and regulations;
- our ability to appropriately address any environmental, social or governance concerns that may arise from our activities;
- the risks associated with our current levels of indebtedness, including borrowings under our existing credit agreement and outstanding indebtedness under our existing senior notes; and
- other risks and uncertainties, including those listed under "Part I - Item 1A. Risk Factors" in the Fiscal 2024 Form 10-K.

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

**PART I. FINANCIAL INFORMATION**

**ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**ADVANCED DRAINAGE SYSTEMS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**(Unaudited) (In thousands, except par value)**

	<u>December 31, 2024</u>	<u>March 31, 2024</u>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash	\$ 488,859	\$ 490,163
Receivables (less allowance for doubtful accounts of \$7,346 and \$4,849, respectively)	247,940	323,576
Inventories	476,369	464,200
Other current assets	31,928	22,028
Total current assets	<u>1,245,096</u>	<u>1,299,967</u>
Property, plant and equipment, net	1,017,555	876,351
<b>Other assets:</b>		
Goodwill	720,543	617,183
Intangible assets, net	462,491	352,652
Other assets	156,569	122,760
Total assets	<u>\$ 3,602,254</u>	<u>\$ 3,268,913</u>
<b>LIABILITIES, MEZZANINE EQUITY AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Current maturities of debt obligations	\$ 10,621	\$ 11,870
Current maturities of finance lease obligations	30,944	18,015
Accounts payable	183,913	254,401
Other accrued liabilities	162,205	154,260
Accrued income taxes	407	1,076
Total current liabilities	<u>388,090</u>	<u>439,622</u>
Long-term debt obligations (less unamortized debt issuance costs of \$8,226 and \$9,759, respectively)	1,253,129	1,259,522
Long-term finance lease obligations	114,927	61,661
Deferred tax liabilities	193,285	156,705
Other liabilities	88,437	70,704
Total liabilities	<u>2,037,868</u>	<u>1,988,214</u>
Commitments and contingencies (see Note 9)		
<b>Mezzanine equity:</b>		
Redeemable common stock: \$0.01 par value; 5,861 and 6,682 shares outstanding, respectively	95,250	108,584
Total mezzanine equity	<u>95,250</u>	<u>108,584</u>
<b>Stockholders' equity:</b>		
Common stock; \$0.01 par value: 1,000,000 shares authorized; 83,573 and 82,283 shares issued, respectively; 71,677 and 70,868 shares outstanding, respectively	11,693	11,679
Paid-in capital	1,269,230	1,219,834
Common stock in treasury, at cost	(1,219,404)	(1,140,578)
Accumulated other comprehensive loss	(38,378)	(29,830)
Retained earnings	1,427,891	1,092,208
Total ADS stockholders' equity	<u>1,451,032</u>	<u>1,153,313</u>
Noncontrolling interest in subsidiaries	18,104	18,802
Total stockholders' equity	<u>1,469,136</u>	<u>1,172,115</u>
Total liabilities, mezzanine equity and stockholders' equity	<u>\$ 3,602,254</u>	<u>\$ 3,268,913</u>

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2024	2023	2024	2023
Net sales	\$ 690,538	\$ 662,367	\$ 2,288,484	\$ 2,220,633
Cost of goods sold	448,944	402,518	1,420,495	1,326,647
Gross profit	241,594	259,849	867,989	893,986
Operating expenses:				
Selling, general and administrative	100,778	91,289	288,962	269,525
(Gain) loss on disposal of assets and costs from exit and disposal activities	(477)	2,512	432	(10,669)
Intangible amortization	14,429	12,782	38,140	38,376
Income from operations	126,864	153,266	540,455	596,754
Other expense:				
Interest expense	23,094	22,331	69,074	65,984
Interest income and other, net	(4,792)	(4,772)	(18,864)	(15,827)
Income before income taxes	108,562	135,707	490,245	546,597
Income tax expense	27,091	30,131	117,897	132,665
Equity in net income of unconsolidated affiliates	(818)	(1,304)	(3,437)	(3,880)
Net income	82,289	106,880	375,785	417,812
Less: net income attributable to noncontrolling interest	1,058	1,241	2,770	2,719
Net income attributable to ADS	\$ 81,231	\$ 105,639	\$ 373,015	\$ 415,093
<b>Weighted average common shares outstanding:</b>				
Basic	77,540	77,857	77,541	78,455
Diluted	78,115	78,586	78,196	79,188
<b>Net income per share:</b>				
Basic	\$ 1.05	\$ 1.36	\$ 4.81	\$ 5.29
Diluted	\$ 1.04	\$ 1.34	\$ 4.77	\$ 5.24

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2024	2023	2024	2023
Net income	\$ 82,289	\$ 106,880	\$ 375,785	\$ 417,812
Currency translation (loss) income	(8,221)	4,020	(12,016)	2,388
Comprehensive income	74,068	110,900	363,769	420,200
Less: other comprehensive (loss) income attributable to noncontrolling interest	(532)	963	(3,468)	1,409
Less: net income attributable to noncontrolling interest	1,058	1,241	2,770	2,719
<b>Total comprehensive income attributable to ADS</b>	<b>\$ 73,542</b>	<b>\$ 108,696</b>	<b>\$ 364,467</b>	<b>\$ 416,072</b>

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	<b>Nine Months Ended December 31,</b>	
	<b>2024</b>	<b>2023</b>
<b>Cash Flows from Operating Activities</b>		
Net income	\$ 375,785	\$ 417,812
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	133,671	112,014
Deferred income taxes	510	335
Loss (gain) on disposal of assets and costs from exit and disposal activities	432	(10,669)
Stock-based compensation	21,758	23,636
Amortization of deferred financing charges	1,533	1,533
Fair market value adjustments to derivatives	383	(162)
Equity in net income of unconsolidated affiliates	(3,437)	(3,880)
Other operating activities	(1,849)	5,720
Changes in working capital:		
Receivables	83,059	67,230
Inventories	(179)	59,752
Prepaid expenses and other current assets	(2,564)	(534)
Accounts payable, accrued expenses, and other liabilities	(68,838)	27,475
Net cash provided by operating activities	<u>540,264</u>	<u>700,262</u>
<b>Cash Flows from Investing Activities</b>		
Capital expenditures	(166,410)	(136,385)
Proceeds from disposition of assets	—	19,979
Acquisition, net of cash acquired	(237,310)	—
Other investing activities	831	527
Net cash used in investing activities	<u>(402,889)</u>	<u>(115,879)</u>
<b>Cash Flows from Financing Activities</b>		
Payments on syndicated Term Loan Facility	(5,250)	(5,250)
Payments on Equipment Financing	(3,909)	(6,361)
Payments on finance lease obligations	(17,820)	(8,624)
Repurchase of common stock	(69,922)	(178,187)
Cash dividends paid	(37,324)	(33,111)
Proceeds from exercise of stock options	8,927	3,956
Payment of withholding taxes on vesting of restricted stock units	(10,646)	(8,859)
Net cash used in financing activities	<u>(135,944)</u>	<u>(236,436)</u>
Effect of exchange rate changes on cash	(2,526)	1,271
Net change in cash	(1,095)	349,218
Cash and restricted cash at beginning of period	495,848	217,128
<b>Cash and restricted cash at end of period</b>	<b>\$ 494,753</b>	<b>\$ 566,346</b>
<b>RECONCILIATION TO BALANCE SHEET</b>		
Cash	\$ 488,859	
Restricted cash (included in Other assets in the Condensed Consolidated Balance Sheets)	5,894	
<b>Total cash and restricted cash</b>	<b>\$ 494,753</b>	

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	Common Stock		Paid -In Capital	Common Stock in Treasury		Accumulated Other Compre- hensive Loss	Retained Earnings	Total ADS Stockholders' Equity	Non- controlling Interest in Subsidiaries	Total Stock- holders' Equity	Redeemable Common Stock	Shares	Amount	Total Mezzanine Equity	
	Shares	Amount		Shares	Amount										
<b>Balance at October 1, 2023</b>	80,635	\$ 11,663	\$ 1,173,574	10,617	\$ (1,039,717)	\$ (29,658)	\$ 913,551	\$ 1,029,413	\$ 19,417	\$ 1,048,830		8,206	\$ 133,349	\$ 133,349	
Net income	—	—	—	—	—	—	105,639	105,639	1,241	106,880		—	—	—	
Other comprehensive income	—	—	—	—	—	3,057	—	—	3,057	963	4,020		—	—	—
Common stock dividends (\$0.14 per share)	—	—	—	—	—	—	(10,920)	(10,920)	—	(10,920)		—	—	—	—
Share repurchases	—	—	—	598	(70,905)	—	—	(70,905)	—	(70,905)		—	—	—	—
KSOP redeemable common stock conversion	718	7	11,656	—	—	—	—	—	11,663	—	11,663	(718)	(11,663)	(11,663)	
Exercise of common stock options	41	—	1,333	—	—	—	—	—	1,333	—	1,333	—	—	—	—
Restricted stock awards	1	—	—	—	(48)	—	—	—	(48)	—	(48)	—	—	—	—
Stock-based compensation expense	—	—	7,402	—	—	—	—	—	7,402	—	7,402	—	—	—	—
ESPP Share Issuance	20	—	1,927	—	—	—	—	—	1,927	—	1,927	—	—	—	—
Other	—	—	1	—	—	—	—	—	1	—	1	—	—	—	—
<b>Balance at December 31, 2023</b>	<b>81,415</b>	<b>\$ 11,670</b>	<b>\$ 1,195,893</b>	<b>11,215</b>	<b>\$ (1,110,670)</b>	<b>\$ (26,601)</b>	<b>\$ 1,008,270</b>	<b>\$ 1,078,562</b>	<b>\$ 21,621</b>	<b>\$ 1,100,183</b>		<b>7,488</b>	<b>\$ 121,686</b>	<b>\$ 121,686</b>	
<b>Balance at April 1, 2023</b>	<b>79,057</b>	<b>\$ 11,647</b>	<b>\$ 1,134,864</b>	<b>9,539</b>	<b>\$ (920,999)</b>	<b>\$ (27,580)</b>	<b>\$ 626,215</b>	<b>\$ 824,147</b>	<b>\$ 17,493</b>	<b>\$ 841,640</b>		<b>9,429</b>	<b>\$ 153,220</b>	<b>\$ 153,220</b>	
Net income	—	—	—	—	—	—	415,093	415,093	2,719	417,812		—	—	—	—
Other comprehensive income	—	—	—	—	—	—	(33,038)	(33,038)	—	(33,038)		—	—	—	—
Common stock dividends (\$0.42 per share)	—	—	—	—	—	—	—	(180,812)	—	(180,812)		—	—	—	—
Share repurchases	—	—	—	1,579	(180,812)	—	—	—	(180,812)	—	(180,812)	—	—	—	—
KSOP redeemable common stock conversion	1,941	19	31,515	—	—	—	—	—	31,534	—	31,534	(1,941)	(31,534)	(31,534)	
Exercise of common stock options	97	1	3,955	—	—	—	—	—	3,956	—	3,956	—	—	—	—
Restricted stock awards	100	1	—	25	(2,463)	—	—	—	(2,462)	—	(2,462)	—	—	—	—
Performance-based restricted stock units	200	2	—	72	(6,396)	—	—	—	(6,394)	—	(6,394)	—	—	—	—
Stock-based compensation expense	—	—	23,636	—	—	—	—	—	23,636	—	23,636	—	—	—	—
ESPP Share Issuance	20	—	1,927	—	—	—	—	—	1,927	—	1,927	—	—	—	—
Other	—	—	(4)	—	—	—	—	—	(4)	—	(4)	—	—	—	—
<b>Balance at December 31, 2023</b>	<b>81,415</b>	<b>\$ 11,670</b>	<b>\$ 1,195,893</b>	<b>11,215</b>	<b>\$ (1,110,670)</b>	<b>\$ (26,601)</b>	<b>\$ 1,008,270</b>	<b>\$ 1,078,562</b>	<b>\$ 21,621</b>	<b>\$ 1,100,183</b>		<b>7,488</b>	<b>\$ 121,686</b>	<b>\$ 121,686</b>	

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	Common Stock										Accumulated Other Comprehensive Loss	Retained Earnings	Total ADS Stockholders' Equity	Non-controlling Interest in Subsidiaries	Total Stockholders' Equity	Redeemable Common Stock	Total Mezzanine Equity
	Common Stock		Paid-In Capital		Common Stock in Treasury												
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount							
<b>Balance at October 1, 2024</b>	83,359	\$ 11,690	\$ 1,255,794		11,896	\$ (1,219,438)	\$ (30,689)	\$ 1,359,100	\$ 1,376,457	\$ 17,578	\$ 1,394,035				6,045	\$ 98,231	\$ 98,231
Net income	—	—	—	—	—	—	—	81,231	81,231	1,058	82,289				—	—	—
Other comprehensive loss	—	—	—	—	—	—	(7,689)	—	(7,689)	(532)	(8,221)				—	—	—
Common stock dividends (\$0.16 per share)	—	—	—	—	—	—	—	(12,440)	(12,440)	—	(12,440)				—	—	—
Share repurchases	—	—	—	—	—	104	—	—	104	—	104				—	—	—
KSOP redeemable common stock conversion	184	2	2,979	—	—	—	—	—	2,981	—	2,981				(184)	(2,981)	(2,981)
Exercise of common stock options	4	1	232	—	—	—	—	—	233	—	233				—	—	—
Restricted stock awards	1	—	—	—	(70)	—	—	—	(70)	—	(70)				—	—	—
Stock-based compensation expense	—	—	7,798	—	—	—	—	—	7,798	—	7,798				—	—	—
ESPP Share Issuance	25	—	2,428	—	—	—	—	—	2,428	—	2,428				—	—	—
Other	—	—	(1)	—	—	—	—	—	(1)	—	(1)				—	—	—
<b>Balance at December 31, 2024</b>	83,573	\$ 11,693	\$ 1,269,230		11,896	\$ (1,219,404)	\$ (38,378)	\$ 1,427,891	\$ 1,451,032	\$ 18,104	\$ 1,469,136				5,861	\$ 95,250	\$ 95,250
<b>Balance at April 1, 2024</b>	82,283	\$ 11,679	\$ 1,219,834		11,415	\$ (1,140,578)	\$ (29,830)	\$ 1,092,208	\$ 1,153,313	\$ 18,802	\$ 1,172,115				6,682	\$ 108,584	\$ 108,584
Net income	—	—	—	—	—	—	373,015	373,015	2,770	375,785	—			—	—	—	
Other comprehensive loss	—	—	—	—	—	(8,548)	—	(8,548)	(3,468)	(12,016)	—			—	—	—	
Common stock dividends (\$0.48 per share)	—	—	—	—	—	—	(37,332)	(37,332)	—	(37,332)	—			—	—	—	
Share repurchases	—	—	—	420	(68,179)	—	—	(68,179)	—	(68,179)	—				—	—	—
KSOP redeemable common stock conversion	821	8	13,326	—	—	—	—	—	13,334	—	13,334				(821)	(13,334)	(13,334)
Exercise of common stock options	227	3	8,924	—	—	—	—	—	8,927	—	8,927				—	—	—
Restricted stock awards	99	1	—	27	(4,710)	—	—	(4,709)	—	(4,709)	—				—	—	—
Performance-based restricted stock units	93	1	—	34	(5,937)	—	—	(5,936)	—	(5,936)	—				—	—	—
Stock-based compensation expense	—	—	21,758	—	—	—	—	—	21,758	—	21,758				—	—	—
ESPP Share Issuance	50	1	5,391	—	—	—	—	—	5,392	—	5,392				—	—	—
Other	—	—	(3)	—	—	—	—	—	(3)	—	(3)				—	—	—
<b>Balance at December 31, 2024</b>	83,573	\$ 11,693	\$ 1,269,230		11,896	\$ (1,219,404)	\$ (38,378)	\$ 1,427,891	\$ 1,451,032	\$ 18,104	\$ 1,469,136				5,861	\$ 95,250	\$ 95,250

See accompanying Notes to Condensed Consolidated Financial Statements.

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

**1. BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

**Basis of Presentation** - The Company prepares its Condensed Consolidated Financial Statements in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The Condensed Consolidated Balance Sheet as of March 31, 2024 was derived from audited financial statements included in the Annual Report on Form 10-K for the year ended March 31, 2024 ("Fiscal 2024 Form 10-K"). The accompanying unaudited Condensed Consolidated Financial Statements contain all adjustments, of a normal recurring nature, necessary to present fairly its financial position as of December 31, 2024, the results of operations for the three and nine months ended December 31, 2024 and cash flows for the nine months ended December 31, 2024. The interim Condensed Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements, including the notes thereto, filed in the Company's Fiscal 2024 Form 10-K.

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

**Recent Accounting Guidance**

**Improvements to Reportable Segment Disclosures** - In November 2023, the Financial Accounting Standards Board ("FASB") issued an accounting standards update ("ASU") to amend ASC 280, *Segment Reporting* to enhance segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. In addition, the amendments enhance interim disclosure requirements, clarify circumstances in which an entity can disclose multiple segment measures of profit or loss, provide new segment disclosure requirements for entities with a single reportable segment, and contain other disclosure requirements. The amendments are effective for fiscal years beginning after December 15, 2023 and interim periods within fiscal years beginning after December 15, 2024. The amendments must be applied retrospectively to all periods presented in the financial statements. The Company is currently evaluating the impact of this standard on the Consolidated Financial Statements.

**Improvements to Income Tax Disclosures** - In December 2023, the FASB issued an ASU to amend ASC 740, *Income Taxes* to enhance the transparency and usefulness of income tax disclosures, primarily related to the rate reconciliation and income taxes paid information. The amendments may be applied prospectively or retrospectively and are effective for fiscal years beginning after December 15, 2024. The Company is currently evaluating the impact of this standard on the Consolidated Financial Statements.

**Disaggregation of Income Statement Expenses** - In November 2024, the FASB issued new guidance requiring additional disclosure of the nature of certain expenses included in the income statement as well as disclosure of selling expenses. The requirements will be applied prospectively with the option for retrospective application. The new standard is effective for annual reporting periods beginning after December 15, 2026 and interim reporting periods beginning after December 15, 2027. The Company is currently evaluating the impact of this standard on the Consolidated Financial Statements.

## 2. ACQUISITIONS

**Acquisition of Orenco** - On October 1, 2024, the Company's wholly-owned subsidiary, Infiltrator, completed the acquisition of Orenco Systems, Inc. ("Orenco"), a leading manufacturer of decentralized wastewater management products serving residential and non-residential end markets. The preliminary fair value of consideration transferred was approximately \$237.3 million, which represented the purchase price of \$256.0 million, net of cash acquired of \$18.7 million. The acquisition was funded from cash on hand. Orenco will be included in the Infiltrator reportable segment.

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

(Amounts in thousands)	Initial Amount
Accounts receivable	\$ 12,277
Inventory	15,651
Other current assets	219
Property, plant and equipment	8,533
Goodwill	104,007
Intangible assets	148,000
Other assets	9,041
Accounts payable	(3,618)
Accrued expenses	(15,823)
Deferred tax liabilities	(36,250)
Other liabilities	(4,727)
<b>Total fair value of consideration transferred</b>	<b>\$ 237,310</b>

The preliminary goodwill of \$104.0 million represents the excess of consideration transferred over the preliminary fair value of assets acquired and liabilities assumed and is attributable to expected operating efficiencies. The goodwill is not deductible for income tax purposes and is assigned to Infiltrator.

The preliminary purchase price excludes transaction costs. During the nine months ended December 31, 2024, the Company incurred \$ 7.5 million of transaction costs related to the acquisition such as legal, accounting, valuation and other professional services. These costs are included in selling, general and administrative expenses in the Consolidated Statements of Operations and Consolidated Statements of Comprehensive Income.

The identifiable intangible assets recorded in connection with the acquisition of Orenco are based on preliminary valuations including customer relationships, developed technology and tradename totaling \$148.0 million. The intangible assets will be amortized on a straight-line basis over their estimated useful lives.

(Amounts in thousands)	Preliminary fair value	Preliminary Useful Lives
Customer relationships	\$ 99,000	15 years
Developed technology	42,000	12 years
Tradename	7,000	20 years
<b>Total identifiable intangible assets</b>	<b>\$ 148,000</b>	

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

**3. REVENUE RECOGNITION**

**Revenue Disaggregation** - The Company disaggregates Net sales by Domestic, International and Infiltrator and further disaggregates Domestic and International by product type, consistent with its reportable segment disclosure. This disaggregation level best depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. Refer to "Note 12. Business Segments Information" for the Company's disaggregation of Net sales by reportable segment.

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

(In thousands)	December 31, 2024	March 31, 2024
Contract asset - product returns	\$ 1,220	\$ 1,353
Refund liability	3,876	3,920

**4. LEASES**

**Nature of the Company's Leases** - The Company has operating and finance leases for plants, yards, corporate offices, tractors, trailers and other equipment. The Company's leases have remaining terms of less than one year to 13 years. A portion of the Company's yard leases include an option to extend the leases for up to five years. The Company has included renewal options which are reasonably certain to be exercised in its right-of-use assets and lease liabilities.

**5. INVENTORIES**

Inventories as of the periods presented consisted of the following:

(In thousands)	December 31, 2024	March 31, 2024
Raw materials	\$ 110,124	\$ 106,662
Finished goods	366,245	357,538
<b>Total inventories</b>	<b>\$ 476,369</b>	<b>\$ 464,200</b>

## 6. NET INCOME PER SHARE AND STOCKHOLDERS' EQUITY

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

(In thousands, except per share data)	Three Months Ended December 31,		Nine Months Ended December 31,	
	2024	2023	2024	2023
<b>NET INCOME PER SHARE—BASIC:</b>				
Net income available to common stockholders – Basic	\$ 81,231	\$ 105,639	\$ 373,015	\$ 415,093
Weighted average number of common shares outstanding – Basic	77,540	77,857	77,541	78,455
Net income per common share – Basic	\$ 1.05	\$ 1.36	\$ 4.81	\$ 5.29
<b>NET INCOME PER SHARE—DILUTED:</b>				
Net income available to common stockholders – Diluted	\$ 81,231	\$ 105,639	\$ 373,015	\$ 415,093
Weighted average number of common shares outstanding – Basic	77,540	77,857	77,541	78,455
Assumed restricted stock	54	75	67	60
Assumed exercise of stock options	462	595	529	597
Assumed performance-based restricted stock units	59	59	59	76
Weighted average number of common shares outstanding – Diluted	78,115	78,586	78,196	79,188
Net income per common share – Diluted	\$ 1.04	\$ 1.34	\$ 4.77	\$ 5.24
Potentially dilutive securities excluded as anti-dilutive	10	19	22	46

## 7. RELATED PARTY TRANSACTIONS

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

On June 6, 2022, the Company and ADS Mexicana amended the Intercompany Revolving Credit Promissory Note (the "Intercompany Note") with a borrowing capacity of \$9.5 million. The Intercompany Note matures on June 8, 2027. The Intercompany Note indemnifies the ADS Mexicana joint venture partner for 49% of any unpaid borrowings. The interest rates under the Intercompany Note are determined by certain base rates or Secured Overnight Financing Rate ("SOFR") plus an applicable margin based on the Leverage Ratio. As of both December 31, 2024 and March 31, 2024, there were no borrowings outstanding under the Intercompany Note.

**South American Joint Venture** - The Tuberias Tigre - ADS Limitada joint venture (the "South American Joint Venture") manufactures and sells HDPE corrugated pipe in certain South American markets. ADS owns 50% of the South American Joint Venture. ADS is the guarantor of 50% of the South American Joint Venture's credit arrangement, and the debt guarantee is shared equally with the joint venture partner. The Company's maximum potential obligation under this guarantee is \$5.5 million as of December 31, 2024. The maximum borrowings permitted under the South American Joint Venture's credit facility are \$11.0 million. The Company does not anticipate any required contributions related to the balance of this credit arrangement. As of December 31, 2024 and March 31, 2024, there was no outstanding principal balance for the South American Joint Venture's credit facility including letters of credit.

## 8. DEBT

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

(In thousands)	December 31, 2024	March 31, 2024
Term Loan Facility	\$ 415,000	\$ 420,250
Senior Notes due 2027	350,000	350,000
Senior Notes due 2030	500,000	500,000
Revolving Credit Facility	—	—
Equipment Financing	6,976	10,901
Total	1,271,976	1,281,151
Less: Unamortized debt issuance costs	(8,226)	(9,759)
Less: Current maturities	(10,621)	(11,870)
<b>Long-term debt obligations</b>	<b>\$ 1,253,129</b>	<b>\$ 1,259,522</b>

**Senior Secured Credit Facilities** - In May 2022, the Company entered into a Second Amendment (the "Second Amendment") to the Company's Base Credit Agreement with Barclays Bank PLC, as administrative agent under the Term Loan Facility and PNC Bank, National Association, as new administrative agent under the Revolving Credit Facility. Among other things, the Second Amendment (i) amended the Base Credit Agreement by increasing the Revolving Credit Facility (the "Amended Revolving Credit Facility") from \$350 million to \$600 million (including an increase of the sub-limit for the swing-line sub-facility from \$50 million to \$60 million), (ii) extended the maturity date of the Revolving Credit Facility to May 26, 2027, (iii) revised the "applicable margin" to provide an additional step-down to 175 basis points (for Term Benchmark based loans) and 75 basis points (for base rate loans) in the event the consolidated senior secured net leverage ratio is less than 2.00 to 1.00, and (iv) reset the "incremental amount" and the investment basket in non-guarantors and joint ventures. The Second Amendment also revised the reference interest rate from LIBOR to SOFR for both the Amended Revolving Credit Facility and the Term Loan Facility. Letters of credit outstanding at December 31, 2024 and March 31, 2024 amounted to \$ 10.5 million and \$11.2 million, respectively, and reduced the availability of the Revolving Credit Facility.

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

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

**Equipment Financing** - The assets under the Equipment Financing acquired are titled to the Company and included in Property, plant and equipment, net on the Company's Condensed Consolidated Balance Sheet. The equipment financing has an initial term of between 12 and 84 months, based on the life of the equipment, and bears a weighted average interest rate of 1.7% as of December 31, 2024. The current portion of the equipment financing is \$3.6 million, and the long-term portion is \$ 3.4 million at December 31, 2024.

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

(In thousands)	December 31, 2024		March 31, 2024	
	Fair Value	Carrying Value	Fair Value	Carrying Value
Senior Notes due 2027	\$ 343,490	\$ 350,000	\$ 339,780	\$ 350,000
Senior Notes due 2030	500,845	500,000	502,890	500,000
Equipment Financing	6,799	6,976	10,475	10,901
<b>Total fair value</b>	<b>\$ 851,134</b>	<b>\$ 856,976</b>	<b>\$ 853,145</b>	<b>\$ 860,901</b>

The fair values of the 2027 Notes and 2030 Notes were determined based on quoted market data for the Company's 2027 Notes and 2030 Notes, respectively. The fair value of the Equipment Financing was determined based on a comparison of the interest rate and terms of such borrowings to the rates and terms of similar debt available for the

period. The categorization of the framework used to evaluate the 2027 Notes, 2030 Notes and Equipment Financing are considered Level 2. The Company believes the carrying amount of the remaining long-term debt, including the Term Loan Facility and Revolving Credit Facility, is not materially different from its fair value as the interest rates and terms of the borrowings are similar to currently available borrowings.

## 9. COMMITMENTS AND CONTINGENCIES

**Purchase Commitments** - The Company has historically secured supplies of resin raw material by agreeing to purchase quantities during a future given period at a fixed price. These purchase contracts typically ranged from 1 to 12 months and occur in the ordinary course of business. The Company does not have any outstanding purchase commitments with fixed price and quantity as of December 31, 2024. The Company also enters into equipment purchase contracts with manufacturers.

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

## 10. INCOME TAXES

The Company's effective tax rate will vary based on a variety of factors, including overall profitability, the geographical mix of income before taxes and related tax rates in jurisdictions where it operates and other one-time charges, as well as the occurrence of discrete events. For the three months ended December 31, 2024 and 2023, the Company utilized an effective tax rate of 25.0% and 22.2%, respectively, to calculate its provision for income taxes. For the nine months ended December 31, 2024 and 2023, the Company utilized an effective tax rate of 24.0% and 24.3%, respectively, to calculate its provision for income taxes. State and local income taxes increased the effective rate for the three and nine months ended December 31, 2024 and 2023. Discrete income tax benefits related to amended state tax returns and the federal return to provision adjustment decreased the effective tax rate for the three months ended December 31, 2023.

## 11. STOCK-BASED COMPENSATION

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

(In thousands)	Three Months Ended December 31,		Nine Months Ended December 31,	
	2024	2023	2024	2023
<b>Component of income before income taxes:</b>				
Cost of goods sold	\$ 1,335	\$ 1,316	\$ 4,131	\$ 3,473
Selling, general and administrative expenses	6,463	6,086	17,627	20,163
<b>Total stock-based compensation expense</b>	<b>\$ 7,798</b>	<b>\$ 7,402</b>	<b>\$ 21,758</b>	<b>\$ 23,636</b>

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

(In thousands)	Three Months Ended December 31,		Nine Months Ended December 31,	
	2024	2023	2024	2023
<b>Stock-based compensation expense:</b>				
Stock Options	\$ 1,445	\$ 1,305	\$ 4,443	\$ 4,046
Restricted Stock	2,663	2,050	7,552	6,131
Performance-based Restricted Stock Units	2,888	3,191	6,996	11,110
Employee Stock Purchase Plan	351	313	1,297	694
Non-Employee Directors	451	543	1,470	1,655
<b>Total stock-based compensation expense</b>	<b>\$ 7,798</b>	<b>\$ 7,402</b>	<b>\$ 21,758</b>	<b>\$ 23,636</b>

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

**Restricted Stock** - During the nine months ended December 31, 2024, the Company granted 0.1 million shares of restricted stock with a grant date fair value of \$18.3 million.

**Performance-based Restricted Stock Units ("Performance Units")** - During the nine months ended December 31, 2024, the Company granted 0.1 million performance units at a grant date fair value of \$ 12.8 million.

**Options** - During the nine months ended December 31, 2024, the Company granted 0.1 million nonqualified stock options under the 2017 Incentive Plan with a grant date fair value of \$8.0 million. The Company estimates the fair value of stock options using a Black-Scholes option pricing model. The following table summarizes the assumptions used to estimate the fair value of stock-options during the period presented:

	Nine Months Ended December 31, 2024
Common stock price	\$177.38
Expected stock price volatility	45.5%
Risk-free interest rate	4.5%
Weighted-average expected option life (years)	6
Dividend yield	0.36%

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

## 12. BUSINESS SEGMENTS INFORMATION

The Company operates its business in three distinct reportable segments: "Pipe", "International" and "Infiltrator." "Allied Products & Other" represents the Company's Allied Products and all other business segments. The Chief Operating Decision Maker (the "CODM") evaluates segment reporting based on Net Sales and Segment Adjusted Gross Profit. The Company calculated Segment Adjusted Gross Profit as Net sales less Costs of goods sold, depreciation and amortization, stock-based compensation and non-cash charges. A measure of assets is not applicable, as segment assets are not regularly reviewed by the CODM for evaluating performance or allocating resources.

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

(In thousands)	Three Months Ended					
	December 31, 2024			December 31, 2023		
	Net Sales	Intersegment Net Sales	Net Sales from External Customers	Net Sales	Intersegment Net Sales	Net Sales from External Customers
Pipe	\$ 356,010	\$ (12,607)	\$ 343,403	\$ 360,733	\$ (11,629)	\$ 349,104
Infiltrator	152,384	(17,083)	135,301	131,144	(27,273)	103,871
<b>International</b>						
International - Pipe	36,909	(2,860)	34,049	44,203	(5,420)	38,783
International - Allied Products & Other	16,372	(58)	16,314	14,166	(1)	14,165
Total International	53,281	(2,918)	50,363	58,369	(5,421)	52,948
Allied Products & Other	165,233	(3,762)	161,471	159,162	(2,718)	156,444
Intersegment Eliminations	(36,370)	36,370	—	(47,041)	47,041	—
<b>Total Consolidated</b>	<b>\$ 690,538</b>	<b>\$ —</b>	<b>\$ 690,538</b>	<b>\$ 662,367</b>	<b>\$ —</b>	<b>\$ 662,367</b>
Nine Months Ended						
(In thousands)	December 31, 2024			December 31, 2023		
	Net Sales	Intersegment Net Sales	Net Sales from External Customers	Net Sales	Intersegment Net Sales	Net Sales from External Customers
	\$ 1,227,288	\$ (41,972)	\$ 1,185,316	\$ 1,217,302	\$ (31,672)	\$ 1,185,630
Pipe	456,104	(62,093)	394,011	406,361	(63,405)	342,956
<b>International</b>						
International - Pipe	125,281	(10,150)	115,131	133,787	(9,219)	124,568
International - Allied Products & Other	49,664	(174)	49,490	46,789	(27)	46,762
Total International	174,945	(10,324)	164,621	180,576	(9,246)	171,330
Allied Products & Other	556,920	(12,384)	544,536	528,303	(7,586)	520,717
Intersegment Eliminations	(126,773)	126,773	—	(111,909)	111,909	—
<b>Total Consolidated</b>	<b>\$ 2,288,484</b>	<b>\$ —</b>	<b>\$ 2,288,484</b>	<b>\$ 2,220,633</b>	<b>\$ —</b>	<b>\$ 2,220,633</b>

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

(In thousands)	Three Months Ended December 31,		Nine Months Ended December 31,	
	2024	2023	2024	2023
<b>Segment Adjusted Gross Profit</b>				
Pipe	\$ 90,900	\$ 115,621	\$ 348,559	\$ 402,126
Infiltrator	78,285	68,392	250,835	216,319
International	12,071	14,012	49,179	51,380
Allied Products & Other	92,938	88,150	314,129	300,574
Intersegment Eliminations	1,749	(1,922)	180	(4,431)
<b>Total</b>	<b>\$ 275,943</b>	<b>\$ 284,253</b>	<b>\$ 962,882</b>	<b>\$ 965,968</b>
<b>Depreciation and Amortization<sup>(a)</sup></b>				
Pipe	\$ 20,394	\$ 15,491	\$ 59,392	\$ 43,882
Infiltrator	6,447	5,543	18,806	16,435
International	1,611	1,195	4,532	3,669
Allied Products & Other <sup>(b)</sup>	19,314	15,824	50,941	48,028
<b>Total</b>	<b>\$ 47,766</b>	<b>\$ 38,053</b>	<b>\$ 133,671</b>	<b>\$ 112,014</b>
<b>Capital Expenditures</b>				
Pipe	\$ 39,501	\$ 31,287	\$ 114,899	\$ 84,700
Infiltrator	3,257	2,962	8,776	14,458
International	1,499	1,872	4,816	4,807
Allied Products & Other <sup>(b)</sup>	9,971	17,639	37,919	32,420
<b>Total</b>	<b>\$ 54,228</b>	<b>\$ 53,760</b>	<b>\$ 166,410</b>	<b>\$ 136,385</b>

(a) Includes depreciation and amortization in both Cost of goods sold and Operating expenses.

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

(In thousands)	Three Months Ended December 31,		Nine Months Ended December 31,	
	2024	2023	2024	2023
<b>Reconciliation of Segment Adjusted Gross Profit:</b>				
Total Gross Profit	\$ 241,594	\$ 259,849	\$ 867,989	\$ 893,986
Depreciation and Amortization	30,754	23,088	88,502	68,509
Stock-based compensation expense	1,335	1,316	4,131	3,473
Inventory step-up related to Orenco acquisition	2,260	—	2,260	—
<b>Total Segment Adjusted Gross Profit</b>	<b>\$ 275,943</b>	<b>\$ 284,253</b>	<b>\$ 962,882</b>	<b>\$ 965,968</b>

**13. SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION**

Supplemental disclosures of cash flow information for the nine months ended December 31 were as follows:

(In thousands)	2024	2023
<b>Supplemental disclosures of cash flow information - cash paid:</b>		
Cash paid for income taxes	\$ 111,420	\$ 114,712
Cash paid for interest	55,086	51,484
<b>Supplemental disclosures of noncash investing and financing activities:</b>		
Repurchase of common stock pending settlement	—	1,139
Share repurchase excise tax accrual	(21)	1,486
ESPP Share Issuance	5,392	1,927
Acquisition of property, plant and equipment under finance lease	84,274	21,061
Balance in accounts payable for the acquisition of property, plant and equipment	28,449	22,925

**14. SUBSEQUENT EVENTS**

**Common Stock Dividend** - Subsequent to the end of the quarter, the Company declared a quarterly cash dividend of \$ 0.16 per share of common stock. The dividend is payable on March 14, 2025, to stockholders of record at the close of business on February 28, 2025.

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

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

*Our fiscal year begins on April 1 and ends on March 31. Unless otherwise noted, references to "year" pertain to our fiscal year. For example, 2025 refers to fiscal 2025, which is the period from April 1, 2024 to March 31, 2025.*

*The following discussion and analysis of the financial condition and results of our operations should be read in conjunction with our Condensed Consolidated Financial Statements and related footnotes included elsewhere in this Form 10-Q and with the audited Consolidated Financial Statements included in our Fiscal 2024 Form 10-K, as filed with the Securities and Exchange Commission (the "SEC") on May 16, 2024. In addition to historical condensed consolidated financial information, the following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. This discussion contains forward-looking statements that are based on the beliefs of our management, as well as assumptions made by, and information currently available to, our management. Our actual results could differ materially from those discussed in the forward-looking statements. For more information, see the section entitled "Forward Looking Statements."*

**Overview**

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

**Executive Summary**

Third Quarter Fiscal 2025 Results

- Net sales increased 4.3% to \$690.5 million
- Net income decreased 23.0% to \$82.3 million
- Net income per diluted share decreased 22.3% to \$1.04
- Adjusted EBITDA, a non-GAAP measure, decreased 6.2% to \$191.5 million

Net sales increased \$28.2 million, or 4.3%, to \$690.5 million, as compared to \$662.4 million in the prior year quarter. Domestic pipe sales decreased \$5.7 million, or 1.6%, to \$343.4 million. Domestic allied products & other sales increased \$5.0 million, or 3.2%, to \$161.5 million. Infiltrator sales increased \$31.4 million, or 30.3%, to \$135.3 million. The overall increase in domestic Net sales was primarily driven by demand in the residential and infrastructure end markets. International sales decreased \$2.6 million, or 4.9%, to \$50.4 million.

Gross profit decreased \$18.3 million, or 7.0%, to \$241.6 million as compared to \$259.8 million in the prior year. The decrease in gross profit is primarily driven by unfavorable pricing and material cost, as well as the mix impact from the inclusion of Orenco. This unfavorability was partially offset by favorable volume and mix of construction market and Infiltrator sales.

Selling, general and administrative expenses increased \$9.5 million, or 10.4% to \$100.8 million, as compared to \$91.3 million. As a percentage of Net sales, selling, general and administrative expenses increased to 14.6% as compared to 13.8% in the prior year, primarily due to transaction costs and operating expenses for Orenco.

Adjusted EBITDA, a non-GAAP measure, decreased \$12.7 million, or 6.2%, to \$191.5 million, as compared to \$204.2 million in the prior year. As a percentage of Net sales, Adjusted EBITDA was 27.7% as compared to 30.8% in the prior year.

Year-to-date Fiscal 2025 Results

- Net sales increased 3.1% to \$2,288.5 million
- Net income decreased 10.1% to \$375.8 million
- Net income per diluted share decreased 9.0% to \$4.77

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- Adjusted EBITDA, a non-GAAP measure, decreased 2.6% to \$712.5 million

Net sales increased \$67.9 million, or 3.1%, to \$2,288.5 million, as compared to \$2,220.6 million in the prior year. Domestic pipe sales decreased \$0.3 million to \$1,185.3 million. Domestic allied products & other sales increased \$23.8 million, or 4.6%, to \$544.5 million. Infiltrator sales increased \$51.1 million, or 14.9%, to \$394.0 million. The overall increase in domestic Net sales was primarily driven by demand in the residential and infrastructure end markets. International sales decreased \$6.7 million, or 3.9%, to \$164.6 million.

Gross profit decreased \$26.0 million, or 2.9%, to \$868.0 million as compared to \$894.0 million in the prior year. The decrease in gross profit is primarily driven by unfavorable pricing and material cost, partially offset by favorable manufacturing costs and volume.

Selling, general and administrative expenses increased \$19.4 million, or 7.2% to \$289.0 million, as compared to \$269.5 million. As a percentage of Net sales, selling, general and administrative expenses were largely flat at 12.6% as compared to 12.1% in the prior year.

Adjusted EBITDA, a non-GAAP measure, decreased \$19.2 million, or 2.6%, to \$712.5 million, as compared to \$731.8 million in the prior year. As a percentage of Net sales, Adjusted EBITDA was 31.1% as compared to 33.0% in the prior year.

### Results of Operations

#### Comparison of the Three Months Ended December 31, 2024 to the Three Months Ended December 31, 2023

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

Consolidated Statements of Operations data: (In thousands)	For the Three Months Ended December 31,		
	2024	2023	
Net sales	\$ 690,538	100.0 %	\$ 662,367
Cost of goods sold	448,944	65.0	402,518
Gross profit	241,594	35.0	259,849
Selling, general and administrative	100,778	14.6	91,289
(Gain) loss on disposal of assets and costs from exit and disposal activities	(477)	(0.1)	2,512
Intangible amortization	14,429	2.1	12,782
Income from operations	126,864	18.4	153,266
Interest expense	23,094	3.3	22,331
Interest income and other, net	(4,792)	(0.7)	(4,772)
Income before income taxes	108,562	15.7	135,707
Income tax expense	27,091	3.9	30,131
Equity in net income of unconsolidated affiliates	(818)	(0.1)	(1,304)
Net income	82,289	11.9	106,880
Less: net income attributable to noncontrolling interest	1,058	0.2	1,241
Net income attributable to ADS	\$ 81,231	11.8 %	\$ 105,639
	<u><u>\$ 81,231</u></u>	<u><u>11.8 %</u></u>	<u><u>\$ 105,639</u></u>
	<u><u>\$ 81,231</u></u>	<u><u>11.8 %</u></u>	<u><u>\$ 105,639</u></u>

**Net sales** - The following table presents Net sales to external customers by reportable segment for the three months ended December 31, 2024 and 2023.

(Amounts in thousands)	2024	2023	\$ Variance	% Variance
Pipe	\$ 343,403	\$ 349,104	\$ (5,701)	(1.6) %
Infiltrator	135,301	103,871	31,430	30.3
International	50,363	52,948	(2,585)	(4.9)
Allied Products & Other	161,471	156,444	5,027	3.2
<b>Total Consolidated</b>	<b>\$ 690,538</b>	<b>\$ 662,367</b>	<b>\$ 28,171</b>	<b>4.3 %</b>

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Our consolidated Net sales for the three months ended December 31, 2024 increased by \$28.2 million, or 4.3%, compared to the same period in fiscal 2024. The overall increase in domestic Net sales was primarily driven by demand in the residential and infrastructure end markets. Net sales of \$25.4 million of Orenco drove the increase in Net sales for Infiltrator, while the volume growth in Domestic Pipe was offset by unfavorable price/mix impact. For the international segment, the decrease was driven by decreased volume as well as unfavorable price/mix.

*Cost of goods sold and Gross profit* - The following table presents gross profit by reportable segment for the three months ended December 31, 2024 and 2023.

(Amounts in thousands)	2024	2023	\$ Variance	% Variance
Pipe	\$ 69,334	\$ 99,567	\$ (30,233)	(30.4)%
Infiltrator	69,444	62,780	6,664	10.6
International	10,466	12,817	(2,351)	(18.3)
Allied Products & Other	90,601	86,606	3,995	4.6
Intersegment eliminations	1,749	(1,921)	3,670	(191.0)
<b>Total gross profit</b>	<b>\$ 241,594</b>	<b>\$ 259,849</b>	<b>\$ (18,255)</b>	<b>(7.0)%</b>

Our consolidated Cost of goods sold for the three months ended December 31, 2024 increased by \$46.4 million, or 11.5%, and our consolidated Gross profit decreased by \$18.3 million, or 7.0%, compared to the same period in fiscal 2024. The decrease in gross profit for Domestic Pipe is primarily driven by unfavorable pricing and material cost, partially offset by volume. The increase in gross profit for Infiltrator was primarily driven by Orenco.

*Selling, general and administrative expenses*

(Amounts in thousands)	Three Months Ended December 31,	
	2024	2023
Selling, general and administrative expenses	\$ 100,778	\$ 91,289
% of Net sales	14.6 %	13.8 %

Selling, general and administrative expenses for the three months ended December 31, 2024 increased \$9.5 million from the same period in fiscal 2024 and as a percentage of Net sales, increased by 0.8%. The increase in selling, general and administrative expenses was primarily due to transaction costs of \$5.9 million and operating expenses for Orenco.

*Interest expense* - Interest expense increased \$0.8 million in the three months ended December 31, 2024 compared to the same period in the previous fiscal year. The increase was primarily due to an increase in interest rates.

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

	Three Months Ended December 31,	
	2024	2023
Effective tax rate	25.0 %	22.2 %

The change in the effective tax rate for the three months ended December 31, 2024 was primarily related to the discrete income tax benefits for the amended state tax returns and the federal return to provision adjustment in the prior period. See "Note 10. Income Taxes" for additional information.

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**Comparison of the Nine Months Ended December 31, 2024 to the Nine Months Ended December 31, 2023**

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

	For the Nine Months Ended December 31,			
	2024	2023		
<b>Consolidated Statements of Operations data:</b>				(In thousands)
Net sales	\$ 2,288,484	100.0 %	\$ 2,220,633	100.0 %
Cost of goods sold	1,420,495	62.1	1,326,647	59.7
Gross profit	867,989	37.9	893,986	40.3
Selling, general and administrative	288,962	12.6	269,525	12.1
Loss (gain) on disposal of assets and costs from exit and disposal activities	432	—	(10,669)	(0.5)
Intangible amortization	38,140	1.7	38,376	1.7
Income from operations	540,455	23.6	596,754	26.9
Interest expense	69,074	3.0	65,984	3.0
Interest income and other, net	(18,864)	(0.8)	(15,827)	(0.7)
Income before income taxes	490,245	21.4	546,597	24.6
Income tax expense	117,897	5.2	132,665	6.0
Equity in net income of unconsolidated affiliates	(3,437)	(0.2)	(3,880)	(0.2)
Net income	375,785	16.4	417,812	18.8
Less: net income attributable to noncontrolling interest	2,770	0.1	2,719	0.1
Net income attributable to ADS	\$ 373,015	16.3 %	\$ 415,093	18.7 %

**Net sales** - The following table presents Net sales to external customers by reportable segment for the nine months ended December 31, 2024 and 2023.

(Amounts in thousands)	2024	2023	\$ Variance	% Variance
Pipe	\$ 1,185,316	\$ 1,185,630	\$ (314)	— %
Infiltrator	394,011	342,956	51,055	14.9
International	164,621	171,330	(6,709)	(3.9)
Allied Products & Other	544,536	520,717	23,819	4.6
<b>Total Consolidated</b>	<b>\$ 2,288,484</b>	<b>\$ 2,220,633</b>	<b>\$ 67,851</b>	<b>3.1 %</b>

Our consolidated Net sales for the nine months ended December 31, 2024 increased by \$67.9 million, or 3.1%, compared to the same period in fiscal 2024. The overall increase in domestic Net sales was primarily driven by demand in the residential and infrastructure end markets. Net sales for Infiltrator were also driven by improved price/mix and the acquisition of Orenco, while the volume growth in Domestic Pipe was offset by unfavorable price/mix impact. For the international segment, the decrease was driven by unfavorable price/mix.

**Cost of goods sold and Gross profit** - The following table presents gross profit by reportable segment for the nine months ended December 31, 2024 and 2023.

(Amounts in thousands)	2024	2023	\$ Variance	% Variance
Pipe	\$ 285,479	\$ 355,016	\$ (69,537)	(19.6)%
Infiltrator	229,408	199,685	29,723	14.9
International	44,634	47,711	(3,077)	(6.4)
Allied Products & Other	308,288	296,004	12,284	4.1
Intersegment eliminations	180	(4,430)	4,610	(104.1)
<b>Total gross profit</b>	<b>\$ 867,989</b>	<b>\$ 893,986</b>	<b>\$ (25,997)</b>	<b>(2.9)%</b>

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Our consolidated Cost of goods sold for the nine months ended December 31, 2024 increased by \$93.8 million, or 7.1%, and our consolidated Gross profit decreased by \$26.0 million, or 2.9%, compared to the same period in fiscal 2024. The decrease in gross profit for Domestic Pipe is primarily driven by unfavorable pricing and material cost, partially offset by favorable manufacturing costs. The increase in gross profit for Infiltrator was driven by favorable pricing, improved material cost and the acquisition of Orenco.

### Selling, general and administrative expenses

(Amounts in thousands)	Nine Months Ended December 31,	
	2024	2023
Selling, general and administrative expenses	\$ 288,962	\$ 269,525
% of Net sales	12.6 %	12.1 %

Selling, general and administrative expenses for nine months ended December 31, 2024 increased \$19.4 million from the same period in fiscal 2024 and as a percentage of Net sales, increased by 0.5%. This increase is primarily due to higher commissions from the increase in volume, as well as continued investments in talent to support strategic areas such as engineering and product development. The increase in selling, general and administrative expenses was also due to transaction costs of \$8.6 million and operating expenses for Orenco.

*Loss (gain) on disposal of assets and costs from exit and disposal activities* - The gain on disposal in fiscal 2024 was due to the sale of Spartan Concrete, Inc.

*Interest expense* - Interest expense increased \$3.1 million in the nine months ended December 31, 2024 compared to the same period in the previous fiscal year. The increase was primarily due to increased interest rates.

*Interest income and other, net* - Interest income and other, net increased by \$3.0 million for the nine months ended December 31, 2024 compared to the same period in the previous fiscal year primarily due to increased cash.

*Income tax expense* - The following table presents the effective tax rates for the nine months ended December 31, 2024 and 2023.

	Nine Months Ended December 31,	
	2024	2023
Effective tax rate	24.0 %	24.3 %

See "Note 10. Income Taxes" for additional information.

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

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

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

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

(In thousands)	Three Months Ended December 31,		Nine Months Ended December 31,	
	2024	2023	2024	2023
Net income	\$ 82,289	\$ 106,880	\$ 375,785	\$ 417,812
Depreciation and amortization	47,766	38,053	133,671	112,014
Interest expense	23,094	22,331	69,074	65,984
Income tax expense	27,091	30,131	117,897	132,665
EBITDA	180,240	197,395	696,427	728,475
(Gain) loss on disposal of assets and costs from exit and disposal activities	(477)	2,512	432	(10,669)
Stock-based compensation expense	7,798	7,402	21,758	23,636
Transaction costs <sup>(a)</sup>	5,924	1,030	8,619	3,054
Interest income	(4,545)	(6,515)	(18,478)	(15,141)
Other adjustments <sup>(b)</sup>	2,545	2,382	3,775	2,414
<b>Adjusted EBITDA</b>	<b>\$ 191,485</b>	<b>\$ 204,206</b>	<b>\$ 712,533</b>	<b>\$ 731,769</b>
Adjusted EBITDA Margin	27.7 %	30.8 %	31.1 %	33.0 %

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

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

#### Liquidity and Capital Resources

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

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

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

(Amounts in thousands)	Nine Months Ended December 31,	
	2024	2023
Net cash provided by operating activities	\$ 540,264	\$ 700,262
Capital expenditures	(166,410)	(136,385)
<b>Free Cash Flow</b>	<b>\$ 373,854</b>	<b>\$ 563,877</b>

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

(Amounts in thousands)	December 31, 2024
Total debt (debt and finance lease obligations)	\$ 1,409,621
Cash	488,859
Net debt (total debt less cash)	920,762
<b>Leverage Ratio</b>	<b>1.0</b>

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

(Amounts in thousands)	December 31, 2024
Revolver capacity	\$ 600,000
Less: outstanding borrowings	—
Less: letters of credit	(10,450)
<b>Revolver available liquidity</b>	<b>\$ 589,550</b>

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

As of December 31, 2024, we had \$29.8 million in cash that was held by our foreign subsidiaries, including \$19.5 million held by our Canadian subsidiaries. We continue to evaluate our strategy regarding foreign cash, but our earnings in foreign subsidiaries still remain indefinitely reinvested, except for Canada. We plan to repatriate earnings from Canada and believe that there will be no additional tax costs associated with the repatriation of such earnings other than any potential non-U.S. withholding taxes.

### Working Capital and Cash Flows

As of December 31, 2024, we had \$1,078.4 million in liquidity, including \$488.9 million of cash and \$589.6 million in borrowings available under our Revolving Credit Agreement, net of outstanding letters of credit. We believe that our cash on hand, together with the availability of borrowings under our Credit Agreement and other financing arrangements and cash generated from operations, will be sufficient to meet our working capital requirements, anticipated capital expenditures, and scheduled principal and interest payments on our indebtedness for at least the next twelve months.

*Working Capital* - Working capital decreased to \$857.0 million as of December 31, 2024, from \$860.3 million as of March 31, 2024. The decrease in working capital is primarily due to the seasonality of accounts receivable and inventory offset by changes in accounts payable due to the timing of payments.

(Amounts in thousands)	Nine Months Ended December 31,	
	2024	2023
Net cash provided by operating activities	\$ 540,264	\$ 700,262
Net cash used in investing activities	(402,889)	(115,879)
Net cash used in financing activities	(135,944)	(236,436)

*Operating Cash Flows* - Cash flows from operating activities decreased \$160.0 million during the nine months ended December 31, 2024 primarily driven by a reduction in net income and changes in working capital.

*Investing Cash Flows* - Cash flows used in investing activities during the nine months ended December 31, 2024 increased by \$287.0 million compared to the same period in fiscal 2024. The increase in cash used in investing activities was due to the acquisition of Orenco in fiscal 2025 and increased capital expenditures partially offset by the sale of Spartan Concrete in fiscal 2024.

Capital expenditures totaled \$166.4 million and \$136.4 million for the nine months ended December 31, 2024 and 2023, respectively. Our capital expenditures for the nine months ended December 31, 2024 were used primarily to support facility expansions, equipment replacements and technology improvement initiatives. We also acquired \$84.3 million of property, plant and equipment under finance leases, which includes transportation equipment to update our fleet of trucks and trailers.

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We currently anticipate that we will make capital expenditures of approximately \$225 million in fiscal year 2025, including approximately \$100 million of open orders as of December 31, 2024. Such capital expenditures are expected to be financed using funds generated by operations.

**Financing Cash Flows** - During the nine months ended December 31, 2024, cash used in financing activities included the repurchase of common stock of \$69.9 million, \$37.3 million of dividend payments, \$17.8 million of payments of finance lease obligations and \$10.6 million for shares withheld for tax purposes.

During the nine months ended December 31, 2023, cash used in financing activities included the repurchase of common stock of \$178.2 million, \$33.1 million of dividend payments, and \$8.9 million for shares withheld for tax purposes.

**Financing Transactions** - There have been no changes in our debt disclosures from those disclosed in "Liquidity and Capital Resources" in our Fiscal 2024 Form 10-K. We are in compliance with our debt covenants as of December 31, 2024.

### **Off-Balance Sheet Arrangements**

Excluding the guarantees of 50% of certain debt of our unconsolidated South American Joint Venture as further discussed in "Note 7. Related Party Transactions" to the Condensed Consolidated Financial Statements, we do not have any other off-balance sheet arrangements. As of December 31, 2024, our South American Joint Venture had no outstanding debt subject to our guarantees. We do not believe that this guarantee will have a current or future effect on our financial condition, results of operations, liquidity or capital resources.

### **Critical Accounting Policies and Estimates**

There have been no changes in critical accounting policies from those disclosed in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Fiscal 2024 Form 10-K, except as disclosed in "Note 1. Background and Summary of Significant Accounting Policies."

#### **Item 3. Quantitative and Qualitative Disclosures about Market Risk**

We are subject to various market risks, primarily related to changes in interest rates, credit, raw material supply prices and, to a lesser extent, foreign currency exchange rates. Our financial position, results of operations or cash flows may be negatively impacted in the event of adverse movements in the respective market rates or prices in each of these risk categories. Our exposure in each category is limited to those risks that arise in the normal course of business, as we do not engage in speculative, non-operating transactions. Our exposure to market risk has not materially changed from what we previously disclosed in Part II, Item 7A, "Quantitative and Qualitative Disclosures about Market Risk" of our Fiscal 2024 Form 10-K except as disclosed below.

**Interest Rate Risk** - We are subject to interest rate risk associated with our bank debt. A 1.0% increase in interest rates on our variable-rate debt would increase our annual forecasted interest expense by approximately \$4.1 million based on our borrowings as of December 31, 2024. Assuming the Revolving Credit Facility is fully drawn, each 1.0% increase or decrease in the applicable interest rate would change our interest expense by approximately \$10.1 million, for the twelve months ended December 31, 2024.

#### **Item 4. Controls and Procedures**

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

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

**Changes in Internal Control over Financial Reporting** - There were no changes in the Company's internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act that occurred during the three months

ended December 31, 2024 that has materially affected, or is reasonably likely to materially affect, internal control over financial reporting.

## **PART II. OTHER INFORMATION**

### **Item 1. Legal Proceedings**

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

Please see "Note 9. Commitments and Contingencies," of the Condensed Consolidated Financial Statements of this Form 10-Q for more information regarding legal proceedings.

### **Item 1A. Risk Factors**

Important risk factors that could affect our operations and financial performance, or that could cause results or events to differ from current expectations, are described in "Part I, Item 1A — Risk Factors" of our Fiscal 2024 Form 10-K. These factors are further supplemented by those discussed in "Part II, Item 7A — Quantitative and Qualitative Disclosures about Market Risk" of our Fiscal 2024 Form 10-K and in "Part I, Item 3 — Quantitative and Qualitative Disclosures about Market Risk" and "Part II, Item 1 — Legal Proceedings" of this Form 10-Q.

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

In February 2022, our Board of Directors authorized a \$1.0 billion common stock repurchase program. Repurchases of common stock will be made in accordance with applicable securities laws. During the three months ended December 31, 2024, the Company did not repurchase any shares of common stock. As of December 31, 2024, approximately \$147.7 million of common stock may be repurchased under the authorization. The stock repurchase program does not obligate us to acquire any particular amount of common stock and may be suspended or terminated at any time at our discretion.

### **Item 3. Defaults Upon Senior Securities**

None.

### **Item 4. Mine Safety Disclosures**

Not applicable.

### **Item 5. Other Information**

During the three months ended December 31, 2024, no director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as such terms are defined in Item 408(a) of Regulation S-K.

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**Item 6. Exhibits**

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

Exhibit Number	Exhibit Description
31.1*	<a href="#">Certification of President and Chief Executive Officer of Advanced Drainage Systems, Inc. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
31.2*	<a href="#">Certification of Executive Vice President and Chief Financial Officer of Advanced Drainage Systems, Inc. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
32.1*	<a href="#">Certification of Principal Executive Officer of Advanced Drainage Systems, Inc. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
32.2*	<a href="#">Certification of Principal Financial Officer of Advanced Drainage Systems, Inc. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
101.INS*	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH*	Inline XBRL Taxonomy Extension Schema.
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase.
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase.
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase.
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase.
104	The cover page for the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2024, has been formatted in Inline XBRL and contained in Exhibit 101.

\* Filed herewith

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: February 6, 2025

ADVANCED DRAINAGE SYSTEMS, INC.

By: /s/ D. Scott Barbour

D. Scott Barbour  
President and Chief Executive Officer  
(Principal Executive Officer)

By: /s/ Scott A. Cottrill

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

By: /s/ Tim A. Makowski

Tim A. Makowski  
Vice President, Controller, and Chief Accounting Officer

## CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, D. Scott Barbour, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q (this "Report") of the registrant, Advanced Drainage Systems, Inc.;
2. Based on my knowledge, this Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Report;
3. Based on my knowledge, the financial statements and other financial information included in this Report fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this Report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Report based on such evaluation; and
  - d. Disclosed in this Report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 6, 2025

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

## CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Scott A. Cottrill, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q (this "Report") of the registrant, Advanced Drainage Systems, Inc.;
2. Based on my knowledge, this Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Report;
3. Based on my knowledge, the financial statements and other financial information included in this Report fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this Report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Report based on such evaluation; and
  - d. Disclosed in this Report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 6, 2025

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

**CERTIFICATION OF PRINCIPAL 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 hereby certifies, pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, and in accordance with 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, in his capacity as the principal executive officer of Advanced Drainage Systems, Inc. (the "Company"), that, to the best of his knowledge, the Quarterly Report on Form 10-Q of the Company for the quarter ended December 31, 2024 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in such report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods presented in the financial statements included in such report.

February 6, 2025

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

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate document. A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION OF PRINCIPAL 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 hereby certifies, pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, and in accordance with 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, in his capacity as the principal financial officer of Advanced Drainage Systems, Inc. (the "Company"), that, to the best of his knowledge, the Quarterly Report on Form 10-Q of the Company for the quarter ended December 31, 2024 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in such report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods presented in the financial statements included in such report.

February 6, 2025

/s/ Scott A. Cottrill

\_\_\_\_\_  
Scott A. Cottrill  
Chief Financial Officer  
(Principal Financial Officer)

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate document. A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.