

REFINITIV

DELTA REPORT

10-Q

AZZ - AZZ INC

10-Q - AUGUST 31, 2024 COMPARED TO 10-Q - MAY 31, 2024

The following comparison report has been automatically generated

TOTAL DELTAS 798

CHANGES 181

DELETIONS 251

ADDITIONS 366

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

FORM 10-Q

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

For the quarterly period ended **May 31, 2024** **August 31, 2024**
or

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

Commission file number: 1-12777

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AZZ Inc.

(Exact name of registrant as specified in its charter)

Texas

75-0948250

(State or other jurisdiction of incorporation or organization)

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

One Museum Place, Suite 500

3100 West 7th Street

Fort Worth, Texas

(Address of principal executive offices)

76107

(Zip Code)

(817) 810-0095

(Registrant's telephone number, including area code)

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

Title of each class

Trading Symbol

Name of each exchange on which registered

Common Stock

AZZ

New York Stock Exchange

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

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

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

Large Accelerated Filer

☒

Accelerated filer

☐

Non-accelerated filer

☐

Smaller reporting company

☐

Emerging growth company

☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of **June 28, 2024** **October 4, 2024**, the registrant had outstanding **29,816,258** **29,876,952** shares of common stock; \$1.00 par value per share.

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PART I. FINANCIAL INFORMATION

AZZ INC. CONDENSED CONSOLIDATED BALANCE SHEETS (In thousands, except par value) (Unaudited)

	As of	
	May 31, 2024	February 29, 2024
	August 31, 2024	February 29, 2024
Assets		
Assets		
Assets		
Current assets:		
Current assets:		
Current assets:		

Cash and cash equivalents
Cash and cash equivalents
Cash and cash equivalents
Trade accounts receivable, net of allowance for credit losses of \$2,322 and \$2,347 at May 31, 2024 and February 29, 2024, respectively
Trade accounts receivable, net of allowance for credit losses of \$(2,128) and \$(2,347) at August 31, 2024 and February 29, 2024, respectively
Other receivables
Inventories
Contract assets
Prepaid expenses and other
Total current assets
Total current assets
Total current assets
Property, plant and equipment, net
Right-of-use assets
Goodwill
Deferred tax assets
Intangible assets, net
Investment in joint venture
Investment in AVAIL joint venture
Other assets
Total assets
Total assets
Total assets
Liabilities, Mezzanine Equity and Shareholders' Equity
Current liabilities:
Current liabilities:
Current liabilities:
Accounts payable
Accounts payable
Accounts payable
Income tax payable
Income taxes payable
Accrued salaries and wages
Other accrued liabilities
Lease liability, short-term
Total current liabilities
Total current liabilities
Total current liabilities
Long-term debt, net
Lease liability, long-term
Deferred tax liabilities
Other long-term liabilities
Total liabilities
Total liabilities
Total liabilities

Commitments and contingencies (Note 16)	Commitments and contingencies (Note 16)	Commitments and contingencies (Note 16)
Mezzanine equity:		
Series A Convertible Preferred Stock, \$1 par value; 240 shares authorized; 240 shares issued and outstanding February 29, 2024; aggregate liquidation preference \$312,520 at February 29, 2024		
Series A Convertible Preferred Stock, \$1 par value; 240 shares authorized; 240 shares issued and outstanding February 29, 2024; aggregate liquidation preference \$312,520 at February 29, 2024		
Series A Convertible Preferred Stock, \$1 par value; 240 shares authorized; 240 shares issued and outstanding February 29, 2024; aggregate liquidation preference \$312,520 at February 29, 2024		
Series A Preferred Stock, \$1,000 par value; 100,000 shares authorized; 240 shares issued and outstanding February 29, 2024; aggregate liquidation preference \$312,520 at February 29, 2024		
Series A Preferred Stock, \$1,000 par value; 100,000 shares authorized; 240 shares issued and outstanding February 29, 2024; aggregate liquidation preference \$312,520 at February 29, 2024		
Series A Preferred Stock, \$1,000 par value; 100,000 shares authorized; 240 shares issued and outstanding February 29, 2024; aggregate liquidation preference \$312,520 at February 29, 2024		
Shareholders' equity:		
Common stock, \$1 par value; 100,000 shares authorized; 29,814 and 25,102 shares issued and outstanding at May 31, 2024 and February 29, 2024, respectively		
Common stock, \$1 par value; 100,000 shares authorized; 29,814 and 25,102 shares issued and outstanding at May 31, 2024 and February 29, 2024, respectively		
Common stock, \$1 par value; 100,000 shares authorized; 29,814 and 25,102 shares issued and outstanding at May 31, 2024 and February 29, 2024, respectively		
Common stock, \$1 par value; 100,000 shares authorized; 29,877 and 25,102 shares issued and outstanding at August 31, 2024 and February 29, 2024, respectively		
Common stock, \$1 par value; 100,000 shares authorized; 29,877 and 25,102 shares issued and outstanding at August 31, 2024 and February 29, 2024, respectively		
Common stock, \$1 par value; 100,000 shares authorized; 29,877 and 25,102 shares issued and outstanding at August 31, 2024 and February 29, 2024, respectively		
Capital in excess of par value		
Retained earnings		
Accumulated other comprehensive loss		
Total shareholders' equity		
Total liabilities, mezzanine equity and shareholders' equity		

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

AZZ INC. CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (In thousands, except per share and dividend amounts) (Unaudited)				
	Three Months Ended August 31,		Six Months Ended August 31,	
	2024	2023	2024	2023
Sales				
Sales				
Sales				
Cost of sales				
Cost of sales				
Cost of sales				
Gross margin				
Gross margin				

Gross margin
Selling, general and administrative
Selling, general and administrative
Selling, general and administrative
Operating income
Operating income
Operating income
Interest expense, net
Interest expense, net
Interest expense, net
Equity in earnings of unconsolidated subsidiaries
Equity in earnings of unconsolidated subsidiaries
Equity in earnings of unconsolidated subsidiaries
Other income (expense), net
Other income (expense), net
Other income (expense), net
Other income, net
Income before income taxes
Income before income taxes
Income before income taxes
Income tax expense
Income tax expense
Income tax expense
Net income
Net income
Net income
Dividends on Series A Preferred Stock
Dividends on Series A Preferred Stock
Dividends on Series A Preferred Stock
Series A Preferred Stock Dividends
Redemption premium on Series A Preferred Stock
Redemption premium on Series A Preferred Stock
Redemption premium on Series A Preferred Stock
Net income (loss) available to common shareholders
Net income (loss) available to common shareholders
Net income (loss) available to common shareholders
Basic earnings (loss) per common share
Basic earnings (loss) per common share
Basic earnings (loss) per common share
Diluted earnings (loss) per common share
Diluted earnings (loss) per common share
Diluted earnings (loss) per common share
Weighted average shares outstanding - Basic
Weighted average shares outstanding - Basic
Weighted average shares outstanding - Basic
Weighted average shares outstanding - Diluted

Weighted average shares outstanding - Diluted
Weighted average shares outstanding - Diluted
Cash dividends declared per common share
Cash dividends declared per common share
Cash dividends declared per common share

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

AZZ INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands)

(Unaudited)

	Three Months Ended August 31,	Six Months Ended August 31,		
	2024	2024	2023	2024 2023
	2024			
	2024			
Net income (loss) available to common shareholders				
Net income (loss) available to common shareholders				
Net income (loss) available to common shareholders				
Other comprehensive income (loss):				
Other comprehensive income (loss):				
Other comprehensive income (loss):				
Unrealized translation gain (loss)				
Unrealized translation gain (loss)				
Unrealized translation gain (loss)				
Unrealized translation gain for unconsolidated subsidiary ⁽¹⁾				
Unrealized translation gain for unconsolidated subsidiary ⁽¹⁾				
Unrealized translation gain for unconsolidated subsidiary ⁽¹⁾				
Unrealized translation gain				
Unrealized translation gain				
Unrealized translation gain				
Unrealized translation loss for unconsolidated subsidiary ⁽¹⁾				
Unrealized gain (loss) on derivatives qualified for hedge accounting:				
Unrealized gain (loss) on derivatives qualified for hedge accounting:				

Unrealized gain (loss) on derivatives qualified for hedge accounting:
Unrealized gain (loss) on interest rate swap, net of tax ⁽²⁾
Unrealized gain (loss) on interest rate swap, net of tax ⁽²⁾
Unrealized gain (loss) on interest rate swap, net of tax ⁽²⁾
Amounts reclassified from accumulated other comprehensive income to earnings, net of tax ⁽³⁾
Amounts reclassified from accumulated other comprehensive income to earnings, net of tax ⁽³⁾
Amounts reclassified from accumulated other comprehensive income to earnings, net of tax ⁽³⁾
Unrealized gain (loss) on interest rate swap, net of tax for unconsolidated subsidiary ⁽⁴⁾
Unrealized gain (loss) on interest rate swap, net of tax for unconsolidated subsidiary ⁽⁴⁾
Unrealized gain (loss) on interest rate swap, net of tax for unconsolidated subsidiary ⁽⁴⁾
Other comprehensive income (loss)
Other comprehensive income (loss)
Unrealized gain on interest rate swap, net of tax for unconsolidated subsidiary ⁽⁴⁾
Other comprehensive income (loss)

Comprehensive income (loss)

Comprehensive income (loss)

Comprehensive income (loss)

⁽¹⁾ Unrealized translation gain for unconsolidated subsidiary is related to our unconsolidated investment in the AVAIL JV and represents our 40% interest in this amount.

⁽¹⁾ Unrealized translation gain for unconsolidated subsidiary is related to our unconsolidated investment in the AVAIL JV and represents our 40% interest in this amount.

⁽¹⁾ Unrealized translation gain for unconsolidated subsidiary is related to our unconsolidated investment in the AVAIL JV and represents our 40% interest in this amount.

⁽²⁾ Net of tax expense (benefit) of \$625 and (\$1,229) for the three months ended May 31, 2024 and May 31, 2023, respectively.

(2) Net of tax expense (benefit) of \$625 and (\$1,229) for the three months ended May 31, 2024 and May 31, 2023, respectively.

(2) Net of tax expense (benefit) of \$625 and (\$1,229) for the three months ended May 31, 2024 and May 31, 2023, respectively.

(3) Net of tax benefit of (\$348) and (\$199) for the three months ended May 31, 2024 and May 31, 2023, respectively. See Note 8.

(4) Unrealized gain (loss) on interest rate swap, net of tax for unconsolidated subsidiary is related to our unconsolidated investment in the AVAIL JV and represents our 40% interest in this amount. Net of tax expense (benefit) of \$44 and (\$60) for the three months ended May 31, 2024 and May 31, 2023, respectively.

(4) Unrealized gain (loss) on interest rate swap, net of tax for unconsolidated subsidiary is related to our unconsolidated investment in the AVAIL JV and represents our 40% interest in this amount. Net of tax expense (benefit) of \$44 and (\$60) for the three months ended May 31, 2024 and May 31, 2023, respectively.

(4) Unrealized gain (loss) on interest rate swap, net of tax for unconsolidated subsidiary is related to our unconsolidated investment in the AVAIL JV and represents our 40% interest in this amount. Net of tax expense (benefit) of \$44 and (\$60) for the three months ended May 31, 2024 and May 31, 2023, respectively.

(1) Unrealized translation loss for unconsolidated subsidiary is related to our unconsolidated investment in the AVAIL JV and represents our 40% interest in this amount. Net of tax benefit of \$(210) for both the three and six months ended August 31, 2024 and \$0 for both the three and six months ended August 31, 2023.

(1) Unrealized translation loss for unconsolidated subsidiary is related to our unconsolidated investment in the AVAIL JV and represents our 40% interest in this amount. Net of tax benefit of \$(210) for both the three and six months ended August 31, 2024 and \$0 for both the three and six months ended August 31, 2023.

(1) Unrealized translation loss for unconsolidated subsidiary is related to our unconsolidated investment in the AVAIL JV and represents our 40% interest in this amount. Net of tax benefit of \$(210) for both the three and six months ended August 31, 2024 and \$0 for both the three and six months ended August 31, 2023.

(2) Net of tax expense (benefit) of (\$967) and \$1,908 for the three months ended August 31, 2024 and 2023, respectively. Net of tax expense (benefit) of (\$342) and \$679 for the six months ended August 31, 2024 and 2023, respectively.

(4) Unrealized gain (loss) on interest rate swap, net of tax for unconsolidated subsidiary is related to our unconsolidated investment in the AVAIL JV and represents our 40% interest in this amount. Net of tax expense of \$2 and \$101 for the three months ended August 31, 2024 and 2023, respectively. Net of tax expense of \$46 and \$41 for the six months ended August 31, 2024 and 2023, respectively.

(3) Net of tax benefit of (\$351) and (\$341) for the three months ended August 31, 2024 and 2023, respectively. Net of tax benefit of \$(699) and \$(540) for the six months ended August 31, 2024 and 2023, respectively. See Note 8.

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

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

(Unaudited)

	2024	Three Months Ended May 31, 2024	Six Months Ended August 31, 2023	2024	2023
Cash flows from operating activities					
Net income (loss) available to common shareholders					
Net income (loss) available to common shareholders					
Net income (loss) available to common shareholders					
Plus: Dividends on Series A Preferred Stock					
Plus: Dividends on Series A Preferred Stock					
Plus: Dividends on Series A Preferred Stock					
Plus: Redemption premium on Series A Preferred Stock					
Net income					
Adjustments to reconcile net income to net cash provided by operating activities:					
Bad debt expense					
Bad debt expense					
Bad debt expense					
Depreciation and amortization					
Deferred income taxes					
Equity in earnings of unconsolidated entities					
Distribution on investment in AVAIL joint venture					
Net loss (gain) on sale of property, plant and equipment					
Net gain on sale of property, plant and equipment					
Net loss (gain) on sale of property, plant and equipment					
Net gain on sale of property, plant and equipment					
Net loss (gain) on sale of property, plant and equipment					
Net gain on sale of property, plant and equipment					
Amortization of debt financing costs					
Share-based compensation expense					
Changes in current assets and current liabilities					
Changes in other long-term assets and long-term liabilities					
Net cash provided by operating activities					
Cash flows from investing activities					
Purchase of property, plant and equipment					
Purchase of property, plant and equipment					
Purchase of property, plant and equipment					
Other investing activities					
Proceeds from sale of property, plant and equipment					
Other investing activities					
Proceeds from sale of property, plant and equipment					
Other investing activities					
Proceeds from sale of property, plant and equipment					
Net cash used in investing activities					
Cash flows from financing activities					
Proceeds from secondary public offering and issuance of additional common stock					
Proceeds from secondary public offering and issuance of additional common stock					
Proceeds from secondary public offering and issuance of additional common stock					

Proceeds from issuance of common stock
Proceeds from issuance of common stock
Proceeds from issuance of common stock
Redemption of Series A Preferred Stock
Payments for taxes related to net share settlement of equity awards
Proceeds from revolving loan
Payments on revolving loan
Tax payments related to net share settlement of equity awards
Proceeds from Revolving Credit Facility
Payments on Revolving Credit Facility
Payments of debt financing costs
Payments of debt financing costs
Payments of debt financing costs
Payments on long term debt and finance lease liabilities
Payments of dividends
Payments of dividends
Payments of dividends
Net cash used in financing activities
Effect of exchange rate changes on cash
Net increase in cash and cash equivalents
Net decrease in cash and cash equivalents
Net increase in cash and cash equivalents
Net decrease in cash and cash equivalents
Net increase in cash and cash equivalents
Net decrease in cash and cash equivalents
Cash and cash equivalents at beginning of period
Cash and cash equivalents at end of period
Cash and cash equivalents at end of period
Cash and cash equivalents at end of period

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

AZZ INC.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(In thousands)

(Unaudited)

Three Months Ended May 31, 2024
Three Months Ended May 31, 2024
Three Months Ended May 31, 2024
Three Months Ended August 31, 2024
Three Months Ended August 31, 2024

Three Months Ended August 31, 2024													
		Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss		Total		Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance at May 31, 2024													
Balance at May 31, 2024													
Balance at May 31, 2024													
Share-based compensation													
Common stock issued under stock-based plans and related tax expense													
Common stock issued under stock-based plans and related tax expense													
Common stock issued under stock-based plans and related tax expense													
Common stock issued under employee stock purchase plan													
Secondary public offering and issuance of additional common stock													
Cash dividends paid on common stock													
Cash dividends paid on common stock													
Cash dividends paid on common stock													
Net income													
Net income													
Net income													
Other comprehensive loss													
Balance at August 31, 2024													
Six Months Ended August 31, 2024													
Six Months Ended August 31, 2024													
Six Months Ended August 31, 2024													
	Common Stock	Capital in Excess	Retained Earnings	Accumulated Other	Total								

	of Par Value	Comprehensive Loss
Shares		
Balance at February 29, 2024		
Balance at February 29, 2024		
Balance at February 29, 2024		
Share-based compensation		
Common stock issued under stock-based plans and related tax expense		
Common stock issued under stock-based plans and related tax expense		
Common stock issued under stock-based plans and related tax expense		
Secondary public offering and issuance of additional common stock		
Secondary public offering and issuance of additional common stock		
Common stock issued under employee stock purchase plan		
Secondary public offering and issuance of additional common stock		
Dividends on Series A Preferred Stock		
Dividends on Series A Preferred Stock		
Dividends on Series A Preferred Stock		
Cash dividends paid on common stock		
Redemption premium on Series A Preferred Stock		
Net income		
Other comprehensive income		
Balance at May 31, 2024		
Other comprehensive loss		
Balance at August 31, 2024		

	Three Months Ended May 31, 2023					
	Common Stock		Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive	
	Shares	Amount			Loss	Total
Balance at February 28, 2023	24,912	\$ 24,912	\$ 93,357	\$ 506,042	\$ (4,573)	\$ 619,738
Share-based compensation	—	—	1,904	—	—	1,904
Common stock issued under stock-based plans and related tax expense	101	101	(1,812)	—	—	(1,711)
Dividends on Series A Preferred Stock	—	—	—	(3,600)	—	(3,600)
Cash dividends paid on common stock	—	—	—	(4,235)	—	(4,235)
Net income	—	—	—	28,522	—	28,522
Other comprehensive loss	—	—	—	—	(2,967)	(2,967)
Balance at May 31, 2023	25,013	\$ 25,013	\$ 93,449	\$ 526,729	\$ (7,540)	\$ 637,651

	Three Months Ended August 31, 2023						
	Common Stock		Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive		Total
	Shares	Amount			Loss		
Balance at May 31, 2023	25,013	\$ 25,013	\$ 93,449	\$ 526,729	\$ (7,540)	\$ 637,651	
Share-based compensation	—	—	2,115	—	—	2,115	
Common stock issued under stock-based plans and related tax expense	22	22	898	—	—	920	
Common stock issued under employee stock purchase plan	42	42	1,422	—	—	1,464	
Dividends on Series A Preferred Stock	—	—	—	(3,600)	—	(3,600)	
Cash dividends paid on common stock	—	—	—	(4,253)	—	(4,253)	
Net income	—	—	—	28,332	—	28,332	
Other comprehensive loss	—	—	—	—	1,726	1,726	
Balance at August 31, 2023	25,077	\$ 25,077	\$ 97,884	\$ 547,208	\$ (5,814)	\$ 664,355	

	Six Months Ended August 31, 2023					
	Common Stock		Capital in Excess of Par Value	Retained Earnings	Accumulated Other	Total
	Shares	Amount			Comprehensive	
			Loss			
Balance at February 28, 2023	24,912	\$ 24,912	\$ 93,357	\$ 506,042	\$ (4,573)	\$ 619,738
Share-based compensation	—	—	4,019	—	—	4,019
Common stock issued under stock-based plans and related tax expense	123	123	(914)	—	—	(791)
Common stock issued under employee stock purchase plan	42	42	1,422	—	—	1,464
Dividends on Series A Preferred Stock	—	—	—	(7,200)	—	(7,200)
Cash dividends paid on common stock	—	—	—	(8,488)	—	(8,488)
Net income	—	—	—	56,854	—	56,854

Other comprehensive loss	—	—	—	—	(1,241)	(1,241)					
Balance at August 31, 2023	25,077	\$	25,077	\$	97,884	\$	547,208	\$	(5,814)	\$	664,355

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

AZZ INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. The Company and Basis of Presentation

AZZ Inc. ("AZZ", the "Company", "our" or "we") was established in 1956 and incorporated under the laws of the state of Texas. We are a provider of hot-dip galvanizing and coil coating solutions to a broad range of end-markets in North America. We have three distinct operating segments: the AZZ Metal Coatings segment, the AZZ Precoat Metals segment, and the AZZ Infrastructure Solutions segment. Our AZZ Metal Coatings segment is a leading provider of metal finishing solutions for corrosion protection, including hot-dip galvanizing, spin galvanizing, powder coating, anodizing and plating to the North American steel fabrication industry and other industries. The AZZ Precoat Metals segment provides aesthetic and corrosion protective coatings and related value-added services for steel and aluminum coil, primarily serving the construction; appliance; heating, ventilation, and air conditioning (HVAC); container; transportation and other end markets in North America. The AZZ Infrastructure Solutions segment represents our 40% non-controlling interest in AIS Investment Holdings LLC (the "AVAIL JV"). AIS Investment Holdings LLC is primarily dedicated to delivering safe and reliable transmission of power from generation sources to end customers, and automated weld overlay solutions for corrosion and erosion mitigation to critical infrastructure in markets worldwide.

Presentation

The accompanying condensed consolidated balance sheet as of February 29, 2024 was derived from audited financial statements. The unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP" GAAP) for interim financial information and in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete consolidated financial statements. These financial statements should be read in conjunction with the audited financial statements and related notes for the fiscal year ended February 29, 2024, included in our Annual Report on Form 10-K covering such period which was filed with the SEC Securities and Exchange Commission ("SEC") on April 22, 2024. Certain previously reported amounts have been reclassified to conform to current period presentation.

Our fiscal year ends on the last day of February and is identified as the fiscal year for the calendar year in which it ends. For example, the fiscal year ending February 28, 2025 is referred to as fiscal 2025.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements include all adjustments, consisting only of normal recurring adjustments, which are necessary to present fairly the financial position of the Company as of May 31, 2024 August 31, 2024, the results of its operations for the three months ended May 31, 2024 and 2023, and cash flows for the three and six months ended May 31, 2024 August 31, 2024 and 2023. The interim results reported herein are not necessarily indicative of results for a full year.

Accounting Pronouncements Not Yet Adopted

In November December 2023, the FASB issued Accounting Standards Update ("ASU") 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures* ("ASU 2023-09"), which expands disclosures in an entity's income tax rate reconciliation table and regarding cash taxes paid both in the U.S. and foreign jurisdictions. The update will be effective for annual periods beginning after December 15, 2024. We expect to adopt ASU 2023-09 for the annual period ending February 28, 2025 and the adoption will not affect our financial position or our results of operations, but will result in additional disclosures.

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures* ("ASU 2023-07"), which expands disclosures about a public entity's reportable segments and requires more enhanced information about a reportable segment's expenses, interim segment profit or loss, and how a public entity's chief operating decision maker uses reported segment profit or loss information in assessing segment performance and allocating resources. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023 and interim periods within fiscal years beginning after December 15, 2024. We do not expect the adoption of ASU 2023-07 to affect our financial position or our results of operations, but will result in additional disclosures for our annual reporting periods beginning after period ending February 28, 2025 and interim reporting periods in fiscal 2026.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures* ("ASU 2023-09"), which expands disclosures in an entity's income tax rate reconciliation table and regarding cash taxes paid both in the U.S. and foreign jurisdictions. The update will be effective for annual periods beginning after December 15, 2024. We expect to adopt ASU 2023-07 effective March 1, 2025 and the adoption will not affect our financial position or our results of operations, but will result in additional disclosures.

AZZ INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. Inventories

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

	As of	
	May 31, 2024	February 29, 2024
	August 31, 2024	February 29, 2024
Raw material		
Work in process		
Finished goods		
Total inventories		

Our inventory reserve was \$3.6 reserves were \$3.5 million and \$4.5 million as of May 31, 2024 August 31, 2024 and February 29, 2024, respectively. Inventory cost is determined principally using the first-in-first-out (FIFO) method for the AZZ Metal Coatings segment and the specific identification method for the Precoat Metals segment.

AZZ INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. Earnings Per Share

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

On April 30, 2024, we completed a secondary public offering in which we sold issued 4.6 million common shares. The weighted average number of shares for the period outstanding for the three six months ended May 31, 2024 August 31, 2024 are included in weighted average shares outstanding for basic earnings per share. See Note 14. Following the secondary offering, As of August 31, 2024, there were 29.8 29.9 million common shares outstanding. outstanding, which includes the shares from the secondary public offering.

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

	Three Months Ended May 31, Three Months Ended May 31, Three Months Ended May 31,	Three Months Ended August 31,	Six Months Ended August 31,		
	2024	2024	2023	2024	2023
Numerator:	2024				
Numerator:	2024				
Numerator:	2024				
Net income					
Net income					
Net income					

Dividends on Series A Preferred Stock
Dividends on Series A Preferred Stock
Dividends on Series A Preferred Stock
Redemption premium on Series A Preferred Stock
Redemption premium on Series A Preferred Stock
Series A Preferred Stock Dividends
Redemption premium on Series A Preferred Stock
Numerator for basic earnings per share
Numerator for basic earnings per share
Numerator for basic earnings per share
Dividends on Series A Preferred Stock
Dividends on Series A Preferred Stock
Dividends on Series A Preferred Stock
Numerator for diluted earnings per share
Numerator for diluted earnings per share
Series A Preferred Stock Dividends
Series A Preferred Stock Dividends
Series A Preferred Stock Dividends
Numerator for diluted earnings per share
Denominator:
Denominator:
Denominator:
Weighted average shares outstanding for basic earnings per share
Weighted average shares outstanding for basic earnings per share
Weighted average shares outstanding for basic earnings per share
Effect of dilutive securities:
Effect of dilutive securities:
Effect of dilutive securities:
Employee and director stock awards
Employee and director stock awards
Employee and director stock awards
Series A Convertible Preferred Stock
Series A Convertible Preferred Stock
Series A Convertible Preferred Stock
Denominator for diluted earnings per share
Denominator for diluted earnings per share
Series A Preferred Stock
Series A Preferred Stock
Series A Preferred Stock

Denominator for diluted earnings per share

Basic earnings (loss) per common share

Basic earnings (loss) per common share

Basic earnings (loss) per common share

Diluted earnings (loss) per common share

Diluted earnings (loss) per common share

Diluted earnings (loss) per common share

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended May 31, 2024 August 31, 2024 and 2023, there were 310,787 76,068 and 121,509 126,882 shares, respectively, related to employee equity awards that were excluded from the computation of diluted earnings per share, as their effect would have been anti-dilutive. For the three six months ended May 31, 2024 August 31, 2024 and 2023, 70,455 and 125,793 shares, respectively, were excluded from the computation of diluted earnings per share as their effect would have been anti-dilutive. For the six months ended August 31, 2024, all shares related to the Series A Convertible Preferred Stock 3.1 (1.6 million weighted average shares) were excluded from the computation of diluted earnings per share, as their effect would be anti-dilutive. These shares could be dilutive in future periods.

AZZ INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. Disaggregated Sales

The following table presents disaggregated sales by customer industry (in thousands):

Three Months Ended May 31,			Six Months Ended			
Three Months Ended May 31,			Three Months Ended August 31,		August 31,	
Three Months Ended May 31,			2024		2023	
			2024		2023	
			2024		2024	
Sales:						
Sales:						
Sales:						
Construction						
Construction						
Construction						
Industrial						
Industrial						
Industrial						
Transportation						
Transportation						
Transportation						
Consumer						
Consumer						

Consumer
Utilities
Utilities
Utilities
Other ⁽¹⁾
Other ⁽¹⁾
Other ⁽¹⁾
Total Sales
Total Sales
Total Sales

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

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

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

See also Note 6 for sales information by operating segment.

Contract Assets and Liabilities

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

The increases or decreases in contract assets and contract liabilities during the three six months ended May 31, 2024 August 31, 2024 were primarily due to normal timing differences between AZZ's performance and customer payments. As of May 31, 2024 August 31, 2024 and February 29, 2024, the balance for contract assets was \$93.3 million \$94.0 million and \$79.3 million, respectively, primarily related to the AZZ Precoat Metals segment. The increase was primarily due to the timing differences noted above, as well as the increase in the volume of coil coated for the six months ended August 31, 2024. Contract liabilities of \$0.7 million and \$1.0 million as of May 31, 2024 August 31, 2024 and February 29, 2024, respectively, are included in "Other accrued liabilities" in the consolidated balance sheets.

As of August 31, 2023 and February 28, 2023, the balance for contract assets was \$76.8 million and \$79.3 million, respectively, primarily related to the AZZ Precoat Metals segment. Contract liabilities were \$1.1 million and \$1.3 million as of August 31, 2023 and February 28, 2023, respectively.

AZZ INC. NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. Supplemental Cash Flow Information

To arrive at net cash provided by operating activities, net income is adjusted by, among other things, changes in current assets and current liabilities as follows (in thousands):

	Three Months Ended May 31,		Six Months Ended August 31,	
	2024	2023	2024	2023
Decrease (increase) in current assets:				
Accounts receivable, net				
Accounts receivable, net				
Accounts receivable, net				
Other receivables				
Inventories				
Contract assets				

Prepaid expenses and other
Increase (decrease) in current liabilities:
Accounts payable
Accounts payable
Accounts payable
Income taxes payable
Accrued expenses
Changes in current assets and current liabilities

Cash flows related to interest and income taxes were as follows (in thousands):

	Three Months Ended May 31,		Six Months Ended August 31,	
	2024	2023	2024	2023
Cash paid for interest				
Cash paid for income taxes				

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

	Three Months Ended May 31,		Six Months Ended August 31,	
	2024	2023	2024	2023
Accrued dividends on Series A Preferred Stock				
Accrued dividends on Series A Preferred Stock				
Accrued dividends on Series A Preferred Stock				
Accruals for capital expenditures				

6. Operating Segments

Segment Information

Our Chief Executive Officer, who is the chief operating decision maker ("CODM"), reviews financial information presented on an operating segment basis for purposes of making operating decisions and assessing financial performance. Sales and operating income are the primary measures used by the CODM to evaluate segment operating performance and to allocate resources to the AZZ Metal Coatings and the AZZ Precoat Metals segments, and net income is the primary measure used by the CODM to evaluate performance and allocate resources to the AZZ Infrastructure Solutions segment. Expenses related to certain centralized administration or executive functions that are not specifically related to an operating segment are included in Corporate.

A summary of each of our operating segments is as follows:

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

AZZ INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AZZ Precoat Metals — engages in the advanced provides coil coating application of protective and decorative coatings and related value-added manufacturing downstream processing for steel and aluminum coil primarily coils. Primarily serving the construction; appliance; construction, appliance, heating, ventilation, and air conditioning (HVAC); container; container, transportation, and other end markets, markets, the coil coating process emphasizes sustainability and enhanced product lifecycles. It involves cleaning, treating, painting, and curing metal coils as a flat material before they are cut, formed, and fabricated into finished products. This highly efficient method optimizes waste through tight film control and improves final product performance by painting and curing the substrates under conditions unmatched by other application processes.

AZZ Infrastructure Solutions — consists of the equity in earnings of our 40% investment in the AVAIL JV, as well as other expenses directly related to AIS receivables and liabilities that were retained following the divestiture of the AIS business. The AVAIL JV is a global provider of application-critical equipment, highly

engineered technologies, and specialized services to the power generation, transmission, distribution, oil and gas, and industrial markets.

Net income (loss) The following tables contain operating segment data for the three and six months ended August 31, 2024 and 2023 by segment, for the three months ended May 31, 2024 Company's corporate operations and 2023 was as follows on a consolidated basis (in thousands):

	Three Months Ended May 31, 2024						Three Months Ended August 31, 2024					
	Metal Coatings	Metal Coatings	Precoat Metals	Infrastructure Solutions ⁽¹⁾	Corporate ⁽²⁾	Total	Metal Coatings	Precoat Metals	Infrastructure Solutions ⁽¹⁾	Corporate ⁽²⁾	Total	
Sales												
Cost of sales												
Gross margin												
Selling, general and administrative												
Selling, general and administrative												
Selling, general and administrative												
Operating income (loss)												
Operating income (loss)												
Operating income (loss)												
Interest expense												
Interest expense												
Interest expense												
Equity in earnings of unconsolidated subsidiaries												
Other income												
Other (expense) income												
Income (loss) before income tax												
Income tax expense												
Net income (loss)												
See notes below, below tables.												

	Three Months Ended May 31, 2023						Six Months Ended August 31, 2024					
	Metal Coatings	Metal Coatings	Precoat Metals	Infrastructure Solutions ⁽¹⁾	Corporate ⁽²⁾	Total	Metal Coatings	Precoat Metals	Infrastructure Solutions ⁽¹⁾	Corporate ⁽²⁾	Total	
Sales												
Cost of sales												
Gross margin												
Selling, general and administrative												
Selling, general and administrative												
Selling, general and administrative												
Operating income (loss)												
Operating income (loss)												
Operating income (loss)												
Interest expense												
Interest expense												
Interest expense												
Equity in earnings of unconsolidated subsidiaries												
Other expense												
Other income												

Income (loss) before income tax

Income tax expense

Net income (loss)

See notes below tables.

AZZ INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

	Three Months Ended August 31, 2023				
	Infrastructure				Total
	Metal Coatings	Precoat Metals	Solutions ⁽¹⁾	Corporate ⁽²⁾	
Sales	\$ 169,837	\$ 228,705	\$ —	\$ —	\$ 398,542
Cost of sales	119,471	181,825	—	—	301,296
Gross margin	50,366	46,880	—	—	97,246
Selling, general and administrative	5,285	7,874	5,932	17,148	36,239
Operating income (loss)	45,081	39,006	(5,932)	(17,148)	61,007
Interest expense	—	—	—	(27,770)	(27,770)
Equity in earnings of unconsolidated subsidiaries	—	—	974	—	974
Other income	13	—	—	75	88
Income (loss) before income tax	<u>\$ 45,094</u>	<u>\$ 39,006</u>	<u>\$ (4,958)</u>	<u>(44,843)</u>	<u>34,299</u>
Income tax expense				5,967	5,967
Net income (loss)				<u>\$ (50,810)</u>	<u>\$ 28,332</u>

See notes below tables.

	Six Months Ended August 31, 2023				
	Infrastructure				Total
	Metal Coatings	Precoat Metals ⁽⁴⁾	Solutions ⁽¹⁾	Corporate ⁽²⁾	
Sales	\$ 338,631	\$ 450,784	\$ —	\$ —	\$ 789,415
Cost of sales	237,328	357,822	—	—	595,150
Gross margin	101,303	92,962	—	—	194,265
Selling, general and administrative	10,751	16,266	5,954	34,791	67,762
Operating income (loss)	90,552	76,696	(5,954)	(34,791)	126,503
Interest expense	—	—	—	(56,476)	(56,476)
Equity in earnings of unconsolidated subsidiaries	—	—	2,394	—	2,394
Other income (expense)	(11)	—	—	61	50
Income (loss) before income tax	<u>\$ 90,541</u>	<u>\$ 76,696</u>	<u>\$ (3,560)</u>	<u>(91,206)</u>	<u>72,471</u>
Income tax expense				15,617	15,617
Net income (loss)				<u>\$ (106,823)</u>	<u>\$ 56,854</u>

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

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

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

	As of	
	May 31, 2024	February 29, 2024
	August 31, 2024	February 29, 2024
Assets:		
Metal Coatings		
Metal Coatings		
Metal Coatings		
Precoat Metals		
Infrastructure Solutions - Investment in Joint Venture		
Corporate		
Total assets		
Total assets		
Total assets		

Financial Information About Geographical Areas

Financial information about geographical areas for the periods presented was as follows (in thousands). The geographic area is based on the location of the operating facility and no customer accounted for 10 percent or more of consolidated sales.

		Three Months Ended May 31,				Three Months Ended May 31,				Three Months Ended May 31,			
		Three Months Ended August 31,				Six Months Ended August 31,							
	2024		2024		2023		2024		2023				
	2024												
	2024												
Sales:													
Sales:													
Sales:													
United States													
United States													
United States													
Canada													
Canada													
Canada													
Total													
Total													
Total													

	As of	
	May 31, 2024	February 29, 2024
	August 31, 2024	February 29, 2024

Property, plant and equipment, net:

United States
United States
United States
Canada
Total
Total
Total

7. Investments in Unconsolidated Entity

AVAIL JV

We account for our 40% interest in the AVAIL JV under the equity method of accounting and include our equity in earnings as part of the AZZ Infrastructure Solutions segment. We record our equity in earnings in the AVAIL JV on a one-month lag, which totaled \$3.8 million and we recorded \$5.3 million in equity in earnings for the three six months ended May 31, 2024 August 31, 2024. As of May 31, 2024 August 31, 2024, our investment in the AVAIL JV was \$101.6 million \$97.8 million, which includes an excess of \$10.2 million over the underlying value of the net assets of the AVAIL JV. The excess is accounted for as equity method goodwill.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Summarized Balance Sheet

	As of	
	May	August 31, 2024 ⁽¹⁾
Current assets	\$ 279,806	281,937
Long-term assets	171,533	177,926
Total assets	\$ 451,339	459,863
Current liabilities	113,512	139,333
Long-term liabilities	126,625	124,359
Total liabilities	\$ 240,137	263,692
Total partners' capital	211,202	196,171
Total liabilities and partners' capital	\$ 451,339	459,863

Summarized Operating Data

	May 31, 2024 ⁽¹⁾
Sales	\$ 129,107
Gross profit	31,526
Net income	8,160

⁽¹⁾ We report our equity in earnings on a one-month lag basis; therefore, amounts in the summarized financials above are as of and for the three months ended April 30, 2024. Amounts in the table above exclude certain adjustments made by us to record equity in earnings of the AVAIL JV under U.S GAAP for public companies, primarily to reverse the amortization of goodwill.

Summarized Operating Data	Three Months Ended		Six Months Ended	
	August 31, 2024 ⁽¹⁾		August 31, 2024 ⁽¹⁾	
Sales	\$	119,584	\$	249,300

Gross profit	27,569	59,086
Net income	2,780	10,955

(1) We report our equity in earnings on a one-month lag basis; therefore, amounts in the summarized financials above are as of and for the three and six months ended July 31, 2024. Amounts in the table above exclude certain adjustments made by us to record equity in earnings of the AVAIL JV under U.S GAAP for public companies, primarily to reverse the amortization of goodwill.

8. Derivative Instruments

Interest Rate Swap Derivative

As a policy, we do not hold, issue or trade derivative instruments for speculative purposes. We periodically enter into forward sale contracts to purchase a specified volume of zinc and natural gas at fixed prices. These contracts are not accounted for as derivatives because they meet the criteria for the normal purchases and normal sales scope exception in Accounting Standards Codification ("ASC") 815, *Derivatives and Hedging*.

We manage our exposure to fluctuations in interest rates on our floating-rate debt by entering into interest rate swap agreements to convert a portion of our variable-rate debt to a fixed rate. On September 27, 2022, we entered into a fixed-rate interest rate swap agreement, which was subsequently amended on October 7, 2022 (the "2022 Swap"), with banks that are parties to the 2022 Credit Agreement, to change the SOFR-based component of the interest rate. The 2022 Swap converts the SOFR portion to 4.277%. On March 20, 2024, we repriced our Term Loan B to SOFR plus 3.25%, resulting in a total fixed rate of 7.527%. The See Note 17 for information related to the repricing of the Company's Term Loan B on September 24, 2024. The 2022 Swap had an initial notional amount of \$550.0 million and a maturity date of September 30, 2025. The notional amount of the interest rate swap decreases by a pro-rata portion of any quarterly principal payments made on the Term Loan B, and the current notional amount is \$540.4 million \$539.0 million as of May 31, 2024 August 31, 2024. The objective of the 2022 Swap is to eliminate the variability of cash flows in interest payments attributable to changes in benchmark one-month SOFR interest rates, for a portion of our variable-rate debt. The hedged risk is the interest rate risk exposure to changes in interest payments, attributable to changes in benchmark one-month SOFR interest rates over the interest rate swap term. The changes in cash flows of the 2022 Swap exactly offset changes in cash flows of the variable-rate debt. We designated the 2022 Swap as a cash flow hedge at inception. Cash payments or receipts to settle the 2022 Swap are recognized in interest expense.

At May 31, 2024 August 31, 2024, changes in fair value attributable to the effective portion of the 2022 Swap were included on the condensed consolidated balance sheets in accumulated other comprehensive income. For derivative instruments that qualify for hedge accounting treatment, the fair value is recognized on our condensed consolidated balance sheets as derivative assets or liabilities with offsetting changes in fair value, to the extent effective, recognized in accumulated other comprehensive income

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

until reclassified into earnings when the interest expense on the underlying debt is reflected in earnings. The portion of a cash flow hedge that does not offset the change in the fair value of the transaction being hedged, which is commonly referred to as the ineffective portion, is immediately recognized in earnings. During the three six months ended May 31, 2024 August 31, 2024, we reclassified \$1.4 million \$2.9 million before income tax, or \$1.1 million \$2.2 million net of tax, from other comprehensive income to earnings.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. Debt

Our long-term debt instruments and balances outstanding for each of the periods presented (in thousands):

	As of	
	May 31, 2024	February 29, 2024
	August 31, 2024	February 29, 2024
Revolving Credit Facility		
Term Loan B		
Term Loan B		

Term Loan B

Total debt, gross

Unamortized debt issuance costs

Long-term debt, net

Long-term debt, net

Long-term debt, net

2022 Credit Agreement and Term Loan B

We have a credit agreement with a syndicate of financial institutions that was entered into on May 13, 2022, and was subsequently amended on August 17, 2023, December 20, 2023 and March 20, 2024 (collectively referred to herein as the "2022 Credit Agreement"). See Note 17 for information related to the repricing of the Company's Term Loan B on September 24, 2024.

The 2022 Credit Agreement includes the following significant terms:

- i. provides for a senior secured initial term loan in the aggregate principal amount of \$1.3 billion (the "Term Loan B"), due May 13, 2029, which is secured by substantially all of the assets of the Company; as of May 31, 2024 August 31, 2024, the outstanding balance of the Term Loan B was \$950.3 million \$890.3 million;
- ii. provides for a maximum senior secured Revolving Credit Facility in the aggregate principal amount of \$400.0 million (the "Revolving Credit Facility"), due which matures on May 13, 2027;
- iii. includes a letter of credit sub-facility of up to \$100.0 million, which is part of, and not in addition to, the Revolving Credit Facility;
- iv. borrowings under the Term Loan B bear a tiered interest rate of Secured Overnight Financing Rate ("SOFR") plus 3.25% (following the repricing on March 20, 2024 as described below) and the Revolving Credit Facility bears a leverage-based rate with various tiers between 2.75% and 3.50%; as of May 31, 2024 August 31, 2024, the interest rate was SOFR plus 2.75%;
- v. includes customary affirmative and negative covenants, and events of default; including restrictions on the incurrence of non-ordinary course debt, investment and dividends, subject to various exceptions; and,
- vi. includes a maximum quarterly leverage ratio financial covenant, with reporting requirements to our banking group at each quarter-end.

On March 20, 2024, we entered the term loan market and repriced the our existing Term Loan B. The repricing adjusted reduced the Term Loan B spread from a rate of SOFR plus 3.75% to SOFR plus 3.25%.

On September 24, 2024, we completed our third repricing of the Term Loan B, for which \$890.3 million was outstanding as of August 31, 2024. The repricing reduced the margin from SOFR plus 3.25% to SOFR plus 2.50%, for a total reduction of 75 basis points.

We primarily utilize proceeds from the Revolving Credit Facility to finance working capital needs, capital improvements, quarterly cash dividends, acquisitions and other general corporate purposes.

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

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The weighted average interest rate for our outstanding debt, including the Revolving Credit Facility and the Term Loan B, was 8.09% 8.03% and 9.07% as of May 31, 2024 8.56% for the six months ended August 31, 2024 and 2023, respectively.

Debt Compliance, Outstanding Borrowings and Letters of Credit

Our 2022 Credit Agreement requires us to maintain a maximum Total Net Leverage Ratio (as defined in the loan agreement) no greater than 4.5. As of May 31, 2024 August 31, 2024, we were in compliance with all covenants and other requirements set forth in the 2022 Credit Agreement.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As of May 31, 2024 August 31, 2024, we had \$985.3 \$965.3 million of debt outstanding on the Revolving Credit Facility and the Term Loan B, with varying maturities through fiscal 2029. We had approximately \$350.7 \$310.7 million of additional credit available as of May 31, 2024 August 31, 2024.

As of May 31, 2024 August 31, 2024, we had total outstanding letters of credit in the amount of \$14.3 million. These letters of credit are most commonly issued in lieu of customer retention withholding payments covering warranty, performance periods and insurance collateral.

Other Disclosures

Interest expense is comprised as follows (in thousands):

	Three Months Ended May 31,		Three Months Ended August 31,		Six Months Ended August 31,			
	Three Months Ended May 31,		Three Months Ended August 31,		Six Months Ended August 31,			
	2024		2024		2023		2024	2023
Gross Interest expense								
Gross Interest expense								
Gross Interest expense								
Less: Capitalized interest								
Less: Capitalized interest								
Less: Capitalized interest								
Interest expense, net								
Interest expense, net								
Interest expense, net								

Capitalized interest for the three and six months ended May 31, 2024 of approximately \$1.4 million August 31, 2024 and 2023 relates to interest cost on the construction of the greenfield aluminum coil coating facility in Washington, Missouri, and increased from Missouri. The increase for the six months ended August 31, 2024 compared to the prior year period was due to the higher average construction work in process.

10. Fair Value Measurements

Recurring Fair Value Measurements

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

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

The carrying amount of our financial instruments (cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities) approximates the fair value of these instruments based upon either their short-term nature or their variable market rate of interest. We have not made an option to elect fair value accounting for any of our financial instruments.

Interest Rate Swap Agreement

Our derivative instrument consists of the 2022 Swap, which is considered a Level 2 of the fair value hierarchy and included in "Other assets" long-term liabilities" in the condensed consolidated balance sheets as of May 31, 2024 August 31, 2024 and in "Other assets" as of February 29, 2024. The valuation of the 2022 Swap is determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of the derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including swap rates, spread and/or index levels and interest rate curves. See Note 8 for more information. information about the 2022 Swap.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Our financial instruments that are measured at fair value on a recurring basis as of **May 31, 2024**, **August 31, 2024** and February 29, 2024 are as follows (dollars in thousands):

	Carrying Value	Fair Value Measurements Using				Carrying Value	Fair Value Measurements Using			
					Assets measured at Net Asset Value					Assets measured at Net Asset Value
				Level 2					Level 2	
		August 31, 2024	Level 1				February 29, 2024	Level 1		
Assets:										
Interest Rate Swap Agreement ⁽¹⁾	\$	—	\$	—	\$	—	\$	3,410	\$	—
Total Assets	\$	—				\$	3,410			
Liabilities:										
Interest Rate Swap Agreement ⁽¹⁾		687		—	687		—		—	—
Net Pension Obligation		26,007		—	26,007		31,148		—	31,148
Total Liabilities	\$	26,694				\$	31,148			

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

	Carrying Value	Fair Value Measurements Using			Carrying Value	Fair Value Measurements Using		
				Assets measured at Net Asset Value				Assets measured at Net Asset Value
		May 31, 2024	Level 1	Level 2		February 29, 2024	Level 1	Level 2
Assets:								
Interest Rate Swap Agreement	\$ 4,806	\$ —	\$ 4,806	\$ —	\$ 3,410	\$ —	\$ 3,410	\$ —
Total Assets	<u>\$ 4,806</u>				<u>\$ 3,410</u>			
Liabilities:								
Pension Liability	30,257	—	—	30,257	31,148	—	—	31,148
Total Liabilities	\$ 30,257				\$ 31,148			

⁽¹⁾ The fair value of the Company's interest rate swap agreement was an asset at February 29, 2024 and a liability at August 31, 2024.

⁽²⁾ The Plan was underfunded with a pension obligation of \$26.0 million as of August 31, 2024, which is included in 'Other long-term liabilities' on the consolidated balance sheets.

Non-recurring Fair Value Measurements

Investment in Joint Venture

The fair value of our investment in the unconsolidated AVAIL JV was determined using the income approach at the date on which we entered into the joint venture. The income approach uses discounted cash flow models that require various observable and non-observable inputs, such as operating margins, revenues, product costs, operating expenses, capital expenditures, terminal-year values and risk-adjusted discount rates. These valuations resulted in Level 3 non-recurring fair value measurements.

We assess our investment in the unconsolidated AVAIL JV for recoverability when events and circumstances are present that suggest there has been a decline in value, and if it is determined that a loss in value of the investment is other than temporary, the investment is written down to its fair value.

Long-Term Debt

The fair values of our long-term debt instruments are estimated based on market values for debt issued with similar characteristics or rates currently available for debt with similar terms. These valuations are Level 2 non-recurring fair value measurements.

The principal amount of our outstanding debt was \$985.3 \$965.3 million and \$1,010.3 million at May 31, 2024 August 31, 2024 and February 29, 2024, respectively. The estimated fair value of our outstanding debt was \$992.6 \$972.5 million and \$1,010.3 million at May 31, 2024 August 31, 2024 and February 29, 2024, excluding unamortized debt issuance costs. The estimated fair values of our outstanding debt were determined based on the present value of future cash flows using model-derived valuations that use observable inputs such as interest rates and credit spreads.

11. Leases

We are a lessee under various leases for facilities and equipment. As of May 31, 2024 August 31, 2024, we were the lessee for 149 148 operating leases and 46 55 finance leases with terms of 12 months or more. These leases are reflected on our balance sheet in "Right-of-use assets," "Lease liability - short-term" and "Lease liability - long-term."

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Our operating leases are primarily for (i) operating facilities, (ii) vehicles and equipment used in operations, (iii) facilities used for back-office functions, and (iv) equipment used for back-office functions, and (v) temporary storage. The majority of our vehicle and equipment leases have both a fixed and variable component.

Leases with an initial term of 12 months or less are not recorded on the consolidated balance sheets and we recognize lease expense for these leases on a straight-line basis over the lease term. We have a significant number of short-term leases, including month-to-month agreements. Our short-term lease agreements include expenses incurred hourly, daily, monthly and for other durations of time of one year or less. Our future lease commitments as of May 31, 2024 August 31, 2024 do not reflect all of our short-term lease commitments.

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The following table outlines the classification of right-of-use ("ROU") asset and lease liabilities in the consolidated balance sheets as of May 31, 2024 August 31, 2024 and February 29, 2024 (in thousands):

		As of		Balance Sheet Classification	As of
Balance Sheet Classification	Balance Sheet Classification	May 31, 2024	February 29, 2024		
		August 31, 2024	February 29, 2024		
Assets					
Operating right-of-use assets					
Operating right-of-use assets					
Operating right-of-use assets					
Finance right-of-use assets					
Liabilities					
Operating lease liabilities — short-term					
Operating lease liabilities — short-term					
Operating lease liabilities — short-term					
Operating lease liabilities — long-term					

Finance lease liabilities — short-term

Finance lease liabilities — long-term

Supplemental information related to AZZ's operating leases was as follows (in thousands, except years and percentages):

	Three Months Ended May 31,				
	Three Months Ended May 31,				
	Three Months Ended May 31,				
	2024				
	2024				
		Three Months Ended August 31,		Six Months Ended August 31,	
	2024	2024	2023	2024	2023
Operating cash flows from operating leases included in lease liabilities					
Operating cash flows from operating leases included in lease liabilities					
Operating cash flows from operating leases included in lease liabilities					
Lease liabilities obtained from new ROU assets - operating					
Lease liabilities obtained from new ROU assets - operating					
Lease liabilities obtained from new ROU assets - operating					
Financing cash flows from finance leases included in lease liabilities					
Financing cash flows from finance leases included in lease liabilities					
Decrease in ROU assets related to lease terminations					
Financing cash flows from finance leases included in lease liabilities					
Operating cash flows from finance leases included in lease liabilities					
Operating cash flows from finance leases included in lease liabilities					
Operating cash flows from finance leases included in lease liabilities					
Lease liabilities obtained from new ROU assets - finance leases					
Lease liabilities obtained from new ROU assets - finance leases					
Lease liabilities obtained from new ROU assets - finance leases					

		As of				
		May 31,				
		2024	February 29, 2024			
		August 31,				
		2024	February 29, 2024			
Weighted-average remaining lease term - operating leases	Weighted-average remaining lease term - operating leases	3.97 years	4.12 years	Weighted-average remaining lease term - operating leases	3.8 years	4.12 years
Weighted-average discount rate - operating leases	Weighted-average discount rate - operating leases	4.55 %	4.49 %	Weighted-average discount rate - operating leases	4.62 %	4.49 %
Weighted-average remaining lease term - finance leases	Weighted-average remaining lease term - finance leases	5.08 years	5.21 years	Weighted-average remaining lease term - finance leases	4.84 years	5.21 years
Weighted-average discount rate - finance leases	Weighted-average discount rate - finance leases	6.86 %	6.70 %	Weighted-average discount rate - finance leases	7.08 %	6.70 %

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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		Three Months Ended May 31,		Three Months Ended May 31,		Three Months Ended May 31,	
		Three Months Ended August 31,		Six Months Ended August 31,			
	2024	2024		2023		2024	2023
	2024						
	2024						
Operating lease expense:							
Operating lease expense:							
Operating lease expense:							
Cost of sales							
Cost of sales							
Cost of sales							
Selling, general and administrative							
Selling, general and administrative							
Selling, general and administrative							
Total operating lease expense							
Total operating lease expense							
Total operating lease expense							
Financing lease expense:							
Financing lease expense:							
Financing lease expense:							
Cost of sales							
Cost of sales							
Cost of sales							
Interest expense							
Interest expense							
Interest expense							
Total financing lease expense							
Total financing lease expense							
Total financing lease expense							
Total lease expense							
Total lease expense							
Total lease expense							

As of May 31, 2024 August 31, 2024, maturities of our lease liabilities were as follows (in thousands):

Fiscal year:	Fiscal year:	Operating Leases	Finance Leases	Total	Fiscal year:	Operating Leases	Finance Leases	Total
2025								
2026								
2027								

2028
2029
2030
Thereafter
Total lease payments
Less imputed interest
Total

We sublease multiple buildings in Columbia, South Carolina to multiple subtenants. The Columbia sublease agreements are by and between AZZ Precoat Metals and multiple subtenants. Sublease income is recognized over the term of the sublease on a straight-line basis and is reported in the consolidated statement of operations as a reduction to "Cost of sales." Sublease income for the three and six months ended August 31, 2024 and 2023 was as follows (in thousands):

	Three Months Ended August 31,		Six Months Ended August 31,	
	2024	2023	2024	2023
Sublease income	\$ 254	\$ 248	\$ 509	\$ 488

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12. Income Taxes

The provision for income taxes reflects an effective tax rate of 22.4%25.6% for the three months ended May 31, 2024August 31, 2024, compared to 25.3%17.4% for the three months ended May 31, 2023August 31, 2023. The decreaseincrease in the effective tax rate is primarily attributable to favorable adjustments in the prior year related to uncertain tax positions.

The provision for income taxes reflects an effective tax rate of 23.9% for the six months ended August 31, 2024, compared to 21.5% for the prior year comparable period. The increase in the effective tax rate is primarily attributable to favorable adjustments in the prior year related to uncertain tax positions, partially offset by higher discrete items driven by tax deductions for stock compensation.compensation in fiscal year 2025.

13. Mezzanine Equity

Series A Convertible Preferred Stock

On May 9, 2024, we fully redeemed our 240,000 shares of 6.0% Series A Convertible Preferred Stock ("Series A Preferred Stock") for \$308.9 million. The payment was calculated as the face value of the Series A Preferred Stock of \$240.0 million, multiplied by the Return Factor (as defined below) of 1.4, less dividends paid to date of \$27.1 million. The redemption premium of \$75.2 million, which iswas calculated as the difference between the redemption amount and the book value of \$233.7 million, was recorded as a deemed dividend, and reduces net income available to common shareholders. The Series A Preferred Stock was redeemed using proceeds from the April 2024 Secondary Public Offering. See Note 14.

On August 5, 2022, we exchanged our \$240.0 million 6.00% convertible subordinated notes which were due June 30, 2030, for 240,000 shares of 6.0% Series A Preferred Stock, following the receipt of shareholder approval for the issuance of Series A Preferred Stock. The Series A Preferred Stock has had a \$1.00 par value per share, and ranked senior to the common stock of the Company, including with respect to both income and capital, but junior to our indebtedness. The Series A Preferred Stock is classified as "Mezzanine equity" in the consolidated balance sheets and, as noted above, was fully redeemed on May 9, 2024.

Liquidation Preference

If we undergo a change of control, bankruptcy, insolvency, liquidation or de-listing of AZZ's common stock (a "Fundamental Change Event"), holders of Series A Preferred Stock may elect have elected to (i) receive the as-converted value of AZZ's common stock at the then-current Conversion Price, (ii) require us to redeem the Series A Preferred Stock in cash for the Redemption Amount (as defined below) or (iii) retain their shares of Series A Preferred Stock if the Fundamental Change Event is a non-cash change of control.

The Series A Preferred Stock has had a liquidation preference, as defined by U.S. GAAP, equal to the Redemption Amount. Under U.S. GAAP, the liquidation preference is defined as the amount that would be required to be paid to the shareholders upon liquidation or dissolution of the Company. As of February 29, 2024, the holders of the shares of Series A Preferred Stock were entitled to a liquidation preference of approximately \$312.5 million in the event of any liquidation, dissolution or winding up of the Company as of such year end.

The Certificate of Designation for the Series A Preferred Stock defines "liquidation preference" as \$1,000 per share plus any unpaid dividends, which we refer to herein as the "Series A Base Amount."

Dividends

The Series A Preferred Stock **accumulates accumulated** a 6.0% dividend per annum, or \$15.00 per share per quarter. Dividends **are were** payable in cash or in kind, by accreting and increasing the Series A Base Amount ("PIK Dividends"). Dividends **are were** payable on the sum of (i) the aggregate liquidation preference amount of \$240.0 million plus (ii) any PIK Dividends. Dividends **are were** accrued daily and paid quarterly in arrears, on March 31, June 30, September 30 and December 31 of each year. Following the calendar quarter ending June 30, 2027, we may not elect PIK Dividends and dividends on the Series A Preferred Stock must be paid in cash. All dividends have been paid in cash through **May 31, 2024 August 31, 2024**. The dividend will increase annually by one percentage point, beginning with the dividend payable for the calendar quarter ending September 30, 2028. Dividends declared and paid for **each of the three six** months ended **May 31, 2024 August 31, 2024** and **May 31, 2023 August 31, 2023** were \$3.6 **million, million** and \$7.2 million, respectively.

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Conversion Features

Subject to a minimum conversion threshold of 1,000 shares of Series A Preferred Stock per conversion and customary anti-dilution and dividend adjustments, the Series A Preferred Stock **is was** convertible by the holder at any time into shares of AZZ's common stock for \$58.30 per common share (the "Conversion Price"). In addition, after May 13, 2024, we **will be were** entitled to provide holders of Series A Preferred Stock with notice of a mandatory conversion of a portion of the Series A Preferred Stock (which may not **exceed have exceeded** 25% of the amount of Series A Preferred Stock issued in any single quarter) at the Conversion Price if the closing price of our common stock **exceeds exceeded** 185% of the Conversion Price for 20 consecutive trading

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days prior to the date of such notice and so long as the shelf registration statement filed November 4, 2022 to cover resales of the converted common stock **remains remained** effective and available for use.

Participation Rights

Holders of Series A Preferred Stock **will participate participated** equally and ratably with the holders of AZZ's common stock in any dividends paid on AZZ's common stock in excess of our current \$0.17 quarterly dividend when, as and if declared by the Board as if such shares of Series A Preferred Stock had been converted to shares of common stock immediately prior to the record date for the payment of such dividend.

Redemption Features

AZZ **will have had** the right to redeem the Series A Preferred Stock at a price equal to the greater of (i) the Series A Base Amount plus accrued but unpaid dividends; (ii) the initial Series A Base Amount (excluding any prior PIK dividends) multiplied by the Return Factor less all dividends paid through the redemption date; or (iii) the amount the holder of such share of convertible preferred stock would have received had such holder, immediately prior to such redemption date, converted such shares of convertible preferred stock into common shares (such greater amount, the "Redemption Amount").

The redemption price under option (ii) contains a "Return Factor," which **will be was** equal to 1.4 until May 13, 2024 and, (a) in each of the three years thereafter, **will increase would have increased** by 0.15, (b) **will increase would have increased** by an additional 0.15 after May 13, 2024 (the second anniversary of the issuance date of the Series A Preferred Stock) if (i) our ratio of net debt to earnings before interest, taxes, depreciation and amortization ("EBITDA") (as defined in the 2022 Credit Agreement) on the second anniversary of the issuance date of the Series A Preferred Stock **is was** greater than 3.5-to-1 and (ii) prior to May 13, 2024, we **have had** not consummated dispositions of assets that, in the aggregate, resulted in proceeds in excess of \$200.0 million and (c) **will increase would have increased** by an additional 0.20 on May 13, 2028, (the sixth anniversary of the issuance date of the Series A Preferred Stock) and each anniversary thereafter.

The redemption price under option (iii) **is was** subject to provisions of the Certificate of Designation that **limits limited** our right to redeem to the period following the two year anniversary of the initial issuance, **limits limited** the quarterly conversion to up to 25% of the number of shares of convertible preferred stock outstanding, and **requires required** our market price per share of common stock to exceed 185% of the conversion price.

As of February 29, 2024, the Redemption Amount for the Series A Preferred stock was \$312.5 million.

Voting Rights

Holders of Series A Preferred Stock **will be were** entitled to a number of votes on all matters presented to holders of voting capital stock of AZZ equal to the number of shares of the AZZ's common stock then issuable upon conversion of such holders' Series A Preferred Stock. The vote or consent of the holders of at least a majority of the outstanding shares of Series A Preferred Stock **will be would have been** required for certain actions, including:

- a. issuances by AZZ of equity securities that are senior to, or equal in priority with, the Series A Preferred Stock, including any additional shares of Series A Preferred Stock;
- b. incurrence of any additional indebtedness (including refinancings of existing indebtedness) by the Company unless our ratio of net debt to EBITDA (as defined in the 2022 Credit Agreement) does not exceed 5.5x;
- c. refinancings of the 2022 Credit Agreement, subject to certain exceptions;
- d. dividends or distributions upon, or redemptions of, shares of AZZ's common stock unless our ratio of net debt to EBITDA (as defined in the 2022 Credit Agreement) does not exceed 5.5x;
- e. any acquisition, investment, sale, disposition or similar transaction (whether of an entity, business, equity interests or assets) that has total consideration (including assumption of liabilities) of at least \$250.0 million (or, when our market

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- capitalization is \$2.0 billion or greater, has total consideration (including assumption of liabilities) of at least \$500.0 million);
- f. amendments to our organizational documents that would have an adverse effect on the holders of Series A Preferred Stock;
 - g. any affiliate transaction except those on arms'-length terms; and
 - h. any voluntary dissolution, liquidation, bankruptcy, winding up or deregistration or delisting of AZZ's common stock.

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The holders of Series A Preferred Stock **will** also **have had** customary information and preemptive rights, and the Series A Preferred Stock **will be was** subject to customary anti-dilution provisions. The Series A Preferred Stock, and all shares of common stock issuable upon conversion of the Series A Preferred Stock, **will have had** customary demand and piggyback registration rights pursuant to the registration rights agreement, which was entered into on May 13, 2022 with BTO Pegasus Holdings DE L.P., a Delaware limited partnership (together with its assignees, "Blackstone"). Holders of Series A Preferred Stock **will also be were** prohibited from transferring shares of Series A Preferred Stock to any competitor of AZZ or activist investors, subject to certain exceptions.

14. Equity

April 2024 Secondary Public Offering

On April 30, 2024, we completed a secondary public offering in which we sold 4.6 million shares of our common stock at \$70.00 per share (the "April 2024 Secondary Public Offering"). We received gross proceeds of \$322.0 million, and paid offering expenses of \$13.3 million, for net proceeds of \$308.7 million. The proceeds from the April 2024 Offering were used to redeem the Series A Preferred Stock. See Note 13.

Accumulated Other Comprehensive Income

The components of accumulated other comprehensive income (loss) ("AOCI"), after tax, for the three **and six** months ended **May 31, 2024** **August 31, 2024** and 2023 consisted of the following (in thousands):

Three Months Ended May 31,					
2024					
Foreign Currency Translation Gain (Loss) for Unconsolidated			Interest Rate Swap, Net of Tax for Unconsolidated		
Foreign Currency Translation Gain (Loss)	Subsidiary, Net of Tax	Net Actuarial Gain (Loss), Net of Tax	Interest Rate Swap, Net of Tax	Subsidiary	Total

Balance as of beginning of period	\$	(7,628)	\$	1,418	\$	(184)	\$	2,533	\$	(33)	\$	(3,894)
Other comprehensive income before reclassification		(425)		—		—		2,219		141		1,935
Amounts reclassified from AOCI		—		—		—		(1,100)		—		(1,100)
Net change in AOCI		(425)		—		—		1,119		141		835
Balance as of end of period	\$	(8,053)	\$	1,418	\$	(184)	\$	3,652	\$	108	\$	(3,059)

Three Months Ended May 31,

2023

Three Months Ended August 31,
2024

	Foreign Currency Translation Gain (Loss)	Foreign Currency Translation Gain (Loss)	Foreign Currency Translation Gain (Loss) for Unconsolidated Subsidiary, Net of Tax	Net Actuarial Gain (Loss), Net of Tax	Interest Rate Swap, Net of Tax	Interest Rate Swap, Net of Tax for Unconsolidated Subsidiary	Total	Foreign Currency Translation Gain (Loss)	Foreign Currency Translation Gain (Loss) for Unconsolidated Subsidiary, Net of Tax	Net Actuarial Gain (Loss), Net of Tax	Interest Rate Swap, Net of Tax	Interest Rate Swap, Net of Tax for Unconsolidated Subsidiary	Total
Balance as of beginning of period													
Other comprehensive income before reclassification													
Amounts reclassified from AOCI													
Net change in AOCI													
Balance as of end of period													

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	Six Months Ended August 31, 2024					
	Foreign Currency Translation Gain (Loss)	Foreign Currency Translation Gain (Loss) for Unconsolidated Subsidiary, Net of Tax	Net Actuarial Gain (Loss), Net of Tax	Interest Rate Swap, Net of Tax	Interest Rate Swap, Net of Tax for Unconsolidated Subsidiary	Total
Balance as of beginning of period	\$ (7,628)	\$ 1,418	\$ (184)	\$ 2,533	\$ (33)	\$ (3,894)
Other comprehensive income before reclassification	439	(531)	—	(842)	147	(787)
Amounts reclassified from AOCI	—	—	—	(2,214)	—	(2,214)
Net change in AOCI	439	(531)	—	(3,056)	147	(3,001)
Balance as of end of period	\$ (7,189)	\$ 887	\$ (184)	\$ (523)	\$ 114	\$ (6,895)
	Three Months Ended August 31, 2023					

	Foreign Currency Translation Gain (Loss) for Unconsolidated Subsidiary, Net of Tax				Interest Rate Swap, Net of Tax for Unconsolidated Subsidiary		Total
	Foreign Currency Translation Gain (Loss)	Subsidiary, Net of Tax	Net Actuarial Gain (Loss), Net of Tax	Interest Rate Swap, Net of Tax	Unconsolidated Subsidiary		
Balance as of beginning of period	\$ (7,552)	\$ 1,112	\$ 119	\$ (1,054)	\$ (165)		\$ (7,540)
Other comprehensive income before reclassification	18	(2,885)	—	5,254	278		2,665
Amounts reclassified from AOCI	—	—	—	(939)	—		(939)
Net change in AOCI	18	(2,885)	—	4,315	278		1,726
Balance as of end of period	\$ (7,534)	\$ (1,773)	\$ 119	\$ 3,261	\$ 113		\$ (5,814)

Six Months Ended August 31, 2023							
	Foreign Currency Translation Gain (Loss) for Unconsolidated Subsidiary, Net of Tax				Interest Rate Swap, Net of Tax for Unconsolidated Subsidiary		Total
	Foreign Currency Translation Gain (Loss)	Subsidiary, Net of Tax	Net Actuarial Gain (Loss), Net of Tax	Interest Rate Swap, Net of Tax	Unconsolidated Subsidiary		
Balance as of beginning of period	\$ (7,571)	\$ —	\$ 119	\$ 2,879	\$ —		\$ (4,573)
Other comprehensive income before reclassification	37	(1,773)	—	1,870	113		247
Amounts reclassified from AOCI	—	—	—	(1,488)	—		(1,488)
Net change in AOCI	37	(1,773)	—	382	113		(1,241)
Balance as of end of period	\$ (7,534)	\$ (1,773)	\$ 119	\$ 3,261	\$ 113		\$ (5,814)

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15. Defined Benefit Pension Plan

Pension and Employee Benefit Obligations

In our Precoat Metals segment, certain current or past employees participate in a defined benefit pension plan (the "Plan"). Prior to the Precoat Acquisition, benefit accruals were frozen for all participants. After the freeze, participants no longer accrued benefits under the Plan, and new hires of AZZ Precoat Metals are not eligible to participate in the Plan. As of **May 31, 2024** **August 31, 2024**, the Plan was underfunded, and we have a pension liability obligation of **\$30.3** **\$26.0** million, which is included in "Other long-term liabilities" in the consolidated balance sheets and represents the underfunded portion of the Plan.

The components of net benefit cost other than the employer service cost are included in "Selling, general and administrative" expense. We recognized **\$0.2 million of** **The following table outlines the net benefit cost for the three months ended May 31, 2024.** and its components (in thousands):

	Three Months Ended August 31,		Six Months Ended August 31,	
	2024	2023	2024	2023
Expected return on plan assets	\$ 1,711	\$ 1,759	\$ 3,414	\$ 3,517
Interest cost	(1,491)	(1,488)	(2,975)	(2,975)
Net benefit cost	\$ 220	\$ 271	\$ 439	\$ 542

We paid employer contributions of **\$1.1** **\$5.6** million into the Plan during the **three** **six** months ended **May 31, 2024** **August 31, 2024**. We expect to pay **\$6.7** **\$2.2** million of contributions into the Plan during the remainder of fiscal 2025.

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16. Commitments and Contingencies

Legal

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

In 2017, Southeast Texas Industries, Inc. ("STI") filed a breach of contract lawsuit against the Company in the 1st District Court of Jasper County, Texas (the "Court"). In 2020, we filed a counter suit against STI for amounts due to AZZ for work performed. The parties unsuccessfully mediated the case in November 2021. On October 16, 2023, the case went to trial, and on October 27, 2023, the jury rendered a verdict in favor of STI and against AZZ Beaumont in the amount of \$5.5 million in damages for breach of contract and breach of express warranty. **After a final judgment amount is entered with by the Court on February 14, 2024, and we expect are still waiting on the trial transcript from the court reporter which is not expected to pursue all be made available appellate options as we to the parties until December 31, 2024. We** believe we have strong grounds for an appeal, **which may and will pursue all available appellate options. The appeal process is expected to take up to** two years. As of **May 31, 2024August 31, 2024**, we have recorded a legal accrual of \$5.5 million, which is included in "Other accrued liabilities" on our consolidated balance sheets, reflecting our best estimate of the probable loss. Our estimate of the probable loss may change throughout the appellate process. We have purchased a supersedeas bond to cover the final judgment amount throughout the duration of the appellate process.

A litigation matter between AZZ, as Plaintiff, and a previous customer of an affiliate of the AIS business, which was retained following the disposition of the AIS business, is scheduled to go to trial in fiscal 2026. As of **May 31, 2024August 31, 2024**, we have a receivable due from the Defendant, net of allowance, of \$5.2 million, which is included in "Trade accounts receivable, net of allowance for credit losses" in the consolidated balance sheets. This receivable balance represents our best estimate of the amount we expect to collect, which may change following completion of the trial.

Prior to AZZ's acquisition of Precoat Metals on May 13, 2022, Precoat Metals sold its Armorel Arkansas facility to Nucor Coatings Corporation ("Nucor") via a purchase agreement dated October 27, 2020 ("2020 Agreement"). Nucor subsequently filed a lawsuit against Precoat Metals for indemnification for breach of environmental representations and warranties made in the 2020 Agreement. In the lawsuit, Nucor asserted that it has sustained certain damages resulting from Precoat Metal's breach of its indemnification obligations that were set forth in the 2020 Agreement. The parties attended a mediation on March 18, 2024, and although the Company believed Nucor's case was deficient and it had very strong defenses to the allegations asserted by Nucor, management determined that it was still in the best interest of the Company to settle all matters for the estimated cost of defense **in an effort to retain and fortify** its current commercial relationships with Nucor, who is both a customer and

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

supplier to the Company. The parties mutually agreed to resolve all disputed matters for \$5.25 million. The **parties are currently preparing a definitive settlement agreement which will resolve all outstanding matters related to the dispute. The settlement amount will be paid within 60 days after a definitive settlement agreement is signed by both parties. The \$5.25 million settlement amount is** included in "Other accrued liabilities" in the consolidated balance sheet as of **May 31, 2024August 31, 2024 and February 29, 2024. The settlement payment expected amount was paid by the Company to be made Nucor on September 9, 2024.**

On July 29, 2024, Gainesville Associates, LLC ("Gainesville Associates") filed a complaint (the "Complaint") in the **second quarter** Circuit Court of **fiscal 2025**. Prince William County, Virginia against AZZ, Atlantic Research, LLC ("ARC"), Precoat Metals Corporation, and Chromalloy Corporation (collectively "Defendants"), asserting claims for breach of contract against ARC and unjust enrichment against all Defendants. The Complaint arises out of a lease, dated January 1, 1976, between Gainesville Associates as landlord and ARC as tenant (as subsequently amended in 1982, 2012, 2013 and 2017, the "Lease") for property in Gainesville, Virginia (the "Property"). ARC ceased using the property in 2005 after which point ARC remained in the Lease to complete its obligations on the property pursuant to a consent decree entered into between the U.S. Environmental Protection Agency ("EPA") and ARC in 1992. ARC satisfied its obligations under the consent decree in 2018 (other than ongoing well water monitoring and testing) and terminated the Lease in 2019. In its Complaint, Gainesville Associates alleges that ARC breached certain provisions of the Lease. On September 3, 2024, Defendants removed the action to the United States District Court of the Eastern District of Virginia. On September 24, 2024, Defendants filed a motion to dismiss the Complaint in its entirety, arguing that the complaint failed to adequately allege

any claim against any Defendant. Plaintiff has not yet filed its response to the Defendant's motion to dismiss. Management disputes the merits of the allegations and will continue to pursue

AZZ INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

dismissal of the action. As of August 31, 2024, we have not recognized a legal accrual on our consolidated balance sheets, as we do not currently have enough information available to generate a reliable estimate of a probable loss on this matter. As more information becomes available, we will continue to evaluate whether it is possible to disclose a range of potential losses in the future.

Environmental

As of May 31, 2024 August 31, 2024, the reserve balance for our environmental liabilities was \$20.9 million, \$20.4 million, of which \$2.9 million \$2.8 million is classified as current. Environmental remediation liabilities include costs directly associated with site investigation and clean up, such as materials, external contractor costs, legal and consulting expenses and incremental internal costs directly related to ongoing remediation plans. Estimates used to record environmental remediation liabilities are based on the Company's best estimate of probable future costs based on site-specific facts and circumstances known at the time of the estimate and these estimates are updated on a quarterly basis. Estimates of the cost for the potential or ongoing remediation plans are developed using internal resources and third-party environmental engineers and consultants.

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

Capital Commitments—Greenfield Aluminum Coil Coating Facility

We are expanding our coatings capabilities by constructing a new 25-acre aluminum coil coating facility in Washington, Missouri that is expected to be operational in calendar year 2025 (the Company's fiscal year 2026). The new greenfield facility will be included in the AZZ Precoat Metals segment and is supported by a take-or-pay contract for approximately 75% of the output from the new plant. We expect to spend approximately \$124.0 million in capital payments over the life of the project, of which \$60.8 million was paid prior to fiscal 2025 and \$16.2 \$35.6 million was paid during the three six months ended May August 31, 2024. The remaining balance of \$47.0 \$27.6 million is to occur prior to the end of fiscal 2025, of which we have capital commitments of \$28.6 \$17.4 million.

Commodity pricing

As of May August 31, 2024, we had non-cancelable forward contracts to purchase approximately \$37.9 million of zinc at various volumes and prices. prices between March 2024 and December 2024. We also had non-cancelable forward contracts to purchase approximately \$9.2 \$9.3 million of natural gas at various volumes and prices. prices between June 2024 and August 2025. All such contracts expire by the first quarter of fiscal 2026. We had no other contracted commitments for any other commodities including steel, aluminum, copper, zinc, nickel-based alloys, natural gas, except for those entered into under the normal course of business.

17. Subsequent Events

Debt repricing

On September 24, 2024, we completed our third repricing of the Term Loan B, for which \$890.3 million was outstanding as of August 31, 2024 . The repricing reduced the margin from SOFR plus 3.25% to SOFR plus 2.50%, for a total reduction of 75 basis points.

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

Forward Looking Statements

Certain statements herein about our expectations of future events or results constitute forward-looking statements for purposes of the safe harbor provisions of The Private Securities Litigation Reform Act of 1995. You can identify forward-looking statements by terminology such as "may," "could," "should," "expects," "plans," "will," "might," "would," "projects," "currently," "intends," "outlook," "forecasts," "targets," "anticipates," "believes," "estimates," "predicts," "potential," "continue," or the negative of these terms or other comparable terminology. Such forward-looking statements are based on currently available competitive, financial, and economic data and management's views and assumptions regarding future events. Such forward-looking statements are inherently uncertain, and investors must recognize that actual results may differ from those expressed or implied in the forward-looking statements. Forward-looking statements speak only as of the date they are made and are subject to risks that could cause them to differ materially from actual results. Certain factors could affect the outcome of the matters described herein. This Quarterly Report may contain forward-looking statements that involve risks and uncertainties including, but not limited to, changes in customer demand for our manufactured solutions, including demand by the construction markets, the industrial markets, and the metal coatings markets. We could also experience additional increases in labor costs, components and raw materials including zinc and natural gas, which are used in our hot-dip galvanizing process, paint used in our coil coating process; supply-chain vendor delays; customer requested delays of our manufactured solutions; delays in additional acquisition opportunities; an increase in our debt leverage and/or interest rates on our debt, of which a significant portion is tied to variable interest rates; availability of experienced management and employees to implement AZZ's growth strategy; a downturn in market conditions in any industry relating to the manufactured solutions that we provide; economic volatility, including a prolonged economic downturn or macroeconomic conditions such as inflation or changes in the political stability in the United States and other foreign markets in which we operate; acts of war or terrorism inside the United States or abroad; and other changes in economic and financial conditions. AZZ has provided additional information regarding risks associated with the business, including in Part I, Item 1A. Risk Factors, in AZZ's Annual Report on Form 10-K for the fiscal year ended February 29, 2024 and other filings with the SEC, available for viewing on AZZ's website at www.azz.com and on the SEC's website at www.sec.gov.

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

The following discussion should be read in conjunction with management's discussion and analysis contained in our Annual Report on Form 10-K for the fiscal year ended February 29, 2024, and with the condensed consolidated financial statements and notes thereto included in this Quarterly Report on Form 10-Q.

Business Operations Update

Our results for the three six months ended May 31, 2024 August 31, 2024 (the "current quarter" six-month period"), were favorably impacted by the growth in demand for our manufactured solutions in the construction, industrial utilities, and transportation industries, coupled with our value driven pricing strategy.

The demand for our manufactured solutions was the primary contributor to net income of \$39.6 million \$75.0 million for the three six months ended May 31, 2024 August 31, 2024. However, net income attributable to common shareholders was a loss of \$36.8 million, after deducting preferred dividends and the redemption premium on our Series A Preferred Stock. Our operating results for the three and six months ended May 31, 2024 August 31, 2024, including operating results by segment, are described in the summary on the following page, and detailed descriptions can be found below under "Results of Operations."

Our operations generated \$71.9 million \$119.4 million of cash in for the current three-month period, which includes \$7.6 million generated from reduction in working capital. Our operating cash flows were used to make \$27.4 million of capital investments in our business and return \$7.9 million to our common and preferred shareholders through dividend payments. Financing activities included the issuance of common shares, generating \$308.7 million in cash flows, which we used to fund the redemption of our Series A Preferred Stock of \$308.9 million. In addition, we reduced our outstanding debt through \$25.0 million in net payments on our Term Loan B and Revolving Credit Facility. As a result of this and other activity, our cash and cash equivalents were \$10.5 million as of May 31, 2024, an increase of \$6.7 million from May 31, 2023. As of May 31, 2024, we had \$350.7 million available under the Revolving Credit Facility six-month period. The components of our liquidity and descriptions of our cash flows, capital investments, and other matters impacting our liquidity and capital resources can be found below under "Liquidity and Capital Resources."

Outlook

While it is difficult to predict future North American economic activity and its impact on the demand for our galvanizing and coil coating solutions, as well the impact that political or regulatory developments may have on us, we have noted several factors are outlined below that have impacted or may impact our results of operations during the first third quarter of fiscal 2025.

- Sales prices in our AZZ Metal Coatings segment are expected to remain consistent with current levels, although fluctuations levels. Fluctuations in category mix and some material type mix, along with competitive market pressures, may impact selling price.

- Sales prices in our AZZ Precoat Metals segment are expected to remain consistent with current levels, with expected seasonal although fluctuations in mix due to an increase in construction business, which may impact the average selling price.
- Demand in our AZZ Metal Coatings and AZZ Precoat Metals segments is expected to follow our typical seasonal patterns.
- Customer inventories for our AZZ Metal Coatings segment remain consistent, which should support the continued demand for our metal coatings solutions.
- Customer inventories for our AZZ Precoat Metals segment remain at historical levels, which should support the continued demand for our coil coating solutions.

RESULTS OF OPERATIONS

Overview

We are a provider of hot-dip galvanizing and coil coating solutions to a broad range of end-markets, predominantly in North America. We operate three distinct business segments, the AZZ Metal Coatings segment, the AZZ Precoat Metals segment, and the AZZ Infrastructure Solutions segment. Our discussion and analysis of financial condition and results of operations is divided by each of our segments, along with corporate costs and other costs not specifically identifiable to a segment. For a reconciliation of segment operating income to consolidated operating income, see Note 6 to the consolidated financial statements. Management believes that the most meaningful analysis of our results of operations is to analyze our performance by segment. We use sales and operating income by segment to evaluate the performance of our segments. Segment operating income consists of sales less cost of sales and selling, general and administrative expenses that are specifically identifiable to a segment.

QUARTER ENDED MAY AUGUST 31, 2024 COMPARED TO THE QUARTER ENDED MAY AUGUST 31, 2023

Segment Sales and Operating Income

The following table reflects tables contain operating segment data by segment, for the breakdown of net income by segment Company's corporate operations and on a consolidated basis (in thousands):

	Three Months Ended May 31, 2024					Three Months Ended August 31, 2024					
	Metal Coatings	Metal Coatings	Precoat Metals	Infrastructure Solutions ⁽¹⁾	Corporate ⁽²⁾	Total	Metal Coatings	Precoat Metals	Infrastructure Solutions ⁽¹⁾	Corporate ⁽²⁾	Total
Sales											
Cost of sales											
Gross margin											
Selling, general and administrative											
Selling, general and administrative											
Selling, general and administrative											
Operating income (loss)											
Operating income (loss)											
Operating income (loss)											
Interest expense											
Interest expense											
Interest expense											
Equity in earnings of unconsolidated subsidiaries											
Other income											
Other (expense) income											
Income (loss) before income tax											
Income tax expense											
Net income (loss)											

See notes below.

	Three Months Ended May 31, 2023					Three Months Ended August 31, 2023					
	Metal Coatings	Metal Coatings	Precoat Metals	Infrastructure Solutions ⁽¹⁾	Corporate ⁽²⁾	Total	Metal Coatings	Precoat Metals	Infrastructure Solutions ⁽¹⁾	Corporate ⁽²⁾	Total
Sales											
Cost of sales											
Gross margin											
Selling, general and administrative											
Selling, general and administrative											
Selling, general and administrative											
Operating income (loss)											
Operating income (loss)											
Operating income (loss)											
Interest expense											
Interest expense											
Interest expense											
Equity in earnings of unconsolidated subsidiaries											
Other expense											
Other income											
Income (loss) before income tax											
Income tax expense											
Net income (loss)											

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

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

Sales

For the **current quarter**, three months ended August 31, 2024 (the "current quarter"), consolidated sales increased **\$22.3 million** **\$10.5 million**, or **5.7%** **2.6%**, compared to the three months ended **May 31, 2023** August 31, 2023 (the "prior year quarter"). Sales for the AZZ Metal Coatings

segment increased **\$7.9 million** **\$1.7 million**, or **4.7%** **1.0%**, for the current quarter, compared to the prior year quarter. The increase was primarily due to **an increase of \$1.6 million resulting from** a higher volume of steel processed **\$11.7**

million, and an increase of \$1.0 million due to an increase in selling price, partially offset by **a lower average selling price due to product mix \$3.0 million**, and a decrease in other sales **\$0.9 million** of \$1.1 million.

Sales for the AZZ Precoat Metals segment increased **\$14.4 million** **\$8.8 million**, or **6.5%** **3.8%** for the current quarter. The increase is due to a higher volume of coil coated in the current quarter, **compared to the prior year quarter**, while the average price **remained flat**, **decreased slightly due to product mix**.

Operating Income

For the current quarter, consolidated operating income **increased \$4.3 million** was \$67.6 million, an increase of \$6.6 million, or **6.5%** **10.9%**, compared to the prior year quarter.

Operating income for the AZZ Metal Coatings segment increased ~~\$2.5 million~~ ~~\$2.6 million~~, or ~~5.4%~~ ~~5.8%~~, for the current quarter, compared to the prior year quarter. The ~~current quarter~~ increase was due to increased sales as described above, ~~partially offset by higher~~ coupled with lower cost of sales. The ~~increase~~ decrease in cost of sales of ~~\$4.9 million~~ ~~\$1.3 million~~ was primarily due to an ~~a~~ \$3.9 million decrease in zinc cost, partially offset by a \$2.7 million increase in overhead costs and a \$0.2 million increase in labor ~~costs~~ ~~\$1.9 million~~ and overhead costs ~~\$5.3 million~~, offset by lower zinc costs ~~\$2.3 million~~. ~~costs~~.

Operating income for the AZZ Precoat Metals segment increased ~~\$2.4 million~~ ~~\$3.5 million~~, or ~~6.4%~~ ~~9.0%~~ for the current quarter. The increase is primarily due to increased sales as described above, offset by higher cost of ~~sales and selling, general and administrative expense~~. ~~sales~~. Cost of sales increased ~~\$11.8 million~~ ~~\$5.5 million~~, primarily due to variable costs related to the increased volume of steel processed, ~~coupled partially offset by a decrease of \$0.2 million in selling, general and administrative expense~~.

Operating income for the AZZ Infrastructure Solutions segment increased ~~\$5.9 million~~, due to a legal settlement of \$5.75 million and legal expenses associated with ~~an increase~~ the settlement in ~~depreciation expense~~. the prior year six-month period.

Corporate Expenses

Corporate selling, general and administrative expenses increased ~~\$0.6 million~~ ~~\$5.4 million~~, or ~~3.4%~~ ~~31.6%~~, for the current quarter, compared to the prior year quarter. The increase was primarily due to an increase in stock-based compensation related to the Company's employee stock purchase plan, due to the increase in AZZ's common stock price. In addition, salaries and wages increased due to retirement and other severance expense for certain executive management employees and transition services agreement fees associated with the AVAIL JV, which were received in the prior year quarter, with no comparable receipt in the current quarter.

Interest Expense

Interest expense for the current quarter decreased \$5.9 million, to ~~\$22.8 million~~ ~~\$21.9 million~~, compared to ~~\$28.7 million~~ ~~\$27.8 million~~ for the prior year quarter. The decrease in interest expense is primarily attributable to a decrease in the weighted average debt outstanding of ~~\$120.0 million~~ ~~\$99.4 million~~ and a decrease in the weighted average interest rate ~~on our outstanding debt~~ of ~~0.98%~~ ~~1.03%~~ in the current quarter compared to the prior year quarter, coupled with higher capitalized interest of \$1.2 million, ~~associated with the construction of the new plant in Washington, Missouri~~.

Equity in Earnings of Unconsolidated Entities

Equity in earnings of unconsolidated subsidiaries for the current quarter increased ~~\$2.4 million~~ ~~\$0.5 million~~, to ~~\$3.8 million~~ ~~\$1.5 million~~, compared to ~~\$1.4 million~~ ~~\$1.0 million~~ in the prior year quarter. The increase is ~~primarily~~ due to higher earnings from the AVAIL JV, primarily driven by AVAIL's enclosure ~~high-voltage and medium-voltage bus businesses~~. ~~business~~.

See Note 7 of our consolidated financial statements for more information about the AVAIL JV.

Income Taxes

The provision for income taxes reflects an effective tax rate of ~~22.4%~~ ~~25.6%~~ for the three months ended ~~May 31, 2024~~ ~~August 31, 2024~~, compared to ~~25.3%~~ ~~17.4%~~ for the three months ended ~~May 31, 2023~~ ~~August 31, 2023~~. The ~~decrease~~ increase in the effective tax rate is ~~primarily~~ attributable to ~~favorable adjustments in the prior year related to uncertain tax positions~~.

SIX MONTHS ENDED AUGUST 31, 2024 COMPARED TO THE SIX MONTHS ENDED AUGUST 31, 2023

Segment Sales and Operating Income

The following tables contain operating segment data by segment, for the Company's corporate operations and on a consolidated basis (in thousands):

	Six Months Ended August 31, 2024				
	Infrastructure				Total
	Metal Coatings	Precoat Metals	Solutions ⁽¹⁾	Corporate ⁽²⁾	
Sales	\$ 348,152	\$ 474,063	\$ —	\$ —	\$ 822,215
Cost of sales	240,929	375,102	—	—	616,031
Gross margin	107,223	98,961	—	—	206,184
Selling, general and administrative	11,602	16,338	38	40,811	68,789
Operating income (loss)	95,621	82,623	(38)	(40,811)	137,395
Interest expense	—	—	—	(44,683)	(44,683)

Equity in earnings of unconsolidated subsidiaries	—	—	5,302	—	5,302
Other income	49	—	—	572	621
Income (loss) before income tax	<u>\$ 95,670</u>	<u>\$ 82,623</u>	<u>\$ 5,264</u>	<u>(84,922)</u>	<u>98,635</u>
Income tax expense				23,614	23,614
Net income (loss)				<u>\$ (108,536)</u>	<u>\$ 75,021</u>

See notes below.

	Six Months Ended August 31, 2023				
	Infrastructure				Total
	Metal Coatings	Precoat Metals ⁽⁴⁾	Solutions ⁽¹⁾	Corporate ⁽²⁾	
Sales	\$ 338,631	\$ 450,784	\$ —	\$ —	\$ 789,415
Cost of sales	237,328	357,822	—	—	595,150
Gross margin	101,303	92,962	—	—	194,265
Selling, general and administrative	10,751	16,266	5,954	34,791	67,762
Operating income (loss)	90,552	76,696	(5,954)	(34,791)	126,503
Interest expense	—	—	—	(56,476)	(56,476)
Equity in earnings of unconsolidated subsidiaries	—	—	2,394	—	2,394
Other income (expense)	(11)	—	—	61	50
Income (loss) before income tax	<u>\$ 90,541</u>	<u>\$ 76,696</u>	<u>\$ (3,560)</u>	<u>(91,206)</u>	<u>72,471</u>
Income tax expense				15,617	15,617
Net income (loss)				<u>\$ (106,823)</u>	<u>\$ 56,854</u>

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

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

Sales

For the current six-month period, consolidated sales increased \$32.8 million, or 4.2%, compared to the six months ended August 31, 2023 (the "prior year six-month period").

Sales for the AZZ Metal Coatings segment increased \$9.5 million, or 2.8%, for the current six-month period, compared to the prior year six-month period. The increase in sales was primarily due to an increase of \$13.2 million resulting from a higher volume of steel processed during the period and an increase of \$1.9 million due to an increase in selling price, partially offset by a decrease in other sales of \$2.3 million.

Sales for the AZZ Precoat Metals segment increased \$23.3 million, or 5.2% for the current six-month period, primarily due to a higher volume of coil coated, partially offset by a decrease in selling price.

Operating Income

For the current six-month period, consolidated operating income increased \$10.9 million, or 8.6%, to \$137.4 million, compared to the prior year six-month period.

Operating income for the AZZ Metal Coatings segment increased \$5.1 million, or 5.6% for the current six-month period, compared to the prior year six-month period. The increase was due to improved sales as described above, partially offset by higher cost of sales and higher selling, general and administrative expenses. Cost of sales increased \$3.6 million, primarily due to higher labor and overhead costs, partially offset by a decrease in zinc costs. Selling, general and administrative expense increased primarily due to an increase in compensation costs.

Operating income for the AZZ Precoat Metals segment increased \$5.9 million, or 7.7%. The increase is primarily due to the increase in sales as described above, offset by higher cost of sales. Cost of sales increased \$17.2 million, primarily due to variable costs related to the increased volume of steel processed.

Operating income for the AZZ Infrastructure Solutions segment increased \$5.9 million, primarily due to a legal settlement of \$5.75 million and legal expenses associated with the settlement in the prior year six-month period.

Corporate Expenses

Corporate selling, general and administrative expenses increased \$6.0 million, or 17.3%, for the current six-month period, compared to the prior year six-month period. The increase was primarily due to an increase in stock-based compensation related to the Company's employee stock purchase plan, due to the increase in AZZ's common stock price. In addition, salaries and wages increased due to the retirement and other severance expense for certain executive management employees and transition services agreement fees associated with the AVAIL JV, which were received in the prior year six-month period, with no comparable receipt in the current six-month period.

Interest Expense

Interest expense for the current six-month period decreased \$11.8 million, to \$44.7 million, compared to \$56.5 million for the prior year six-month period. The decrease in interest expense is primarily attributable to a decrease in the weighted average debt outstanding of \$108.5 million and a decrease in the weighted average interest rate of 0.92% in the current six-month period compared to the prior year six-month period, coupled with higher capitalized interest of \$2.4 million associated with the construction of the new plant in Washington, MO.

Equity in Earnings of Unconsolidated Entities

Equity in earnings of unconsolidated subsidiaries for the current six-month period increased \$2.9 million, to \$5.3 million, compared to \$2.4 million in the prior year six-month period. The increase is due to higher earnings from the AVAIL JV, primarily driven by AVAIL's enclosure business.

See Note 7 of our consolidated financial statements for more information about the AVAIL JV.

Income Taxes

The provision for income taxes reflects an effective tax rate of 23.9% for the current six-month period, compared to 21.5% for the prior year six-month period. The increase in the effective tax rate is primarily attributable to favorable adjustments for the prior year six-month period related to uncertain tax positions, partially offset by higher discrete items driven by tax deductions for stock compensation.compensation in fiscal year 2025.

LIQUIDITY AND CAPITAL RESOURCES

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

As of May 31, 2024August 31, 2024, our total liquidity of \$361.2 million\$312.9 million consisted of available capacity on our Revolving Credit Facility of \$350.7\$310.7 million and cash and cash equivalents of \$10.5\$2.2 million.

Cash Flows

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

	Three Months Ended May 31,			Six Months Ended August 31,	
	2024	2024	2023	2024	2023
Net cash provided by operating activities					
Net cash used in investing activities					
Net cash used in financing activities					

Net cash provided by operating activities for the current three-monthsix-month period was \$71.9\$119.4 million, driven primarily by net income from continuing operations of \$39.6\$75.0 million, adjusted to exclude non-cash charges, net of non-cash income of \$22.5\$48.6 million, an increase a decrease in cash resulting from changes in other long-term assets and liabilities, including deferred taxes, of \$1.7\$0.9 million and a cash distribution received on the investment in the AVAIL JV of \$0.5\$5.2 million. The reductionincrease in working capital is due primarily to increases in accounts payable, other accrued expenses liabilities and income taxes payable; payable, as well as a reduction in inventories; partially offset by increases in accounts receivable, other receivables, prepaid expenses and contract assets due to insurance renewals and higher sales, respectively.sales. Net cash provided by operating activities was used to fund \$27.4\$59.5 million of capital expenditures, make net payments on long-term debt and finance leases liabilities of \$25.2\$45.4 million, make dividend payments of \$7.9\$12.9 million and make payments for taxes related to net share settlement of equity awards of \$4.6\$5.0 million. We also completed a secondary public offering of 4.6 million shares of our common stock, which provided cash, net of \$308.7 offering costs, of \$310.2 million, which was used to redeem our 240,000 shares of Series A Preferred Stock for \$308.9 million.

Net cash provided by operating activities for the prior year three-monthsix-month period was \$46.9\$118.3 million, driven primarily by net income of \$28.5\$56.9 million, adjusted to exclude non-cash charges, net of non-cash income of \$22.1\$46.4 million offset by a decrease and an increase in cash resulting from an increase decrease in working capital of \$1.0\$21.4 million, and partially offset by a decrease in cash resulting from other long-term assets and liabilities, including deferred taxes, of \$2.7\$6.3 million. Net cash provided by operating activities was used to fund \$17.0\$42.7 million of capital expenditures, make net payments on

long-term debt and finance leases liabilities of ~~\$20.0~~ \$60.2 million, make dividend payments of ~~\$7.8~~ \$15.7 million and make payments for taxes related to net share settlement of equity awards of ~~\$1.7~~ \$0.8 million.

Financing and Capital

2022 Credit Agreement and Term Loan B

We have a credit agreement with a syndicate of financial institutions that was entered into on May 13, 2022, and was subsequently amended on August 17, 2023, December 20, 2023 and March 20, 2024 (collectively referred to herein as the "2022 Credit Agreement"). See below for information related to the repricing of the Company's Term Loan B on September 24, 2024.

The 2022 Credit Agreement includes the following significant terms:

- i. provides for a senior secured initial term loan in the aggregate principal amount of \$1.3 billion (the "Term Loan B"), due May 13, 2029, which is secured by substantially all of the assets of the Company; as of ~~May 31, 2024~~ August 31, 2024, the outstanding balance of the Term Loan B was ~~\$950.3 million~~ \$890.3 million;
- ii. provides for a maximum senior secured Revolving Credit Facility in the aggregate principal amount of \$400.0 million (the "Revolving Credit Facility"), due which matures on May 13, 2027;
- iii. includes a letter of credit sub-facility of up to \$100.0 million, which is part of, and not in addition to, the Revolving Credit Facility;
- iv. borrowings under the Term Loan B bear a tiered interest rate of Secured Overnight Financing Rate ("SOFR") plus 3.25%, which is part of, and not in addition to, the Revolving Credit Facility;
- v. borrowings under the Term Loan B bear a tiered interest rate of Secured Overnight Financing Rate ("SOFR") plus 3.25% (following the repricing on March 20, 2024 as described below) and the Revolving Credit Facility bears a leverage-based rate with various tiers between 2.75% and 3.50%; as of ~~May 31, 2024~~ August 31, 2024, the interest rate was SOFR plus 2.75%;
- vi. includes customary affirmative and negative covenants, and events of default; including restrictions on the incurrence of non-ordinary course debt, investment and dividends, subject to various exceptions; and,
- vii. includes a maximum quarterly leverage ratio financial covenant, with reporting requirements to our banking group at each quarter-end.

On March 20, 2024, we entered the term loan market and repriced the our existing Term Loan B. The repricing adjusted reduced the Term Loan B spread from a rate of SOFR plus 3.75% to SOFR plus 3.25%.

On September 24, 2024, we completed our third repricing of the Term Loan B, for which \$890.3 million was outstanding as of August 31, 2024. The repricing reduced the margin from SOFR plus 3.25% to SOFR plus 2.50%, for a total reduction of 75 basis points.

We primarily utilize proceeds from the Revolving Credit Facility to finance working capital needs, capital improvements, quarterly cash dividends, acquisitions and other general corporate purposes.

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

The weighted average interest rate for our outstanding debt, including the Revolving Credit Facility and the Term Loan B, was ~~8.09%~~ 8.03% and ~~9.07%~~ as of May 31, 2024 8.56% for the six months ended August 31, 2024 and 2023, respectively.

Debt Compliance and Outstanding Borrowings

Our 2022 Credit Agreement requires us to maintain a maximum Total Net Leverage Ratio (as defined in the loan agreement) no greater than 4.5. As of ~~May 31, 2024~~ August 31, 2024, we were in compliance with all covenants and other requirements set forth in the 2022 Credit Agreement.

As of **May 31, 2024** **August 31, 2024**, we had **\$985.3** **\$965.3** million of debt outstanding on the Revolving Credit Facility and the Term Loan B, with varying maturities through fiscal 2029. We had approximately **\$350.7** **\$310.7** million of additional credit available as of **May 31, 2024** **August 31, 2024**.

Letters of Credit

As of **May 31, 2024** **August 31, 2024**, we had total outstanding letters of credit in the amount of \$14.3 million. These letters of credit are most commonly issued in lieu of customer retention withholding payments covering warranty, performance periods and insurance collateral.

Interest Rate Swap

We manage our exposure to fluctuations in interest rates on our floating-rate debt by entering into interest rate swap agreements to convert a portion of our variable-rate debt to a fixed rate. On September 27, 2022, we entered into a fixed-rate interest rate swap agreement, which was subsequently amended on October 7, 2022, (the "2022 Swap"), with banks that are parties to the 2022 Credit Agreement, to change the SOFR-based component of the interest rate. The 2022 Swap converts the SOFR portion to 4.277%. On March 20, 2024, we repriced our Term Loan B to SOFR plus 3.25%, resulting in a total fixed rate of 7.527%. **The See "2022 Credit Agreement and Term Loan B" section above for information related to the repricing of the Company's Term Loan B on September 24, 2024.** The 2022 Swap had an initial notional amount of \$550.0 million and a maturity date of September 30, 2025. The notional amount of the interest rate swap decreases by a pro-rata portion of any

quarterly principal payments made on the Term Loan B, and the current notional amount is **\$540.4 million** **\$539.0 million** as of **May 31, 2024** **August 31, 2024**. The objective of the 2022 Swap is to eliminate the variability of cash flows in interest payments attributable to changes in benchmark one-month SOFR interest rates, for a portion of our variable-rate debt. The hedged risk is the interest rate risk exposure to changes in interest payments, attributable to changes in benchmark one-month SOFR interest rates over the interest rate swap term. The changes in cash flows of the 2022 Swap exactly offset changes in cash flows of the variable-rate debt. We designated the 2022 Swap as a cash flow hedge at inception. Cash payments or receipts to settle the 2022 Swap are recognized in interest expense.

April 2024 Secondary Public Offering

On April 30, 2024, we completed a secondary public offering in which we sold 4.6 million shares of our common stock at \$70.00 per share (the "April 2024 Secondary Public Offering"). We received gross proceeds of \$322.0 million, and paid offering expenses of \$13.3 million, for net proceeds of \$308.7 million. The proceeds from the April 2024 Offering were used to redeem the Series A Preferred Stock.

Series A Convertible Preferred Stock

On May 9, 2024, we fully redeemed our 240,000 shares of 6.0% Series A Convertible Preferred Stock ("Series A Preferred Stock"), for \$308.9 million. The payment was calculated as the face value of the Series A Preferred Stock of \$240.0 million, multiplied by the Return Factor (as defined below) of 1.4, less dividends paid to date of \$27.1 million. The redemption premium of \$75.2 million, which **is was** calculated as the difference between the redemption amount and the book value of \$233.7 million, was recorded as a deemed dividend, and reduces net income available to common shareholders. The Series A Preferred Stock was redeemed using proceeds from the April 2024 Secondary Public Offering.

On August 5, 2022, we exchanged our \$240.0 million 6.00% convertible subordinated notes due June 30, 2030 for 240,000 shares of 6.0% Series A Preferred Stock, following the receipt of shareholder approval for the issuance of Series A Preferred Stock. The Series A Preferred Stock **has had** a \$1.00 par value per share, and ranked senior to the common stock of the Company, including with respect to both income and capital, but junior to our indebtedness. The Series A Preferred Stock is classified as "Mezzanine equity" in the consolidated balance sheets and, **as noted above**, was fully redeemed on May 9, 2024.

Greenfield Aluminum Coil Coating Facility

We are expanding our coatings capabilities by constructing a new 25-acre aluminum coil coating facility in Washington, Missouri that is expected to be operational in calendar year 2025 (the **Company** **Company's** fiscal year 2026). The new greenfield facility will be included in the AZZ Precoat Metals segment and is supported by a take-or-pay contract for approximately 75% of the output from the new plant. We expect to spend approximately \$124.0 million in capital payments over the life of the project, of which \$60.8 million was paid prior to fiscal 2025 and **\$16.2** **\$35.6** million was paid during the **three six** months ended **May** **August 31, 2024**. The remaining balance of **\$47.0** **\$27.6** million is to occur prior to the end of fiscal 2025, of which we have capital commitments of **\$28.6** **\$17.4** million. The remaining payments in fiscal 2025 are expected to be funded through cash flows from operations.

Share Repurchase Program

During the **three six** months ended **May 31, 2024** **August 31, 2024** and 2023, we did not repurchase shares of common stock under the 2020 Share Authorization. As of **May 31, 2024** **August 31, 2024**, we had \$53.2 million available under the 2020 Share Authorization that may be used to purchase shares in the

future. See Part II, "Item 2. Unregistered Sales of Equity Securities and Use of Proceeds."

Other Exposures

We have exposure to commodity price increases in all three of our operating segments, primarily zinc and natural gas in the AZZ Metal Coatings segment, and natural gas, steel and aluminum in the AZZ Precoat Metals segment. We attempt to minimize these increases by entering into agreements with our zinc suppliers and such agreements generally include fixed premiums, and by entering into agreements with our natural gas suppliers to fix a portion of our purchase cost. In addition to these measures, we attempt to recover other cost increases through improvements to our manufacturing process, supply chain management, and through increases in prices to match inflationary increases where competitively feasible. We have indirect exposure to copper, aluminum, steel and nickel-based alloys in the AZZ Infrastructure Solutions segment through our 40% investment in the AVAIL JV.

As of May 31, 2024, we had non-cancelable forward contracts to purchase approximately \$37.9 million of zinc at various volumes and prices. prices between March 2024 and December 2024. We also had non-cancelable forward contracts to purchase approximately \$9.2 million \$9.3 million of natural gas at various volumes and prices. prices between June 2024 and August 2025. All such contracts expire by the first quarter of fiscal 2026. We had no other contracted commitments for any other commodities

including steel, aluminum, copper, zinc, nickel-based alloys, natural gas, except for those entered into under the normal course of business.

Off Balance Sheet Arrangements and Contractual Obligations

As of May 31, 2024 August 31, 2024, we did not have any off-balance sheet arrangements as defined under SEC rules. Specifically, there were no off-balance sheet transactions, arrangements, obligations (including contingent obligations), or other relationships with unconsolidated entities or other persons that have, or may have, a material effect on the financial condition, changes in financial condition, sales or expenses, results of operations, liquidity, capital expenditures or capital resources of the Company.

Critical Accounting Policies and Estimates

The preparation of financial statements and related disclosures in conformity with U.S. GAAP requires us to make judgments, assumptions, and estimates that affect the amounts reported in the condensed consolidated financial statements and the accompanying notes.

There were no significant changes to our critical accounting policies and estimates compared to the critical accounting policies and estimates disclosed in Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, of our Annual Report on Form 10-K for the year ended February 29, 2024.

Recent Accounting Pronouncements

See Note 1 to the condensed consolidated financial statements, included herein, for a full description of recent accounting pronouncements, including the actual and expected dates of adoption and estimated effects on our consolidated results of operations and financial condition, which is incorporated herein by reference.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes to our market risk disclosures during the three and six months ended May 31, 2024 August 31, 2024. For a discussion of our exposure to market risk, refer to our market risk disclosures set forth in Part II, Item 7A, Quantitative and Qualitative Disclosures About Market Risk, of our Annual Report on Form 10-K for the year ended February 29, 2024.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of the Company's Chief Executive Officer and Chief Financial Officer, management of the Company has evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), Based on their evaluation as of the end of the period covered by this report. Based upon

that evaluation, the Chief Executive Officer Quarterly Report on Form 10-Q, our Company's principal executive officer and the Chief Financial Officer principal financial officer have concluded that the Company's our Company's disclosure controls and procedures were (as defined in Rule 13a-15(e) under the Securities and Exchange Act of 1934) are effective as of at the end of the period covered by this Form 10-Q to provide reasonable assurance that information required to be disclosed in Company reports, filed or submitted, under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules; and (ii) accumulated and communicated to our management, including our principal executive and financial officers, as appropriate to allow timely discussions regarding required disclosure. level.

Changes in Internal Control Over Financial Reporting

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

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Gainesville Associates LLC v. Atlantic Research LLC et al (a legacy entity lawsuit that arose out of the Precoat acquisition, which is unrelated to our current operations or operating entities).

On July 29, 2024, Gainesville Associates, LLC ("Gainesville Associates") filed a complaint (the "Complaint") in the Circuit Court of Prince William County, Virginia against AZZ, Atlantic Research, LLC ("ARC"), Precoat Metals Corporation, and Chromalloy Corporation (collectively "Defendants"), asserting claims for breach of contract against ARC and unjust enrichment against all Defendants. The Complaint arises out of a lease, dated January 1, 1976, between Gainesville Associates as landlord and ARC as tenant (as subsequently amended in 1982, 2012, 2013 and 2017, the "Lease") for property in Gainesville, Virginia (the "Property"). ARC ceased using the property in 2005 after which point ARC remained in the Lease to complete its obligations on the property pursuant to a consent decree entered into between the U.S. Environmental Protection Agency ("EPA") and ARC in 1992. ARC satisfied its obligations under the consent decree in 2018 (other than ongoing well water monitoring and testing) and terminated the Lease in 2019. In its Complaint, Gainesville Associates alleges that ARC breached certain provisions of the Lease. On September 3, 2024, Defendants removed the action to the United States District Court of the Eastern District of Virginia. On September 24, 2024, Defendants filed a motion to dismiss the Complaint in its entirety, arguing that the complaint failed to adequately allege any claim against any Defendant. Plaintiff has not yet filed its response to the Defendant's motion to dismiss. Management believes there is no merit to Plaintiff's allegations and will continue to aggressively pursue dismissal of the action.

In addition to the foregoing, the Company and its subsidiaries are named defendants and plaintiffs in various routine lawsuits incidental to its our business. These proceedings include labor and employment claims, worker's compensation, environmental matters, and various commercial disputes, worker's compensation and environmental matters, all of which arise arising in the normal course of conducting business. As discovery progresses on all outstanding legal matters, the Company will continue continues to evaluate opportunities to either mediate the case or settle the disputes for nuisance value or potentially enter into mediation the cost of defense as a way to resolve the disputes prior to trial. As the pending cases progress through additional discovery including expert testimony and potential mediation, our assessment of the likelihood of an unfavorable outcome on one or more of the pending lawsuits may change. The Although the outcome of these lawsuits or other proceedings cannot be predicted with any certainty, and the amount of any potential liability that could arise with respect to such lawsuits or other matters cannot be predicted at this time. Management, time, management, after consultation with legal counsel believes it has strong defenses to all of these its legal matters and does not expect liabilities, if any, from these claims or proceedings, either individually or in the aggregate, to have a material effect on the Company's financial position, results of operations or cash flows. For further discussion of the Company's legal proceedings, see Note 16 to the financial statements contained herein under Part 1. Item 1. Financial Statements.

Item 1A. Risk Factors

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

actual results of operations in future periods to differ materially from those currently projected in the forward-looking statements contained therein.

There have been no material changes from risk factors previously disclosed in the Company's most recent Annual Report on Form 10-K. See the discussion of the Company's risk factors under Part I, Item 1A. in the Company's Annual Report on Form 10-K for the fiscal year ended February 29, 2024.

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

On November 10, 2020, the Company's Board of Directors authorized a \$100 million share repurchase program pursuant to which the Company may repurchase its common stock (the "2020 Share Authorization"). Repurchases under the 2020 Share Authorization will be made through open market and/or private transactions, in accordance with applicable federal securities laws, and could include repurchases pursuant to Rule 10b5-1 trading plans, which allows stock repurchases when the Company might otherwise be precluded from doing so.

The Company did not purchase any shares of common stock under the 2020 Share Authorization during the **three** **six** months ended **May 31, 2024** **August 31, 2024**. As of **May 31, 2024** **August 31, 2024**, we had \$53.2 million remaining under the 2020 Share Authorization that may be used to repurchase outstanding shares of common stock in the future.

Item 5. Other Information.

During the three months ended **May 31, 2024** **August 31, 2024**, none of our directors or executive officers adopted, modified or terminated a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement as defined in Item 408 of Regulation S-K.

Item 6. Exhibits

1.1 2.1	Third Contribution and Purchase Agreement, dated as of June 23, 2022, by and between AZZ Inc., AIS investment Holdings LLC and Fernweh AIS Acquisition L.P. (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the SEC on June 27, 2022.)
3.1	Amended and Restated Bylaws dated April 24, 2023 (incorporated by reference to Exhibit 3.1 to the Company's Annual Report on Form 10-K filed with the SEC on April 25, 2023.)
3.2	Amended and Restated Certificate of Formation (with Certificate of Correction dated May 15, 2023) (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q filed with the SEC on October 10, 2023.)
4.1	Form of Common Stock Certificate (incorporated by reference to Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q filed with the SEC on October 13, 2000.)
4.2	Indenture, dated as of May 13, 2022, by and between AZZ Inc. and UMB Bank, N.A. (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the SEC on May 16, 2022.)
10.1	Employment Agreement between AZZ Inc. and Jason Crawford, dated as of June 3, 2024 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on June 3, 2024.)
10.2	Employment Agreement between AZZ Inc. and Bryan Stovall, dated as of July 15, 2024 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on July 19, 2024.)
10.3	Fourth Amendment to Credit Agreement, dated as of March 20, 2024 September 24, 2024, by and among AZZ Inc., the Guarantors, the Lenders, and Citibank, N.A., as Administrative Agent and Collateral Agent (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on March 20, 2024 September 24, 2024.)
10.1	Underwriting Agreement, dated April 25, 2024, among AZZ Inc., Evercore Group L.L.C., Jeffries LLC and each of the other Underwriters named in Schedule A to the Underwriting Agreement (incorporated by reference to Exhibit 1.1 to the Company's Current Report on Form 8-K filed with the SEC on April 26, 2024.)
31.1+	Certification of Chief Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2+	Certification of Chief Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1+	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2+	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS+	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH+	Inline XBRL Taxonomy Extension Schema Document
101.CAL+	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF+	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB+	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE+	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded with the Inline XBRL document).

+ Indicates filed herewith.

SIGNATURES

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

AZZ Inc.
(Registrant)

Date: July 10, October 9, 2024

By: /s/ Tiffany Moseley Jason Crawford
Tiffany Moseley Jason Crawford
Senior Vice President, Chief Accounting Financial Officer and
Principal Accounting Officer

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Exhibit 31.1
Certification by Chief Executive Officer
Pursuant to Securities Exchange Act Rule 13a-14(a)

I, Thomas E. Ferguson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of AZZ Inc. for the period ended May 31, 2024 August 31, 2024 (the "Report");
2. Based on my knowledge, this Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Report;
3. Based on my knowledge, the financial statements, and other financial information included in this Report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this Report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Report based on such evaluation; and d) Disclosed in this Report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Dated: July 10, October 9, 2024

/s/ Thomas E. Ferguson
Thomas E. Ferguson
President and Chief Executive Officer

Exhibit 31.2
Certification by Chief Financial Officer
Pursuant to Securities Exchange Act Rule 13a-14(a)

I, Jason Crawford, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of AZZ Inc. for the period ended **May 31, 2024** **August 31, 2024** (the "Report");
2. Based on my knowledge, this Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Report;
3. Based on my knowledge, the financial statements, and other financial information included in this Report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this Report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Report based on such evaluation; and d) Disclosed in this Report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Dated: **July 10, October 9, 2024**

/s/ Jason Crawford

Jason Crawford

Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

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

The undersigned, Thomas E. Ferguson, has executed this certification in connection with the filing of AZZ Inc.'s (the "Company") Quarterly Report on Form 10-Q for the period ended **May 31, 2024** **August 31, 2024** (the "Report"). The undersigned hereby certifies pursuant to U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. to my knowledge the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: **July 10, October 9, 2024**

/s/ Thomas E. Ferguson

Thomas E. Ferguson

President and Chief Executive Officer

EXHIBIT 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

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

The undersigned, Jason Crawford, has executed this certification in connection with the filing of AZZ Inc.'s (the "Company") Quarterly Report on Form 10-Q for the period ended **May 31, 2024** **August 31, 2024** (the "Report"). The undersigned hereby certifies pursuant to U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. to my knowledge the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: **July 10, 2024** **October 9, 2024**

/s/ Jason Crawford

Jason Crawford

Chief Financial Officer

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