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 **October 31, 2024**

OR

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

For the transition period from _______________ to _______________.

COMMISSION FILE NUMBER: 001-37784

GMS INC.

(Exact name of registrant as specified in its charter)

Delaware	**46-2931287**
(State or other jurisdiction of incorporation or organization)	*(IRS Employer Identification No.)*
100 Crescent Centre Parkway, Suite 800	
Tucker, Georgia	**30084**
(Address of principal executive offices)	*(ZIP Code)*

(800) 392-4619

(Registrant's telephone number, including area code)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.01 per share	GMS	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 ☒

There were 38,815,455 shares of the registrant's common stock, par value $0.01 per share, outstanding as of November 30, 2024.

FORM 10-Q

TABLE OF CONTENTS

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). You can generally identify forward-looking statements by our use of forward-looking terminology such as "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," "might," "plan," "potential," "predict," "seek," or "should," or the negative thereof or other variations thereon or comparable terminology. Statements about our future financial performance, growth or future developments relating to economic conditions, our markets or the commercial and residential construction industries and statements about our expectations, beliefs, plans, strategies, objectives, prospects, assumptions or future events contained in this Quarterly Report on Form 10-Q are forward-looking statements.

We have based these forward-looking statements on our current expectations, assumptions, estimates and projections. While we believe these expectations, assumptions, estimates and projections are reasonable, such forward-looking statements are only predictions and involve known and unknown risks and uncertainties, many of which are beyond our control. These and other important factors, including those discussed under the heading "Risk Factors" in Part 1, Item 1A of our Annual Report on Form 10-K for the fiscal year ended April 30, 2024, filed with the U.S. Securities and Exchange Commission (the "SEC"), may cause our actual results, performance or achievements to differ materially from any future results, performance or achievements expressed or implied by these forward-looking statements. Some of the factors that could cause actual results to differ materially from those expressed or implied by the forward-looking statements include:

- *general business, financial market and economic conditions, including inflation and deflation, rising interest rates, supply chain disruptions, labor shortages and increased labor costs, geopolitical conflicts, an economic downturn or recession and capital market volatility;*
- *our dependency upon the cyclical commercial and residential construction markets, both new and repair and remodeling ("R&R") including any impact from a decline or delay in residential or commercial construction activity, including from disruptions caused by the inability of commercial borrowers to repay their debt obligations, and from the availability or cost of financing;*
- *competition in our industry and the markets in which we operate;*
- *consolidation in our industry;*
- *the fluctuations in prices and mix of the products we distribute and our ability to pass on price increases to our customers and effectively manage inventories and margins in both inflationary and deflationary pricing environments;*
- *our ability to successfully implement our growth strategy, including identifying, successfully consummating and integrating acquisitions, opening new branches and expanding our product offerings;*
- *our ability to successfully expand into new geographic markets;*
- *product shortages, other disruptions in our supply chain or distribution network and potential loss of relationships with key suppliers, including increased shipping costs and delays and heightened risks relating to sourcing products from international suppliers;*
- *our ability to manage operating costs and achieve the anticipated benefits from our cost reduction and productivity initiatives;*
- *the potential loss of any significant customers or reduction in volume of purchases by our significant customers;*
- *our ability to renew leases for our facilities on acceptable terms or secure new facilities on acceptable terms;*
- *our ability to effectively manage our inventory as our sales volume or the prices of the products we distribute fluctuate;*
- *significant fluctuations in fuel costs or shortages in the supply of fuel;*

- *natural or man-made disruptions to our facilities or equipment;*
- *the risk related to our Canadian operations, including currency rate fluctuations;*
- *our ability to continue to anticipate and address evolving consumer demands;*
- *exposure to product liability and various other claims and litigation, and the adequacy and costs of insurance related thereto;*
- *operating hazards that may cause personal injury or property damage;*
- *the volatility in the political, legal and regulatory environments in which we operate, including as a result of the recent U.S. presidential election, and the legislative, regulatory, trade and policies associated with a new administration;*
- *our inability to engage in activities that may be in our best long-term interests because of restrictions in our debt agreements;*
- *our current level of indebtedness and our ability to incur additional indebtedness, including to fund acquisitions;*
- *our ability to obtain additional financing on acceptable terms, if at all;*
- *the effects of widespread public health crises on our business, industry and results of operations;*
- *our ability to attract and retain key employees while controlling costs, including the impact of labor and trucking shortages;*
- *a cybersecurity breach, including misappropriation of our customers', employees' or suppliers' confidential information, and the potential costs related thereto;*
- *a disruption in our IT systems and costs necessary to maintain and update our IT systems; and*
- *the imposition of tariffs and other trade barriers, including in connection with the new U.S. presidential administration, and the effect of any retaliatory trade measures.*

Given these risks and uncertainties, you are cautioned not to place undue reliance on such forward-looking statements. The forward-looking statements contained in this Quarterly Report on Form 10-Q are not guarantees of future performance, and actual results and events may differ materially from the forward-looking statements contained in this Quarterly Report on Form 10-Q.

Any forward-looking statement that we make in this Quarterly Report on Form 10-Q speaks only as of the date of such statement. Except as required by law, we do not undertake any obligation to update or revise, or to publicly announce any update or revision to, any of the forward-looking statements, whether as a result of new information, future events or otherwise. You should review the factors and risks we describe in the reports we will file from time to time with the SEC after the date of the filing of this Quarterly Report on Form 10-Q.

PART I – Financial Information

Item 1. Financial Statements

GMS Inc.
Condensed Consolidated Balance Sheets (Unaudited)
(in thousands, except per share data)

	October 31, 2024	April 30, 2024
Assets		
Current assets:		
Cash and cash equivalents	$ 83,928	$ 166,148
Trade accounts and notes receivable, net of allowances of $ 15,984 and $16,930, respectively	943,682	849,993
Inventories, net	594,311	580,830
Prepaid expenses and other current assets	48,429	42,352
Total current assets	1,670,350	1,639,323
Property and equipment, net of accumulated depreciation of $ 336,513 and $309,850, respectively	513,650	472,257
Operating lease right-of-use assets	295,024	251,207
Goodwill	936,504	853,767
Intangible assets, net	562,423	502,688
Deferred income taxes	25,528	21,890
Other assets	19,530	18,708
Total assets	$ 4,023,009	$ 3,759,840
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 417,799	$ 420,237
Accrued compensation and employee benefits	99,816	125,610
Other accrued expenses and current liabilities	124,315	111,204
Current portion of long-term debt	54,882	50,849
Current portion of operating lease liabilities	51,885	49,150
Total current liabilities	748,697	757,050
Non-current liabilities:		
Long-term debt	1,426,564	1,229,726
Long-term operating lease liabilities	248,006	204,865
Deferred income taxes, net	79,808	62,698
Other liabilities	50,627	44,980
Total liabilities	2,553,702	2,299,319
Commitments and contingencies		
Stockholders' equity:		
Common stock, par value $0.01 per share, 500,000 shares authorized; 38,870 and 39,754 shares issued and outstanding as of October 31, 2024 and April 30, 2024, respectively	389	397
Preferred stock, par value $0.01 per share, 50,000 shares authorized; 0 shares issued and outstanding as of October 31, 2024 and April 30, 2024	—	—
Additional paid-in capital	244,698	334,596
Retained earnings	1,267,831	1,157,047
Accumulated other comprehensive loss	(43,611)	(31,519)
Total stockholders' equity	1,469,307	1,460,521
Total liabilities and stockholders' equity	$ 4,023,009	$ 3,759,840

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

GMS Inc.
Condensed Consolidated Statements of Operations and Comprehensive Income (Unaudited)
(in thousands, except per share data)

	Three Months Ended October 31, 2024	Three Months Ended October 31, 2023	Six Months Ended October 31, 2024	Six Months Ended October 31, 2023
Net sales	$ 1,470,776	$ 1,420,930	$ 2,919,232	$ 2,830,530
Cost of sales (exclusive of depreciation and amortization shown separately below)	1,009,649	962,301	2,006,542	1,921,347
Gross profit	461,127	458,629	912,690	909,183
Operating expenses:				
Selling, general and administrative	324,225	300,894	639,377	587,690
Depreciation and amortization	42,078	32,937	80,110	64,955
Total operating expenses	366,303	333,831	719,487	652,645
Operating income	94,824	124,798	193,203	256,538
Other (expense) income:				
Interest expense	(23,697)	(18,742)	(45,910)	(37,656)
Write-off of debt discount and deferred financing fees	—	—	—	(1,401)
Other income, net	1,299	2,106	3,327	4,245
Total other expense, net	(22,398)	(16,636)	(42,583)	(34,812)
Income before taxes	72,426	108,162	150,620	221,726
Provision for income taxes	18,890	27,205	39,836	53,939
Net income	$ 53,536	$ 80,957	$ 110,784	$ 167,787
Weighted average common shares outstanding:				
Basic	39,126	40,466	39,334	40,608
Diluted	39,703	41,088	39,964	41,282
Net income per common share:				
Basic	$ 1.37	$ 2.00	$ 2.82	$ 4.13
Diluted	$ 1.35	$ 1.97	$ 2.77	$ 4.06
Comprehensive income				
Net income	$ 53,536	$ 80,957	$ 110,784	$ 167,787
Foreign currency translation adjustments	(3,789)	(21,164)	(6,739)	(9,766)
Changes in other comprehensive income, net of tax	(6)	4,214	(5,353)	9,603
Comprehensive income	$ 49,741	$ 64,007	$ 98,692	$ 167,624

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

GMS Inc.
Condensed Consolidated Statements of Stockholders' Equity (Unaudited)
(in thousands)

	Common Stock					
	Shares	Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Balances as of April 30, 2024	39,754	$ 397	$ 334,596	$ 1,157,047	$ (31,519)	$ 1,460,521
Net income	—	—	—	57,248	—	57,248
Foreign currency translation adjustments	—	—	—	—	(2,950)	(2,950)
Other comprehensive loss, net of tax	—	—	—	—	(5,347)	(5,347)
Repurchase and retirement of common stock	(538)	(5)	(46,604)	—	—	(46,609)
Equity-based compensation	—	—	3,678	—	—	3,678
Exercise of stock options	22	—	555	—	—	555
Issuance of common stock pursuant to employee stock purchase plan	44	1	3,206	—	—	3,207
Balances as of July 31, 2024	39,282	393	295,431	1,214,295	(39,816)	1,470,303
Net income	—	—	—	53,536	—	53,536
Foreign currency translation adjustments	—	—	—	—	(3,789)	(3,789)
Other comprehensive loss, net of tax	—	—	—	—	(6)	(6)
Repurchase and retirement of common stock	(593)	(6)	(52,633)	—	—	(52,639)
Equity-based compensation	—	—	4,925	—	—	4,925
Exercise of stock options	63	1	1,904	—	—	1,905
Vesting of restricted stock units	118	1	(1)	—	—	—
Tax withholding related to net share settlements of equity awards	—	—	(4,928)	—	—	(4,928)
Balances as of October 31, 2024	38,870	$ 389	$ 244,698	$ 1,267,831	$ (43,611)	$ 1,469,307

	Common Stock					
	Shares	Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Balances as of April 30, 2023	40,971	$ 410	$ 428,508	$ 880,968	$ (35,129)	$ 1,274,757
Net income	—	—	—	86,830	—	86,830
Foreign currency translation adjustments	—	—	—	—	11,398	11,398
Other comprehensive income, net of tax	—	—	—	—	5,389	5,389
Repurchase and retirement of common stock	(469)	(5)	(30,779)	—	—	(30,784)
Equity-based compensation	—	—	3,304	—	—	3,304
Exercise of stock options	46	—	1,248	—	—	1,248
Issuance of common stock pursuant to employee stock purchase plan	58	1	2,663	—	—	2,664
Balances as of July 31, 2023	40,606	406	404,944	967,798	(18,342)	1,354,806
Net income	—	—	—	80,957	—	80,957
Foreign currency translation adjustments	—	—	—	—	(21,164)	(21,164)
Other comprehensive income, net of tax	—	—	—	—	4,214	4,214
Repurchase and retirement of common stock	(689)	(6)	(44,566)	—	—	(44,572)
Equity-based compensation	—	—	5,111	—	—	5,111
Exercise of stock options	19	—	508	—	—	508
Vesting of restricted stock units	119	1	(1)	—	—	—
Tax withholding related to net share settlements of equity awards	—	—	(3,975)	—	—	(3,975)
Balances as of October 31, 2023	40,055	$ 401	$ 362,021	$ 1,048,755	$ (35,292)	$ 1,375,885

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

GMS Inc.
Condensed Consolidated Statements of Cash Flows (Unaudited)
(in thousands)

	Six Months Ended October 31, 2024	Six Months Ended October 31, 2023
Cash flows from operating activities:		
Net income	$ 110,784	$ 167,787
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	80,110	64,955
Write-off and amortization of debt discount and debt issuance costs	895	2,726
Equity-based compensation	10,358	10,698
Loss (gain) on disposal of assets	507	(441)
Deferred income taxes	(4,464)	(5,085)
Other items, net	3,765	3,590
Changes in assets and liabilities net of effects of acquisitions:		
Trade accounts and notes receivable	(48,203)	(89,384)
Inventories	(4,201)	20,267
Prepaid expenses and other assets	(9,107)	(19,578)
Accounts payable	(17,848)	(9,849)
Accrued compensation and employee benefits	(25,712)	(36,293)
Other accrued expenses and liabilities	(4,222)	15,354
Cash provided by operating activities	92,662	124,747
Cash flows from investing activities:		
Purchases of property and equipment	(23,052)	(29,546)
Proceeds from sale of assets	2,322	1,701
Acquisition of businesses, net of cash acquired	(207,259)	(55,964)
Other investing activities	(5,200)	—
Cash used in investing activities	(233,189)	(83,809)
Cash flows from financing activities:		
Repayments on revolving credit facility	(828,511)	(389,409)
Borrowings from revolving credit facility	1,009,060	360,173
Payments of principal on long-term debt	(2,494)	—
Borrowings from term loan amendment	—	288,266
Repayments from term loan amendment	—	(287,768)
Payments of principal on finance lease obligations	(21,834)	(19,304)
Repurchases of common stock	(99,248)	(75,356)
Payment for debt issuance costs	—	(5,825)
Proceeds from exercises of stock options	2,460	1,756
Payments for taxes related to net share settlement of equity awards	(4,928)	(3,975)
Proceeds from issuance of stock pursuant to employee stock purchase plan	3,207	2,664
Cash provided by (used in) financing activities	57,712	(128,778)
Effect of exchange rates on cash and cash equivalents	595	(388)
Decrease in cash and cash equivalents	(82,220)	(88,228)
Cash and cash equivalents, beginning of period	166,148	164,745
Cash and cash equivalents, end of period	$ 83,928	$ 76,517
Supplemental cash flow disclosures:		
Cash paid for income taxes	$ 46,014	$ 69,224
Cash paid for interest	45,909	35,321

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

GMS Inc.

Notes to Condensed Consolidated Financial Statements (Unaudited)

1. Business, Basis of Presentation and Summary of Significant Accounting Policies

Business

Founded in 1971, GMS Inc. (together with its consolidated subsidiaries, “we,” “our,” “us,” or the “Company”), through its operating subsidiaries, operates a network of more than 300 distribution centers with extensive product offerings of wallboard, ceilings, steel framing and complementary construction products. The Company also operates approximately 100 tool sales, rental and service centers. Through these operations, the Company provides a comprehensive selection of building products and solutions for its residential and commercial contractor customer base across the United States and Canada. The Company’s operating model combines the benefits of a national platform and strategy with a local go-to-market focus, enabling the Company to generate significant economies of scale while maintaining high levels of customer service.

Basis of Presentation

The condensed consolidated financial statements included in this Quarterly Report on Form 10-Q have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”) that permit reduced disclosure for interim periods. In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all normal and recurring adjustments necessary for a fair presentation of the results of operations, financial position and cash flows. All adjustments are of a normal recurring nature unless otherwise disclosed. The results of operations for interim periods are not necessarily indicative of results for any other interim period or the entire fiscal year. The unaudited condensed consolidated financial statements should be read in conjunction with our audited consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended April 30, 2024.

Investments

The Company accounts for investments in equity securities where it does not have significant influence over the investee using the cost method. The carrying amount of investments in equity securities was $5.2 million as of October 31, 2024 and is included in other assets in the Condensed Consolidated Balance Sheet.

Insurance Liabilities

The following table presents the Company’s aggregate liabilities for medical self-insurance, general liability, automobile and workers’ compensation and the expected recoveries for medical self-insurance, general liability, automobile and workers’ compensation. Liabilities for medical self-insurance are included in other accrued expenses and current liabilities. Reserves for general liability, automobile and workers’ compensation are included in other accrued expenses and current liabilities and other liabilities in the Condensed Consolidated Balance Sheets. Expected recoveries for insurance liabilities are included in prepaid expenses and other current assets and other assets in the Condensed Consolidated Balance Sheets.

	October 31, 2024	April 30, 2024
	(in thousands)	
Medical self-insurance	$ 4,812	$ 6,067
General liability, automobile and workers’ compensation	24,501	22,731
Expected recoveries for insurance liabilities	(4,629)	(3,746)

Restructuring

During the second quarter of fiscal 2025, the Company implemented a reduction in work force as part of a strategic cost reduction plan to improve operational efficiency. The Company recorded $6.2 million of restructuring costs in connection with the reduction in workforce and certain other restructuring activities, consisting primarily of severance and other employee costs. As of October 31, 2024, $3.5 million of costs related to the reduction in workforce were paid and $2.7 million are expected to be paid in the third quarter of fiscal 2025. Restructuring costs are classified within selling, general and administrative expenses in the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss).

Revenue Recognition

Revenue is recognized upon transfer of control of contracted goods to customers at an amount that reflects the consideration the Company expects to receive in exchange for those goods. Revenue is recognized net of any taxes collected from customers, which are subsequently remitted to governmental authorities. The Company includes shipping and handling costs billed to customers in net sales. These costs are recognized as a component of selling, general and administrative expenses.

See Note 13, "Segments," for information regarding disaggregation of revenue, including revenue by product and by geographic area.

Recently Issued Accounting Pronouncements

Segment Reporting. In November 2023, the Financial Accounting Standards Board ("FASB") issued new guidance to improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses regularly provided to the chief operating decision maker ("CODM"). The new guidance is effective for fiscal years beginning after December 15, 2023 and interim periods within fiscal years beginning after December 15, 2024. The new guidance will apply retrospectively to all periods presented. The Company is currently evaluating the impact of the new guidance on its consolidated financial statements.

Income Taxes. In December 2023, the FASB issued new guidance t o enhance income tax disclosures, primarily through changes in the rate reconciliation and income taxes paid disclosures. The new guidance is effective for fiscal years beginning after December 15, 2024. The new guidance will apply on a prospective basis to annual financial statements for periods beginning after the effective date. However, retrospective application in all prior periods presented is permitted. The Company is currently evaluating the impact of the new guidance on its consolidated financial statements.

2. Business Combinations

The Company accounts for business combinations by recognizing the assets acquired and liabilities assumed at the acquisition date fair value. In valuing certain acquired assets and liabilities, fair value estimates use Level 3 inputs, including future expected cash flows and discount rates. Goodwill is measured as the excess of consideration transferred over the fair values of the assets acquired and the liabilities assumed. While the Company uses its best estimates and assumptions to value assets acquired and liabilities assumed at the acquisition date, the Company's estimates are inherently uncertain and subject to refinement. As a result, during the measurement period, which may be up to one year from the acquisition date, the Company records adjustments to the assets acquired and liabilities assumed, with the corresponding offset to goodwill. Upon the conclusion of the measurement period, any subsequent adjustments arising from new facts and circumstances are recorded to the Consolidated Statements of Operations and Comprehensive Income. The results of operations of acquisitions are reflected in the Company's Consolidated Financial Statements from the date of acquisition.

On May 1, 2024, the Company acquired Howard & Sons Building Materials, Inc., a distributor of wallboard, steel framing and complementary products from a single location in Pomona, California.

On July 2, 2024, the Company acquired Yvon Building Supply, Inc., Yvon Insulation Corporation, Yvon Insulation Windsor, Laminated Glass Technologies, Inc. and Right Fit Foam Insulation Ltd. (collectively, "Yvon"). Yvon provides drywall, insulation, steel, ceilings and other complementary products and related services, including installed insulation. Yvon operates through seven locations across Greater Toronto and Ontario, Canada. The Company funded this transaction with cash on hand and borrowings under its asset based revolving credit facility (the "ABL Facility"). The Company also entered into contingent consideration arrangements, based on purchase volumes of certain customers, that are payable in cash to the sellers over five years, up to a maximum amount of $33.5 million as of the acquisition date ($46.0 million Canadian dollars).

On August 26, 2024, the Company acquired R.S. Elliott Specialty Supply, Inc., a leading regional distributor of stucco, plaster, siding, External Insulation and Finishing Systems ("EIFS") and related construction supplies, servicing markets across Florida from five locations in Orlando, Wildwood, Tampa, West Palm Beach and Jacksonville. The Company funded this transaction with cash on hand and borrowings under its ABL Facility.

The primary purpose of these transactions was to expand the geographical coverage of the Company and grow the business. The Company's Condensed Consolidated Statement of Operations and Comprehensive Income for the six months ended October 31, 2024 included $64.4 million of net sales and $0.4 million of net income from acquisitions made in fiscal 2025. The Company recorded transaction costs of $ 2.5 million and $2.6 million during the six months ended October 31, 2024 and 2023, respectively. Unaudited pro forma financial information is not provided because the impact of these acquisitions was not material to the Company's Consolidated Financial Statements.

The following table summarizes the preliminary consideration transferred for the Company's fiscal 2025 acquisitions:

	(in thousands)
Cash	$ 215,503
Contingent consideration	26,648
Fair value of consideration transferred	$ 242,151

The preliminary estimated fair value of the Yvon contingent consideration payments was determined using a Monte Carlo simulation which accounts for the probabilities of various outcomes. The contingent consideration will be remeasured to fair value each reporting period with changes in fair value recorded in the Consolidated Statements of Operations and Comprehensive Income. See Note 11, "Fair Value Measurements," for more information on the changes in fair value of contingent consideration.

The assets acquired and liabilities assumed were recognized at their acquisition date fair values. The acquisition accounting is subject to change as the Company obtains additional information during the measurement period about the facts and circumstances that existed as of the acquisition date. The primary areas of the preliminary acquisition accounting that are not yet finalized relate to preliminary fair value estimates (including contingent consideration), working capital adjustments and residual goodwill.

The following table summarizes the preliminary acquisition accounting for the Company's fiscal 2025 acquisitions based on currently available information:

	Preliminary Acquisition Accounting	Adjustments	Preliminary Acquisition Accounting
		(in thousands)	
Cash	$ 8,414	$ —	$ 8,414
Trade accounts and notes receivable	51,721	34	51,755
Inventories	10,731	(53)	10,678
Property and equipment	22,392	—	22,392
Other assets	15,826	496	16,322
Intangible assets	102,563	—	102,563
Goodwill	83,217	(477)	82,740
Accounts payable and other liabilities	(31,483)	—	(31,483)
Deferred income taxes	(21,230)	—	(21,230)
Fair value of consideration transferred	$ 242,151	$ —	$ 242,151

Goodwill recognized for acquisitions is attributable to synergies achieved through the streamlining of acquired company operations combined with improved margins attainable through increased market presence. The goodwill is assigned to the Company's geographic divisions reportable segment. Goodwill of $37.8 million is not expected to be deductible for income tax purposes and goodwill of $ 44.9 million is expected to be deductible for income tax purposes.

The following table summarizes the preliminary components of intangible assets acquired in connection with the Company's fiscal 2025 acquisitions (dollars in thousands):

	Fair Value	Weighted Average Amortization Period (Years)
Customer relationships	$ 87,440	10.6
Trade names	13,276	15.0
Other	1,847	5.0
Total intangible assets	$ 102,563	11.0

Trade accounts and notes receivable had an estimated fair value of $ 51.8 million and a gross contractual value of $ 52.0 million. The difference represents the Company's best estimate of the contractual cash flows that will not be collected.

3. Accounts Receivable

The Company's trade accounts and notes receivable consisted of the following:

	October 31, 2024	April 30, 2024
	(in thousands)	
Trade receivables	$ 775,281	$ 745,956
Other receivables	184,385	120,967
Allowance for expected credit losses	(9,370)	(10,228)
Other allowances	(6,614)	(6,702)
Trade accounts and notes receivable	$ 943,682	$ 849,993

The following table presents the change in the allowance for expected credit losses during the six months ended October 31, 2024:

	(in thousands)
Balance as of April 30, 2024	$ 10,228
Provision	478
Write-offs and other	(1,336)
Balance as of October 31, 2024	$ 9,370

Receivables from contracts with customers, net of allowances, were $ 759.3 million and $729.0 million as of October 31, 2024 and April 30, 2024, respectively. The Company did not have material amounts of contract assets or liabilities as of October 31, 2024 or April 30, 2024.

4. Goodwill and Intangible Assets

Goodwill

The following table presents changes in the carrying amount of goodwill:

	Gross Carrying Amount	Accumulated Impairment Loss	Net Carrying Amount
		(in thousands)	
Balance as of April 30, 2024	$ 917,689	$ (63,922)	$ 853,767
Goodwill recognized from acquisitions	82,740	—	82,740
Acquisition accounting adjustments from prior period	2,486	—	2,486
Translation adjustment	(3,157)	668	(2,489)
Balance as of October 31, 2024	$ 999,758	$ (63,254)	$ 936,504

As of October 31, 2024, $828.7 million of goodwill was assigned to the Company’s geographic divisions reportable segment and $ 107.8 million was assigned to the Company’s other segment. During the six months ended October 31, 2024, the Company recorded measurement period adjustments related to its acquisition of Kamco Supply Corporation and affiliates.

Intangible Assets

The following tables present the components of the Company’s intangible assets:

	Estimated Useful Lives (years)	Weighted Average Amortization Period	October 31, 2024 Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
			(dollars in thousands)		
Customer relationships	5-15	12.5	$ 778,033	$ (426,937)	$ 351,096
Definite-lived trade names	5-20	15.4	155,881	(37,386)	118,495
Developed technology	5-10	6.9	8,216	(5,928)	2,288
Other	3-10	5.5	8,063	(1,886)	6,177
Definite-lived intangible assets		12.9	$ 950,193	$ (472,137)	$ 478,056
Indefinite-lived intangible assets					84,367
Total intangible assets, net					$ 562,423

	Estimated Useful Lives (years)	Weighted Average Amortization Period	April 30, 2024 Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
			(dollars in thousands)		
Customer relationships	5-15	12.8	$ 695,411	$ (395,117)	$ 300,294
Definite-lived trade names	5-20	15.4	143,267	(32,613)	110,654
Developed technology	5-10	6.9	8,249	(5,843)	2,406
Other	3-10	5.6	6,142	(1,175)	4,967
Definite-lived intangible assets		13.1	$ 853,069	$ (434,748)	$ 418,321
Indefinite-lived intangible assets					84,367
Total intangible assets, net					$ 502,688

Amortization expense related to definite-lived intangible assets was $ 21.5 million and $16.0 million for the three months ended October 31, 2024 and 2023, respectively, and $40.4 million and $31.7 million during the six months ended October 31, 2024 and 2023, respectively.

The following table summarizes the estimated future amortization expense for definite-lived intangible assets. Actual amortization expense to be reported in future periods could differ materially from these estimates as a result of acquisitions, changes in useful lives, foreign currency exchange rate fluctuations and other relevant factors.

Year Ending April 30,	(in thousands)
2025 (remaining six months)	$ 40,992
2026	74,894
2027	66,717
2028	57,784
2029	49,844
Thereafter	187,825
Total	$ 478,056

The Company's indefinite-lived intangible assets as of October 31, 2024 and April 30, 2024 consisted of indefinite-lived trade names.

5. Long-Term Debt

The Company's long-term debt consisted of the following:

	October 31, 2024	April 30, 2024
	(in thousands)	
Term Loan Facility	$ 495,009	$ 497,503
Unamortized discount and deferred financing costs on Term Loan Facility	(5,856)	(6,406)
Senior Notes	350,000	350,000
Unamortized discount and deferred financing costs on Senior Notes	(3,083)	(3,426)
ABL Facility	449,191	270,000
Finance lease obligations	186,638	168,738
Installment notes at fixed rates up to 5.0%, due in monthly and annual installments through 2029	9,547	4,170
Unamortized discount on installment notes	—	(4)
Carrying value of debt	1,481,446	1,280,575
Less current portion	54,882	50,849
Long-term debt	$ 1,426,564	$ 1,229,726

Term Loan Facility

The Company has a senior secured first lien term loan facility (the "Term Loan Facility") with $ 495.0 million outstanding as of October 31, 2024. The Company is required to make scheduled quarterly payments of $1.3 million, or 0.25% of the aggregate principal amount of the Term Loan Facility, which began January 1, 2024 with the remaining balance due May 12, 2030. As of October 31, 2024, the applicable rate of interest under the Term Loan Facility was 7.10%. Borrowings under the Term Loan Facility bear interest at a floating rate per annum based on the Secured Overnight Financing Rate ("SOFR") plus 2.25%. The Company has interest rate swap and collar agreements to convert the variable interest rate on a portion of its Term Loan Facility to a fixed rate. For more information, see Note 11, "Fair Value Measurements."

On May 12, 2023, the Company amended the Term Loan Facility to provide refinancing term loans in the aggregate principal amount of $500.0 million, the net proceeds of which were used, together with cash on hand, to refinance the then outstanding borrowings under the Term Loan Facility in the principal amount of $499.5 million and pay related fees. The net $ 0.5 million increase in aggregate principal amount consisted of a $211.7 million cashless roll by existing lenders, $ 288.3 million of proceeds received from new lenders and $ 287.8 million of payments to lenders who did not participate in the refinancing. The Company corrected the presentation of the cash flows associated with the refinancing from a net presentation as shown in the Condensed Consolidated Statement of Cash Flows included in the Quarterly Report on Form 10-Q for the period ended July 31, 2023 to a presentation reporting the gross cash inflows and outflows within financing activities in the Condensed Consolidated Statement of Cash Flows included in this Quarterly Report on Form 10-Q. There was no impact to any of the cash flow subtotals (operating, investing, or financing) as a result of this correction of an immaterial cash flow misstatement. The amendment also amended the Term Loan Facility to, among other things, (i) replace the administrative and collateral agent, (ii) extend the maturity date by seven years from the date of the amendment to May 12, 2030 and (iii) modify certain thresholds, baskets and amounts referenced therein. The Company recorded a write-off of debt discount and deferred financing fees of $1.4 million, which is included in write-off of debt discount and deferred financing fees in the Consolidated Statement of Operations and Comprehensive Income for the six months ended October 31, 2023.

Senior Notes

The Company has senior unsecured notes due May 2029 (the “Senior Notes”) in the aggregate principal amount of $ 350.0 million. The Senior Notes bear interest at 4.625% per annum and mature on May 1, 2029. Interest is payable semi-annually in arrears on May 1 and November 1.

Asset Based Lending Facility

The Company has an ABL Facility that provides for aggregate revolving commitments of $ 950.0 million. Extensions of credit under the ABL Facility are limited by a borrowing base calculated periodically based on specified percentages of the value of eligible inventory and accounts receivable, subject to certain reserves and other adjustments.

At the Company’s option, the interest rates applicable to the loans under the ABL Facility are based on SOFR or base rate plus, in each case, an applicable margin. The margins applicable for each elected interest rate are subject to a pricing grid, as defined in the ABL Facility agreement, based on average daily availability for the most recent fiscal quarter. The ABL Facility also contains an unused commitment fee. As of October 31, 2024, the weighted average interest rate on borrowings was 6.37%.

As of October 31, 2024, the Company had available borrowing capacity of approximately $ 458.6 million under the ABL Facility. The ABL Facility matures on December 22, 2027. The ABL Facility contains a cross-default provision with the Term Loan Facility.

On May 23, 2024, the Company amended its ABL Facility to replace the Canadian Dollar Offered Rate (CDOR) with the Canadian Overnight Repo Rate Average (CORRA) as the benchmark rate for borrowings under the Canadian revolving credit subfacility.

Debt Covenants

The Term Loan Facility and the indenture governing the Senior Notes contain a number of covenants that limit our ability and the ability of our restricted subsidiaries, as described in the respective credit agreement and the indenture, to incur more indebtedness; pay dividends, redeem or repurchase stock or make other distributions; make investments; create restrictions on the ability of our restricted subsidiaries to pay dividends to us or make other intercompany transfers; create liens securing indebtedness; transfer or sell assets; merge or consolidate; enter into certain transactions with our affiliates; and prepay or amend the terms of certain indebtedness. Such covenants are subject to several important exceptions and qualifications set forth in the Term Loan Facility and the indenture governing the Senior Notes. As of October 31, 2024, the Company was in compliance with all covenants contained in the Term Loan Facility and the indenture governing the Senior Notes.

The ABL Facility contains certain covenants, including financial and other reporting requirements. The Company was in compliance with all such covenants as of October 31, 2024.

Debt Maturities

As of October 31, 2024, the maturities of long-term debt were as follows:

	Term Loan Facility	Senior Notes	ABL Facility	Finance Leases	Installment Notes	Total
Year Ending April 30,			(in thousands)			
2025 (remaining six months)	$ 2,494	$ —	$ —	$ 24,294	$ 443	$ 27,231
2026	4,988	—	—	44,896	2,151	52,035
2027	4,988	—	—	40,260	2,131	47,379
2028	4,988	—	449,191	34,445	2,057	490,681
2029	4,988	—	—	23,972	2,765	31,725
Thereafter	472,563	350,000	—	18,771	—	841,334
	$ 495,009	$ 350,000	$ 449,191	$ 186,638	$ 9,547	$ 1,490,385

6. Leases

The components of lease expense were as follows:

	Three Months Ended October 31,		Six Months Ended October 31,	
	2024	2023	2024	2023
	(in thousands)			
Finance lease cost:				
Amortization of right-of-use assets	$ 8,353	$ 7,114	$ 16,692	$ 13,878
Interest on lease liabilities	2,649	1,897	5,343	3,754
Operating lease cost	20,295	16,033	39,888	31,749
Variable lease cost	4,075	4,769	8,907	8,439
Total lease cost	$ 35,372	$ 29,813	$ 70,830	$ 57,820

Supplemental cash flow information related to leases was as follows:

	Six Months Ended October 31,	
	2024	2023
	(in thousands)	
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	$ 38,633	$ 30,926
Operating cash flows from finance leases	5,343	3,754
Financing cash flows from finance leases	21,834	19,304
Right-of-use assets obtained in exchange for lease obligations		
Operating leases	56,199	23,904
Finance leases	38,083	35,336

Other information related to leases was as follows:

	October 31, 2024	April 30, 2024
	(in thousands)	
Finance leases included in property and equipment		
Property and equipment	$ 325,570	$ 289,707
Accumulated depreciation	(88,556)	(78,170)
Property and equipment, net	$ 237,014	$ 211,537
Weighted-average remaining lease term (years)		
Operating leases	7.1	6.9
Finance leases	4.3	4.0
Weighted-average discount rate		
Operating leases	6.6 %	6.3 %
Finance leases	6.0 %	5.7 %

Future minimum lease payments under non-cancellable leases as of October 31, 2024 were as follows:

	Finance	Operating
Year Ending April 30,	(in thousands)	
2025 (remaining six months)	$ 29,319	$ 34,276
2026	53,139	69,452
2027	46,103	58,001
2028	38,040	47,400
2029	25,697	40,301
Thereafter	19,334	139,149
Total lease payments	211,632	388,579
Less imputed interest	24,994	88,688
Total	$ 186,638	$ 299,891

7. Income Taxes

General. The Company's effective income tax rate on continuing operations was 26.4% and 24.3% for the six months ended October 31, 2024 and 2023, respectively. The difference in the effective income tax rate over the U.S. federal statutory rate of 21.0% for the six months ended October 31, 2024 and 2023 was primarily due to the impact of foreign taxes, state taxes and equity compensation.

Valuation allowance. The Company had a valuation allowance of $ 12.6 million and $12.5 million against its deferred tax assets as of October 31, 2024 and April 30, 2024, respectively. To the extent the Company generates sufficient taxable income in the future to utilize the tax benefits of the net deferred tax assets on which a valuation allowance is recorded, the effective tax rate may decrease as the valuation allowance is reversed.

Uncertain tax positions. The Company had no uncertain tax positions as of October 31, 2024 or April 30, 2024.

8. Stockholders' Equity

Share Repurchases

On October 18, 2023, the Company's Board of Directors approved an expanded share repurchase program under which the Company is authorized to repurchase up to $250.0 million of its outstanding common stock (such plan, the "2023 Repurchase Plan"). The Company may conduct repurchases under the 2023 Repurchase Plan through open market transactions, under trading plans in accordance with SEC Rule 10b5-1 and/or in privately negotiated transactions, in each case in compliance with Rule 10b-18 under the Exchange Act. The timing and amount of any purchases of the Company's common stock are subject to a variety of factors, including, but not limited to, the Company's liquidity, credit availability, general business and market conditions, debt covenants and the availability of alternative investment opportunities. The 2023 Repurchase Plan does not obligate the Company to acquire any amount of common stock, and it may be suspended or terminated at any time at the Company's discretion. As of October 31, 2024, the Company had $102.0 million of remaining repurchase authorization under the 2023 Repurchase Plan.

Share repurchases in excess of issuances are subject to a 1% excise tax. The Company includes the applicable excise tax as part of the cost basis of the shares acquired and records the taxes as a liability in accrued expenses and other liabilities in the Consolidated Balance Sheet.

Shares repurchased pursuant to the Company's share repurchase program are retired. The Company's accounting policy related to its share repurchases is to reduce its common stock based on the par value of the shares and charge any excess of cost over par value to additional paid-in capital. The following table presents share repurchase activity for the six months ended October 31, 2024:

	Six Months Ended October 31,	
	2024	2023
	(in thousands)	
Amount repurchased pursuant to repurchase program	$ 98,478	$ 74,768
Excise tax on repurchases	770	588
Repurchases of common stock	$ 99,248	$ 75,356
Number of shares repurchased	1,131	1,158

Accumulated Other Comprehensive Loss

The following table sets forth the changes to accumulated other comprehensive loss, net of tax, by component for the six months ended October 31, 2024:

	Foreign Currency Translation	Derivative Financial Instruments	Accumulated Other Comprehensive Loss
		(in thousands)	
Balance as of April 30, 2024	$ (40,000)	$ 8,481	$ (31,519)
Other comprehensive loss before reclassification	(3,124)	(3,810)	(6,934)
Losses on intra-entity transactions that are of a long-term investment nature	(3,615)	—	(3,615)
Reclassification to earnings from accumulated other comprehensive loss	—	(1,543)	(1,543)
Balance as of October 31, 2024	$ (46,739)	$ 3,128	$ (43,611)

Other comprehensive loss before reclassification on derivative instruments for the six months ended October 31, 2024 is net of $ 1.2 million of tax. Reclassification to earnings from accumulated other comprehensive loss for the six months ended October 31, 2024 is net of tax of $0.5 million. Losses on intra-entity transactions that are of a long-term investment nature for the six months ended October 31, 2024 are net of tax of $1.2 million.

9. Equity-Based Compensation

General

Equity-based compensation expense related to stock options and restricted stock units was $ 7.6 million and $ 7.7 million during the six months ended October 31, 2024 and 2023, respectively, and is included in selling, general and administrative expenses in the Condensed Consolidated Statements of Operations and Comprehensive Income.

Stock Option Awards

The following table presents stock option activity for the six months ended October 31, 2024:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)	Aggregate Intrinsic Value
	(shares and dollars in thousands)			
Outstanding as of April 30, 2024	968	$ 41.79	6.7	$ 49,086
Options granted	134	92.63		
Options exercised	(85)	28.89		
Options forfeited	(7)	55.28		
Outstanding as of October 31, 2024	1,010	$ 49.55	6.8	$ 41,095
Exercisable as of October 31, 2024	713	$ 37.58	5.9	$ 37,280
Vested and Expected to vest as of October 31, 2024	1,002	$ 49.31	6.8	$ 41,030

The aggregate intrinsic value represents the excess of the Company's closing stock price on the last trading day of the period over the weighted average exercise price, multiplied by the number of options outstanding, exercisable or expected to vest. Options expected to vest are unvested shares, net of expected forfeitures. The total intrinsic value of options exercised during the six months ended October 31, 2024 and 2023 was $5.3 million and $2.7 million, respectively. As of October 31, 2024, there was $ 8.1 million of total unrecognized compensation cost related to stock options. That cost is expected to be recognized over a weighted-average period of 2.0 years.

The fair value of stock options granted during the six months ended October 31, 2024 and 2023 was estimated using the Black-Scholes option-pricing model with the following assumptions and resulting weighted average grant date fair value:

	Six Months Ended October 31, 2024	Six Months Ended October 31, 2023
Volatility	37.53 %	38.70 %
Expected life (years)	6.0	6.0
Risk-free interest rate	3.95 %	4.29 %
Dividend yield	— %	— %
Grant date fair value	$ 39.88	$ 33.34

Restricted Stock Units

The following table presents restricted stock unit activity for the six months ended October 31, 2024:

	Number of Restricted Stock Units	Weighted Average Grant Date Fair Value
	(shares in thousands)	
Outstanding as of April 30, 2024	314	$ 60.74
Granted	119	92.63
Vested	(171)	58.31
Forfeited	(9)	74.05
Outstanding as of October 31, 2024	253	$ 76.92

The fair value of restricted stock units that vested during the six months ended October 31, 2024 and 2023 was $ 15.8 million and $12.9 million, respectively. As of October 31, 2024, there was $12.2 million of total unrecognized compensation cost related to nonvested restricted stock units. That cost is expected to be recognized over a weighted-average period of 1.7 years.

Employee Stock Purchase Plan

The Company has an employee stock purchase plan ("ESPP"), the terms of which allow for qualified employees to participate in the purchase of shares of the Company's common stock at a price equal to 90% of the lower of the closing price at the beginning or end of the purchase period, which is a six-month period ending on December 31 and June 30 of each year. The Company recognized $ 1.0 million and $0.7 million of stock-based compensation expense related to the ESPP during the six months ended October 31, 2024 and 2023, respectively.

The following table presents the number of shares of the Company's common stock purchased under the ESPP and average price per share:

	Six Months Ended October 31, 2024	Six Months Ended October 31, 2023
	(shares in thousands)	
Number of shares purchased under the ESPP	44	58
Average purchase price	$ 72.20	$ 45.90

10. Stock Appreciation Rights, Deferred Compensation and Redeemable Noncontrolling Interests

The following table presents a summary of changes to the liabilities for stock appreciation rights, deferred compensation and redeemable noncontrolling interests:

	Stock Appreciation Rights	Deferred Compensation	Redeemable Noncontrolling Interests
		(in thousands)	
Balance as of April 30, 2024	$ 36,013	$ 2,060	$ 10,259
Amounts redeemed	(3,388)	(785)	(3,935)
Change in fair value	640	173	942
Balance as of October 31, 2024	$ 33,265	$ 1,448	$ 7,266
Classified as current as of April 30, 2024	$ 11,038	$ 733	$ 3,666
Classified as long-term as of April 30, 2024	24,975	1,327	6,593
Classified as current as of October 31, 2024	$ 17,289	$ 1,448	$ 7,266
Classified as long-term as of October 31, 2024	15,976	—	—

Total expense related to these instruments was $ 1.8 million and $2.3 million during the six months ended October 31, 2024 and 2023, respectively, and was included in selling, general and administrative expenses in the Condensed Consolidated Statements of Operations and Comprehensive Income. Current and long-term liabilities for stock appreciation rights, deferred compensation and redeemable noncontrolling interests are included in other accrued expenses and current liabilities and other liabilities, respectively, in the Condensed Consolidated Balance Sheets. See Note 13, “Stock Appreciation Rights, Deferred Compensation and Redeemable Noncontrolling Interests,” in the Company’s Annual Report on Form 10-K for the year ended April 30, 2024 for more information regarding stock appreciation rights, deferred compensation and redeemable noncontrolling interests.

11. Fair Value Measurements

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following table presents the estimated carrying amount and fair value of the Company’s assets and liabilities measured at fair value on a recurring basis:

	October 31, 2024	April 30, 2024
	(in thousands)	
Assets:		
Interest rate swaps and collars (Level 2)	$ 4,170	$ 11,260
Liabilities:		
Contingent consideration (Level 3)	$ 26,746	$ —

Interest rate swaps and collars . The Company has (a) interest rate swap agreements for two years with notional amounts totaling $300.0 million to convert the variable interest rate on a portion of the term loans outstanding to a fixed 1-month SOFR interest rate of 3.899% and (b) forward interest rate collars with notional amounts totaling $300.0 million for years 2025 through 2029. The objective of such hedging instruments is to reduce the variability of interest payment cash flows associated with the variable interest rates under the Term Loan Facility and otherwise hedge exposure to future interest rate fluctuations. The Company believes there have been no material changes in the creditworthiness of the counterparties to these interest rate swaps and believes the risk of nonperformance by each party is minimal. The Company designated the interest rate swaps and collars as cash flow hedges.

As of October 31, 2024, $1.2 million of the interest rate swap and collar assets were classified in prepaid expenses and other current assets in the Condensed Consolidated Balance Sheet and $3.0 million were classified in other assets. The

Company recognized gains of $0.9 million and $0.8 million during the three months ended October 31, 2024 and 2023, respectively, related to its interest rate swaps. The Company recognized gains of $2.0 million and $1.2 million during the six months ended October 31, 2024 and 2023, respectively, related to its interest rate swaps. These amounts are included in interest expense in the Condensed Consolidated Statements of Operations and Comprehensive Income and within cash flows from operating activities within the Condensed Consolidated Statements of Cash Flows. As of October 31, 2024, the Company expects that approximately $1.2 million of pre-tax earnings will be reclassified from accumulated other comprehensive income (loss) into earnings during the next twelve months.

The fair value of interest rate swap and collar agreements is determined using Level 2 inputs. Generally, the Company obtains the Level 2 inputs from its counterparties. Substantially all the inputs throughout the full term of the instruments can be derived from observable data or are supported by observable levels at which transactions are executed in the marketplace. The fair value of the Company's interest rate swap and collar agreements was determined using widely accepted valuation techniques, including a discounted cash flow analysis on the expected cash flows of the derivative. This analysis reflected the contractual terms of the derivatives, including the period to maturity, and used observable market-based inputs, including interest rate curves and implied volatilities.

Contingent consideration. As discussed in Note 2, "Business Combinations," the Company entered into contingent consideration arrangements in connection with its acquisition of Yvon in which the Company will make additional payments to the sellers ranging from zero to a maximum amount of $33.5 million ($46.0 million Canadian dollars) based on the purchase volumes of certain customers. The fair value of contingent consideration is determined using a Monte Carlo simulation which uses Level 3 unobservable inputs. The significant unobservable inputs used to calculate the fair value of the contingent consideration include estimated future cash flows, discount rates, and volatility of forecasted revenue. Actual results may differ from the projected results and could have a significant impact on the estimated fair value of the contingent consideration. Additionally, as the liability is stated at present value, the passage of time alone will increase the estimated fair value of the liability each reporting period. Changes in fair value are recorded in other income in the Condensed Consolidated Statements of Operations and Comprehensive Income.

The following table presents the changes in the fair value of the Company's Level 3 liabilities during the six months ended October 31, 2024:

	Contingent Consideration
	(in thousands)
Balance as of April 30, 2024	$ —
Additions	26,348
Change in fair value	793
Translation adjustment	(395)
Balance as of October 31, 2024	$ 26,746

The contingent consideration is classified in the Condensed Consolidated Balance Sheet based on expected payment dates. As of October 31, 2024, $5.4 million of the contingent consideration liability was classified within other accrued expenses and current liabilities in the Condensed Consolidated Balance Sheet and $21.3 million was classified within other liabilities.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Disclosures are required for certain assets and liabilities that are measured at fair value on a nonrecurring basis in periods after initial recognition. Such measurements of fair value relate primarily to assets and liabilities measured at fair value in connection with business combinations and long-lived asset impairments. For more information on business combinations, see Note 2, "Business Combinations." There were no material long-lived asset impairments during the six months ended October 31, 2024 or 2023.

Fair Value of Debt

The estimated fair value of the Company’s Senior Notes was determined based on Level 2 inputs using observable market prices in less active markets. The carrying amounts of the Company’s Term Loan Facility and ABL Facility approximate their fair value, as the interest rates are variable and reflective of market rates. The following table presents the carrying amount and fair value of the Company’s Senior Notes:

	October 31, 2024		April 30, 2024	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(in thousands)			
Senior Notes	$ 350,000	$ 330,971	$ 350,000	$ 323,330

12. Commitments and Contingencies

The Company is a defendant in various lawsuits and administrative actions associated with personal injuries, property damage, environmental matters, product liability claims, claims of former employees and other events arising in the normal course of business. As discussed in Note 1 “—Insurance Liabilities”, the Company records liabilities for these claims, and assets for amounts recoverable from the insurer, for claims covered by insurance.

13. Segments

There have been no changes to the Company’s reportable segments during the six months ended October 31, 2024. For more information regarding the Company’s reportable segments, see Note 16, “Segments,” in the Company’s Annual Report on Form 10-K for the year ended April 30, 2024.

Segment Results

The following tables present segment results:

	Three Months Ended October 31, 2024		
	Net Sales	Depreciation and Amortization	Adjusted EBITDA
	(in thousands)		
Geographic divisions	$ 1,441,481	$ 38,597	$ 147,850
Other	29,295	3,407	4,374
Corporate	—	74	—
	$ 1,470,776	$ 42,078	$ 152,224

	Three Months Ended October 31, 2023		
	Net Sales	Depreciation and Amortization	Adjusted EBITDA
	(in thousands)		
Geographic divisions	$ 1,389,073	$ 29,004	$ 162,306
Other	31,857	3,849	5,252
Corporate	—	84	—
	$ 1,420,930	$ 32,937	$ 167,558

	Six Months Ended October 31, 2024		
	Net Sales	Depreciation and Amortization	Adjusted EBITDA
		(in thousands)	
Geographic divisions	$ 2,858,299	$ 73,168	$ 289,749
Other	60,933	6,788	8,356
Corporate	—	154	—
	$ 2,919,232	$ 80,110	$ 298,105

	Six Months Ended October 31, 2023		
	Net Sales	Depreciation and Amortization	Adjusted EBITDA
		(in thousands)	
Geographic divisions	$ 2,768,034	$ 57,110	$ 329,591
Other	62,496	7,673	11,265
Corporate	—	172	—
	$ 2,830,530	$ 64,955	$ 340,856

The following table presents a reconciliation of Adjusted EBITDA to net income:

	Three Months Ended October 31,		Six Months Ended October 31,	
	2024	2023	2024	2023
	(in thousands)			
Net income	$ 53,536	$ 80,957	$ 110,784	$ 167,787
Interest expense	23,697	18,742	45,910	37,656
Write-off of debt discount and deferred financing fees	—	—	—	1,401
Interest income	(193)	(292)	(563)	(766)
Provision for income taxes	18,890	27,205	39,836	53,939
Depreciation expense	20,529	16,963	39,757	33,290
Amortization expense	21,549	15,974	40,353	31,665
Stock appreciation rights(a)	397	401	640	1,619
Redeemable noncontrolling interests and deferred compensation(b)	693	184	1,115	664
Equity-based compensation(c)	4,925	5,111	8,603	8,415
Severance and other permitted costs(d)	6,460	882	7,416	1,288
Transaction costs (acquisitions and other)(e)	1,193	1,223	2,473	2,608
(Gain) loss on disposal of assets(f)	(351)	(310)	507	(441)
Effects of fair value adjustments to inventory(g)	106	140	481	442
Change in fair value of contingent consideration(h)	793	—	793	—
Debt transaction costs(i)	—	378	—	1,289
Adjusted EBITDA(j)	$ 152,224	$ 167,558	$ 298,105	$ 340,856

(a) Represents changes in the fair value of stock appreciation rights.

(b) Represents changes in the fair values of noncontrolling interests and deferred compensation agreements.

(c) Represents non-cash equity-based compensation expense related to the issuance of share-based awards.

(d) Represents severance expenses and certain other cost adjustments as permitted under the ABL Facility and the Term Loan Facility.

(e) Represents costs related to acquisitions paid to third parties.

(f) Includes gains and losses from the sale and disposal of assets.

(g) Represents the non-cash cost of sales impact of acquisition accounting adjustments to increase inventory to its estimated fair value.

(h) Represents the change in fair value of contingent consideration arrangements.

(i) Represents costs paid to third-party advisors related to debt refinancing activities.

(j) For a detailed discussion of the Company's use of non-GAAP financial measures, see "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operation – Non-GAAP Financial Measures" in this Quarterly Report on Form 10-Q.

Revenues by Product

The following table presents the Company's net sales to external customers by main product lines:

	Three Months Ended October 31,		Six Months Ended October 31,	
	2024	2023	2024	2023
	(in thousands)			
Wallboard	$ 582,119	$ 585,174	$ 1,170,048	$ 1,156,599
Complementary products	466,828	428,319	910,341	854,529
Steel framing	217,388	232,108	427,246	468,868
Ceilings	204,441	175,329	411,597	350,534
Total net sales	$ 1,470,776	$ 1,420,930	$ 2,919,232	$ 2,830,530

The following table presents additional detail on the Company's net sales of complementary products:

	Three Months Ended October 31,		Six Months Ended October 31,	
	2024	2023	2024	2023
	(in thousands)			
Tools and fasteners	$ 89,743	$ 86,366	$ 180,912	$ 170,041
Insulation	100,842	82,068	185,885	160,455
Joint treatment	76,228	67,414	151,517	132,696
Lumber	42,295	40,437	85,318	82,511
EIFS/stucco	55,664	47,408	106,616	93,704
Other	102,056	104,626	200,093	215,122
Complementary products	$ 466,828	$ 428,319	$ 910,341	$ 854,529

Geographic Information

The following table presents the Company's net sales by major geographic area:

	Three Months Ended October 31,		Six Months Ended October 31,	
	2024	2023	2024	2023
	(in thousands)			
United States	$ 1,254,151	$ 1,238,855	$ 2,513,056	$ 2,457,286
Canada	216,625	182,075	406,176	373,244
Total net sales	$ 1,470,776	$ 1,420,930	$ 2,919,232	$ 2,830,530

The following table presents the Company's property and equipment, net, by major geographic area:

	October 31, 2024	April 30, 2024
	(in thousands)	
United States	$ 451,024	$ 425,429
Canada	62,626	46,828
Total property and equipment, net	$ 513,650	$ 472,257

14. Earnings Per Common Share

The following table sets forth the computation of basic and diluted earnings per share of common stock:

	Three Months Ended October 31,		Six Months Ended October 31,	
	2024	2023	2024	2023
	(in thousands, except per share data)			
Net income	$ 53,536	$ 80,957	$ 110,784	$ 167,787
Basic earnings per common share:				
Basic weighted average common shares outstanding	39,126	40,466	39,334	40,608
Basic earnings per common share	$ 1.37	$ 2.00	$ 2.82	$ 4.13
Diluted earnings per common share:				
Basic weighted average common shares outstanding	39,126	40,466	39,334	40,608
Add: Common Stock Equivalents	577	622	630	674
Diluted weighted average common shares outstanding	39,703	41,088	39,964	41,282
Diluted earnings per common share	$ 1.35	$ 1.97	$ 2.77	$ 4.06

During the three and six months ended October 31, 2024 and 2023, the number of Common Stock Equivalents excluded from the calculation of diluted earnings per share because their effect would have been anti-dilutive was not material. Anti-dilutive securities could be dilutive in future periods.

Note 15. Subsequent Event

On December 2, 2024, the Company's Board of Directors approved a renewal of the share repurchase program authorizing the Company to repurchase up to $250 million of its outstanding common stock (such new repurchase program, the “2024 Repurchase Plan”). The 2024 Repurchase Plan replaces the Company's previous share repurchase authorization of $250 million under the 2023 Repurchase Plan, which commenced in October 2023 and had $94.6 million of authorization remaining as of November 30, 2024. The Company may conduct repurchases under the 2024 Repurchase Plan through a variety of methods, which may include open market transactions, block trades, accelerated share repurchases, under trading plans in accordance with SEC Rule 10b5-1, in privately negotiated transactions or in any combination of such methods, in each case in compliance with Rule 10b-18 under the Exchange Act. The timing and amount of any purchases of our common stock are subject to a variety of factors, including, but not limited to, our liquidity, credit availability, general business and market conditions, stock price, our debt covenants and the availability of alternative investment opportunities. The 2024 Repurchase Program does not obligate us to acquire any amount of common stock, and it may be suspended or terminated at any time at our discretion.

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

The following information should be read in conjunction with the unaudited condensed consolidated financial statements and related notes included in this Quarterly Report on Form 10-Q. The following discussion may contain forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to these differences include those factors discussed below and elsewhere in this Quarterly Report on Form 10-Q, particularly in "Cautionary Note Regarding Forward-Looking Statements," and discussed in the section entitled "Risk Factors" included in our Annual Report on Form 10-K for the year ended April 30, 2024.

Overview

Founded in 1971, GMS Inc. ("we," "our," "us," or the "Company"), through its operating subsidiaries, operates a network of more than 300 distribution centers with extensive product offerings of wallboard, ceilings, steel framing and complementary construction products. We also operate approximately 100 tool sales, rental and service centers. Through these operations, we provide a comprehensive selection of building products and solutions for our residential and commercial contractor customer base across the United States and Canada. Our operating model combines the benefits of a national platform and strategy with a local go-to-market focus, enabling us to generate significant economies of scale while maintaining high levels of customer service.

Market Conditions and Outlook

We believe the Company continues to be well-positioned to meet demand in our end markets and respond to fluctuations therein due to our broad mix of customers, including commercial, single-family and multi-family builders and contractors, our diverse product offerings and our expansive geographic scope.

Commercial

Demand for commercial projects in most of the sectors GMS serves was solid through the end of fiscal 2024, as driven by stimulus and technology related spending and post-COVID population shifts. However, after two years of U.S. commercial wallboard volume growth through the end of fiscal 2024, demand for wallboard in this end market declined year-over-year during the first half of fiscal 2025 as compared with the prior year period, reflective of an uncertain economic climate and a challenging financing environment for commercial projects. While a number of projects have been delayed or cancelled for now, construction to support certain commercial applications, including medical and governmental projects, particularly those associated with reshoring activities and those driven by governmental programs, such as development associated with the CHIPS Act of 2022, continue. Looking forward, financing availability and cost, coupled with labor constraints and other inflationary pressures, appear to be headwinds until interest rates and commercial real estate lending conditions improve.

As with residential contractors, both we and our commercial contractor customers face inflationary pressures for labor, certain building products and other miscellaneous expenses.

Residential – Single-Family

Single-family starts began to pull back in the summer of 2022 amid rising interest rates coupled with broader macroeconomic and other affordability concerns. As a result, a slowdown in demand for single-family construction products followed, and we began to see its impacts in our results during the latter half of fiscal 2023 for most of our geographic regions, which lasted through much of fiscal 2024. After mortgage rates peaked in October 2023, they moderated slightly and sentiment from many of our homebuilder customers improved as the market adjusted to the current rates, particularly with the support of incentives from larger homebuilders. In the fourth quarter of fiscal 2024, year-over-year wallboard volume growth for single-family housing units turned positive for the first time since the fall of 2022 and was again positive in the first half of fiscal 2025, evidencing the early recovery of this end market. However, while underlying fundamentals, including a limited supply of both new and existing homes as well as demographics, continue to support strong demand for single-family housing units, stubbornly elevated mortgage rates and the overall affordability of housing, particularly for younger, lower income buyers, are expected to temper overall single-family housing starts.

Residential – Multi-Family

Given the fundamental need for additional residential housing units, coupled with affordability concerns for prospective homebuyers and a lack of existing homes for sale, multi-family construction activity was robust throughout calendar 2023 and into the fourth quarter of fiscal 2024. However, given the significant decline in starts over the last year, this end market peaked for the short term and demand for our products declined year-over-year during the first half of fiscal 2025 as certain geographies have completed the construction of the bulk of their remaining backlog of projects.

While absorption rates in this market remain favorable, creating optimism for further development, interest rates and suppressed commercial real estate lending continue to constrain projects in the near term. More broadly, the solid underlying demand fundamentals of the housing market, including favorable demographics, low levels of supply of new homes, a chronic undersupply of homes in general, and easing regulatory constraints for development are expected to provide support for the residential multi-family markets in the longer term.

Business Strategy

The key elements of our business strategy are as follows:

- *Expand Core Products*. Our business strategy includes an emphasis on expanding our market share in our core products (wallboard, ceilings and steel framing) both organically and through acquisitions.
- *Grow Complementary Products*. We are focused on growing our complementary product lines, with a particular emphasis on achieving growth in tools and fasteners, insulation and External Insulation and Finishing Systems (“EIFS”) and stucco, and to diversify and expand our product offerings in order to better serve our customers.
- *Expand our Platform*. Our growth strategy includes the pursuit of both greenfield openings and strategic acquisitions to further broaden our geographic markets, enhance our service levels and expand our product offerings.
    - *Greenfield openings*. Our strategy for opening new branches is generally to further penetrate existing markets or enter new markets adjacent to our existing operations. For adjacent markets, we typically have pre-existing customer relationships in those markets but need a new location to fully serve those relationships.
    - *Acquisitions*. We have a proven history of consummating complementary acquisitions in new and contiguous markets. Due to the large, fragmented nature of our markets and our reputation throughout the industry, we believe we will continue to have access to a robust acquisition pipeline to supplement our organic growth. We use a rigorous targeting process to identify acquisition candidates that we believe will fit our culture and business model and we have built an experienced team of professionals to manage the acquisition and integration processes. As a result of our scale, purchasing power and ability to improve operations through implementing best practices, we believe we can continue to achieve substantial synergies, better serve our customers and drive earnings accretion from our acquisition strategy.
- *Drive Improved Productivity and Profitability*. Our business strategy entails a focus on reduced complexity, enhanced productivity and improved profitability across the organization, seeking to leverage our scale and employ both technology and other best practices to lower our costs in order to deliver further margin expansion and earnings growth. We also expect to continue to capture profitable market share in our existing footprint by delivering industry-leading customer service.

Highlights

Key highlights in our business during the six months ended October 31, 2024 are described below:

- Generated net sales of $2,919.2 million during the six months ended October 31, 2024, a 3.1% increase from the prior year period, primarily due to contributions from recent acquisitions, resilient pricing in wallboard, ceilings and certain complementary products and single-family volume growth. These factors helped to offset a challenging pricing environment in steel framing and softening market conditions.
- Generated net income of $110.8 million during the six months ended October 31, 2024, a 34.0% decrease compared to the prior year, primarily due to increased selling, general and administrative expenses, driven by incremental expense from recent acquisitions and operating cost inflation; a decrease in gross margin, primarily due to the mix impacts of steel price deflation, price and cost dynamics in wallboard, and a shift from commercial and multi-family to single-family wallboard deliveries; and an increase in depreciation and amortization, primarily resulting from acquisitions. Net income as a percentage of sales was 3.8% and 5.9% during the six months ended October 31, 2024 and 2023, respectively.

- Generated Adjusted EBITDA (a non-GAAP measure, see “Non-GAAP Financial Measures” in this Item 2) of $298.1 million during the six months ended October 31, 2024, a 12.5% decrease compared to the prior year. Adjusted EBITDA, as a percentage of net sales, decreased to 10.2% for the six months ended October 31, 2024 compared to 12.0% for the six months ended October 31, 2023, primarily due to deflationary dynamics in steel pricing and increased selling, general and administrative expenses discussed above.

- Completed three acquisitions and opened one greenfield location, as further described below.

Recent Developments

Acquisitions

On May 1, 2024, the Company acquired Howard & Sons Building Materials, Inc. (“Howard & Sons”), a distributor of wallboard, steel framing and complementary products from a single location in Pomona, California.

On July 2, 2024, the Company acquired Yvon Building Supply, Inc., Yvon Insulation Corporation, Yvon Insulation Windsor, Laminated Glass Technologies, Inc. and Right Fit Foam Insulation Ltd. (collectively, “Yvon”). Yvon provides drywall, insulation, steel, ceilings and other complementary products and related services, including installed insulation. Yvon operates through seven locations across Greater Toronto and Ontario, Canada. The Company funded this transaction with cash on hand and borrowings under its asset based revolving credit facility (the “ABL Facility”). The Company also entered into contingent consideration arrangements that are based on purchases of certain customers and are payable in cash over five years.

On August 26, 2024, the Company acquired R.S. Elliott Specialty Supply, Inc. (“R.S. Elliott”), a leading regional distributor of stucco, plaster, siding, EIFS and related construction supplies, servicing markets across Florida from five locations in Orlando, Wildwood, Tampa, West Palm Beach and Jacksonville.

For more information regarding our acquisitions, see Note 2 of the Notes to Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q.

Greenfields

During the second quarter of fiscal 2025, the Company opened one new greenfield location in Summerville, South Carolina. Subsequent to the end of the quarter, the Company opened two additional greenfield locations in Middleton, Massachusetts and Clackamas, Oregon.

Cost Reduction Initiative

During the second quarter of fiscal 2025, the Company implemented a strategic cost reduction plan to improve operational efficiency, including a reduction in workforce. The Company recorded $6.2 million of onetime costs during the second quarter of fiscal 2025. The cost reduction plan is expected to result in $25 million to $30 million of annualized cost savings.

Results of Operations

The following table summarizes key components of our results of operations for the three and six months ended October 31, 2024 and 2023:

	Three Months Ended October 31,		Six Months Ended October 31,	
	2024	2023	2024	2023
	(dollars in thousands)			
Statement of operations data:				
Net sales	$ 1,470,776	$ 1,420,930	$ 2,919,232	$ 2,830,530
Cost of sales (exclusive of depreciation and amortization shown separately below)	1,009,649	962,301	2,006,542	1,921,347
Gross profit	461,127	458,629	912,690	909,183
Operating expenses:				
Selling, general and administrative expenses	324,225	300,894	639,377	587,690
Depreciation and amortization	42,078	32,937	80,110	64,955
Total operating expenses	366,303	333,831	719,487	652,645
Operating income	94,824	124,798	193,203	256,538
Other (expense) income:				
Interest expense	(23,697)	(18,742)	(45,910)	(37,656)
Write-off of debt discount and deferred financing fees	—	—	—	(1,401)
Other income, net	1,299	2,106	3,327	4,245
Total other expense, net	(22,398)	(16,636)	(42,583)	(34,812)
Income before taxes	72,426	108,162	150,620	221,726
Provision for income taxes	18,890	27,205	39,836	53,939
Net income	$ 53,536	$ 80,957	$ 110,784	$ 167,787
Non-GAAP measures:				
Adjusted EBITDA(1)	$ 152,224	$ 167,558	$ 298,105	$ 340,856
Adjusted EBITDA margin(1)(2)	10.3 %	11.8 %	10.2 %	12.0 %

(1) Adjusted EBITDA and Adjusted EBITDA margin are non-GAAP measures. See "—Non-GAAP Financial Measures—Adjusted EBITDA" for how we define and calculate Adjusted EBITDA and Adjusted EBITDA margin, reconciliations thereof to net income and a description of why we believe these measures are useful.

(2) Adjusted EBITDA margin is Adjusted EBITDA as a percentage of net sales.

Three Months Ended October 31, 2024 and 2023

Net Sales

	Three Months Ended October 31,		Change	
	2024	2023	Dollar	Percent
	(dollars in thousands)			
Wallboard	$ 582,119	$ 585,174	$ (3,055)	(0.5)%
Complementary products	466,828	428,319	38,509	9.0 %
Steel framing	217,388	232,108	(14,720)	(6.3)%
Ceilings	204,441	175,329	29,112	16.6 %
Total net sales	$ 1,470,776	$ 1,420,930	$ 49,846	3.5 %

The following table presents the impact of changes in volume and pricing on net sales of wallboard, steel framing and ceilings products on a per day basis during the three months ended October 31, 2024 compared to the prior year period:

	Volume	Price/Mix
Wallboard	(1.6)%	1.1 %
Ceilings	3.6 %	13.0 %
Steel framing	1.5 %	(7.8) %

The increase in net sales during the three months ended October 31, 2024 compared to the prior year period was primarily due to contributions from recent acquisitions and resilient pricing in wallboard, ceilings and certain complementary products. These factors helped to partially offset price deflation in steel framing and negative impacts of two major hurricanes. The increase in net sales consisted of the following:

- an increase in complementary products sales, which include insulation, joint treatment, tools (including automatic taping and finishing tools), lumber and various other specialty building products, primarily due to positive contributions from acquisitions and an increase in pricing in certain product categories;

- an increase in ceilings sales, which are principally impacted by commercial construction activity, primarily due to an increase in price/product mix, higher volume and positive contributions from acquisitions;

- partially offset by a decrease in steel framing sales, which are principally impacted by commercial construction activity, primarily due to a decrease in price/product mix; and

- a decrease in wallboard sales, which are impacted by both commercial and residential construction activity, primarily due to lower volume, partially offset by an increase in price/product mix.

The following table breaks out our net sales into organic, or base business, net sales and recently acquired net sales for the three months ended October 31, 2024. When calculating organic sales growth, we exclude the net sales of acquired businesses until the first anniversary of the acquisition date. In addition, we exclude the impact of foreign currency translation in our calculation of organic net sales growth.

	Three Months Ended October 31,		Change	
	2024	2023	Dollar	Percent
	(dollars in thousands)			
Net sales	$ 1,470,776			
Recently acquired net sales (1)	(116,990)			
Impact of foreign currency (2)	1,226			
Base business net sales (3)	$ 1,355,012	$ 1,420,930	$ (65,918)	(4.6)%

(1) Represents net sales of branches acquired by us until the first anniversary of the acquisition date. For the three months ended October 31, 2024, net sales includes sales from the following acquisitions: AMW Construction Supply, LLC acquired on October 1, 2023; Kamco Supply Corporation and affiliates acquired on March 1, 2024; Howard & Sons acquired on May 1, 2024; Yvon acquired on July 2, 2024; and R.S. Elliott acquired on August 26, 2024.

(2) Represents the impact of foreign currency translation on net sales.

(3) Represents net sales of existing branches and branches that were opened by us during the period presented.

The decrease in organic net sales was primarily driven by price deflation in steel framing and softened demand across our end markets, particularly in multi-family. These decreases were partially offset by resilient pricing in wallboard, ceilings and complementary products.

Gross Profit and Gross Margin

	Three Months Ended October 31,		Change	
	2024	2023	Dollar	Percent
	(dollars in thousands)			
Gross profit	$ 461,127	$ 458,629	$ 2,498	0.5 %
Gross margin	31.4 %	32.3 %		

The slight increase in gross profit during the three months ended October 31, 2024 compared to the prior year period was primarily due to contributions from recent acquisitions, partially offset by lower steel pricing. Gross margin on net sales for the three months ended October 31, 2024 decreased compared to the prior year period, primarily due to price and cost dynamics in wallboard, a shift from commercial and multi-family to single-family wallboard deliveries, unrealized manufacturer purchasing incentives due to lighter demand and storm disruption and several operational impacts to cost of sales.

Selling, General and Administrative Expenses

	Three Months Ended October 31,		Change	
	2024	2023	Dollar	Percent
	(dollars in thousands)			
Selling, general and administrative expenses	$ 324,225	$ 300,894	$ 23,331	7.8 %
% of net sales	22.0 %	21.2 %		

Selling, general and administrative expenses consist of warehouse, delivery and general and administrative expenses. Approximately $21.6 million of the increase in selling, general and administrative expenses during the three months ended October 31, 2024 compared to the prior year was due to incremental selling, general and administrative expenses from acquisitions. Also contributing to the increase was an increase in severance costs, primarily related to the cost reduction initiatives implemented during the three months ended October 31, 2024. These increases were partially offset by lower overall operating costs, reflective of realized savings from our cost reduction initiatives and reduced activity from changes in demand. The increase in selling, general and administrative expenses as a percentage of our net sales during the three months ended October 31, 2024 compared to the prior year period was primarily due to operating cost inflation, steel price deflation and an increase in severance costs.

Depreciation and Amortization Expense

	Three Months Ended October 31,		Change	
	2024	2023	Dollar	Percent
	(dollars in thousands)			
Depreciation	$ 20,529	$ 16,963	$ 3,566	21.0 %
Amortization	21,549	15,974	5,575	34.9 %
Depreciation and amortization	$ 42,078	$ 32,937	$ 9,141	27.8 %

Depreciation and amortization expense includes depreciation of property and equipment and amortization of definite-lived intangible assets acquired in purchases of businesses. The increase in depreciation expense during the three months ended October 31, 2024 compared to the prior year period was primarily due to incremental expense resulting from property and equipment obtained in acquisitions and capital expenditures over the past year. The increase in amortization expense during the three months ended October 31, 2024 was primarily due to incremental expense resulting from definite-lived intangible assets obtained in acquisitions over the past year, partially offset by the time-based progression of our use of the accelerated method of amortization for acquired customer relationships.

Interest Expense

	Three Months Ended October 31,		Change	
	2024	2023	Dollar	Percent
	(dollars in thousands)			
Interest expense	$ 23,697	$ 18,742	$ 4,955	26.4 %

Interest expense consists primarily of interest expense incurred on our debt and finance leases and amortization of deferred financing fees and debt discounts. The increase in interest expense during the three months ended October 31, 2024 compared to the prior year period was primarily due to an increase in outstanding debt and finance leases.

Income Taxes

	Three Months Ended October 31,		Change	
	2024	2023	Dollar	Percent
	(dollars in thousands)			
Provision for income taxes	$ 18,890	$ 27,205	$ (8,315)	(30.6)%
Effective tax rate	26.1 %	25.2 %		

The change in the effective income tax rate during the three months ended October 31, 2024 compared to the prior year period was primarily due to foreign taxes, state taxes and equity compensation.

Six Months Ended October 31, 2024 and 2023

Net Sales

	Six Months Ended October 31,		Change	
	2024	2023	Dollar	Percent
	(dollars in thousands)			
Wallboard	$ 1,170,048	$ 1,156,599	$ 13,449	1.2 %
Complementary products	910,341	854,529	55,812	6.5 %
Steel framing	427,246	468,868	(41,622)	(8.9)%
Ceilings	411,597	350,534	61,063	17.4 %
Total net sales	$ 2,919,232	$ 2,830,530	$ 88,702	3.1 %

The following table presents the impact of changes in volume and pricing on net sales of wallboard, steel framing and ceilings products on a per day basis during the six months ended October 31, 2024 compared to the prior year period:

	Volume	Price/Mix
Wallboard	0.6 %	0.6 %
Ceilings	4.2 %	13.2 %
Steel framing	3.9 %	(12.8)%

The increase in net sales during the six months ended October 31, 2024 compared to the prior year period was primarily due to contributions from recent acquisitions and resilient pricing in wallboard, ceilings and certain complementary products. These factors helped to partially offset price deflation in steel framing. The increase in net sales consisted of the following:

- a slight increase in wallboard sales, which are impacted by both commercial and residential construction activity, primarily due to higher single-family volume and an increase in price/product mix;
- an increase in complementary products sales, which include insulation, joint treatment, tools (including automatic taping and finishing tools), lumber and various other specialty building products, primarily due to positive contributions from acquisitions and an increase in pricing in certain product categories;

- an increase in ceilings sales, which are principally impacted by commercial construction activity, primarily due to an increase in price/product mix and higher volume driven by positive contributions from acquisitions; and

- partially offset by a decrease in steel framing sales, which are principally impacted by commercial construction activity, primarily due to a decrease in price/product mix, partially offset by higher volume driven by positive contributions from acquisitions.

The following table breaks out our net sales into organic, or base business, net sales and recently acquired net sales for the six months ended October 31, 2024. When calculating organic sales growth, we exclude the net sales of acquired businesses until the first anniversary of the acquisition date. In addition, we exclude the impact of foreign currency translation in our calculation of organic net sales growth.

	Six Months Ended October 31,		Change	
	2024	2023	Dollar	Percent
	(dollars in thousands)			
Net sales	$ 2,919,232			
Recently acquired net sales (1)	(192,515)			
Impact of foreign currency (2)	6,307			
Base business net sales (3)	$ 2,733,024	$ 2,830,530	$ (97,506)	(3.4)%

(1) Represents net sales of branches acquired by us until the first anniversary of the acquisition date. For the six months ended October 31, 2024, net sales includes sales from the following acquisitions: AMW Construction Supply, LLC acquired on October 1, 2023; Kamco Supply Corporation and affiliates acquired on March 1, 2024; Howard & Sons acquired on May 1, 2024; Yvon acquired on July 2, 2024; and R.S. Elliott acquired on August 26, 2024.

(2) Represents the impact of foreign currency translation on net sales.

(3) Represents net sales of existing branches and branches that were opened by us during the period presented.

The decrease in organic net sales was primarily driven by price deflation in steel framing and softened demand across our end markets, particularly in multi-family. These decreases were partially offset by resilient pricing in wallboard, ceilings and complementary products.

Gross Profit and Gross Margin

	Six Months Ended October 31,		Change	
	2024	2023	Dollar	Percent
	(dollars in thousands)			
Gross profit	$ 912,690	$ 909,183	$ 3,507	0.4 %
Gross margin	31.3 %	32.1 %		

The increase in gross profit during the six months ended October 31, 2024 compared to the prior year period was primarily due to contributions from recent acquisitions, partially offset by lower steel pricing. Gross margin on net sales for the six months ended October 31, 2024 decreased compared to the prior year period, primarily due to the mix impacts of steel price deflation, price and cost dynamics in wallboard, and a shift from commercial and multi-family to single-family wallboard deliveries.

Selling, General and Administrative Expenses

	Six Months Ended October 31,		Change	
	2024	2023	Dollar	Percent
	(dollars in thousands)			
Selling, general and administrative expenses	$ 639,377	$ 587,690	$ 51,687	8.8 %
% of net sales	21.9 %	20.8 %		

Approximately $37.8 million of the increase in selling, general and administrative expenses during the six months ended October 31, 2024 compared to the prior year was due to incremental selling, general and administrative expenses from acquisitions. Also contributing to the increase was a $6.1 million increase in severance costs. The remaining increase was due to increases in payroll and payroll-related costs, facilities costs and maintenance costs. The increase in selling, general and administrative expenses as a percentage of our net sales during the six months ended October 31, 2024 compared to the prior year period was primarily due to operating cost inflation and activity-based increases, steel price deflation and costs associated with recent acquisitions and greenfield openings negatively impacting leverage.

Depreciation and Amortization Expense

	Six Months Ended October 31,		Change	
	2024	2023	Dollar	Percent
	(dollars in thousands)			
Depreciation	$ 39,757	$ 33,290	$ 6,467	19.4 %
Amortization	40,353	31,665	8,688	27.4 %
Depreciation and amortization	$ 80,110	$ 64,955	$ 15,155	23.3 %

The increase in depreciation expense during the six months ended October 31, 2024 compared to the prior year period was primarily due to incremental expense resulting from property and equipment obtained in acquisitions and capital expenditures over the past year. The increase in amortization expense during the six months ended October 31, 2024 was primarily due to incremental expense resulting from definite-lived intangible assets obtained in acquisitions over the past year, partially offset by the time-based progression of our use of the accelerated method of amortization for acquired customer relationships.

Interest Expense

	Six Months Ended October 31,		Change	
	2024	2023	Dollar	Percent
	(dollars in thousands)			
Interest expense	$ 45,910	$ 37,656	$ 8,254	21.9 %

The increase in interest expense during the six months ended October 31, 2024 compared to the prior year period was primarily due to an increase in outstanding debt and finance leases.

Income Taxes

	Six Months Ended October 31,		Change	
	2024	**2023**	**Dollar**	**Percent**
	(dollars in thousands)			
Provision for income taxes	$ 39,836	$ 53,939	$ (14,103)	(26.1)%
Effective tax rate	26.4 %	24.3 %		

The change in the effective income tax rate during the six months ended October 31, 2024 compared to the prior year period was primarily due to foreign taxes, state taxes and equity compensation.

Liquidity and Capital Resources

Summary

We depend on cash flow from operations, cash on hand and funds available under our ABL Facility to finance working capital needs, capital expenditures and acquisitions. We believe that these sources of funds will be adequate to fund debt service requirements and provide cash, as required, to support our growth strategies, ongoing operations, capital expenditures, lease obligations and working capital for at least the next twelve months and in the long term. We also believe we would be able to take measures to preserve liquidity should there be an economic downturn, recession or other disruption to our business in the future.

As of October 31, 2024, we had available borrowing capacity of approximately $458.6 million under our ABL Facility. The ABL Facility is scheduled to mature on December 22, 2027. The ABL Facility contains a cross-default provision with the senior secured first lien term loan facility (the “Term Loan Facility”).

On May 23, 2024, we amended our ABL Facility to replace the Canadian Dollar Offered Rate (CDOR) with the Canadian Overnight Repo Rate Average (CORRA) as the benchmark rate for borrowings under the Canadian revolving credit subfacility.

For more information regarding our ABL Facility and other indebtedness, see Note 5 of the Notes to Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q and Note 7 of the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended April 30, 2024.

We regularly evaluate opportunities to optimize our capital structure, including through consideration of the issuance or incurrence of additional debt, to refinance existing debt and to fund ongoing cash needs such as general corporate purposes, growth initiatives, acquisitions and our stock repurchase program.

Cash Flows

A summary of our operating, investing and financing activities is shown in the following table:

	Six Months Ended October 31,	
	2024	2023
	(in thousands)	
Cash provided by operating activities	$ 92,662	$ 124,747
Cash used in investing activities	(233,189)	(83,809)
Cash provided by (used in) financing activities	57,712	(128,778)
Effect of exchange rates on cash and cash equivalents	595	(388)
Decrease in cash and cash equivalents	$ (82,220)	$ (88,228)

Operating Activities

The decrease in cash used in operating activities during the six months ended October 31, 2024 compared to the prior year period was primarily due to a decrease in net income and an increase in cash paid for interest expense, partially offset by lower working capital.

Investing Activities

The increase in cash used in investing activities during the six months ended October 31, 2024 compared to the prior year period was primarily due to a $151.3 million increase in cash used for acquisitions, partially offset by a $6.5 million decrease in capital expenditures.

Capital expenditures during the six months ended October 31, 2024 primarily consisted of the purchase of delivery and warehouse equipment, building and leasehold improvements, and IT-related spending. Capital expenditures vary depending on prevailing business factors, including current and anticipated market conditions.

Financing Activities

The change in cash for financing activities during the six months ended October 31, 2024 compared to the prior year period was primarily due to net borrowings of $180.5 million under our ABL Facility during the six months ended October 31, 2024, compared to net repayments of $29.2 million during the prior year period. Also contributing to the change was a $23.9 million increase in repurchases of common stock during the six months ended October 31, 2024 compared to the prior year period and a $5.0 million increase in payments for principal on long-term debt and finance leases.

Share Repurchase Program

On October 18, 2023, our Board of Directors approved an expanded share repurchase program under which we are authorized to repurchase up to $250.0 million of our outstanding common stock (such plan, the “2023 Repurchase Plan”). See Note 8 of the Notes to Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q for more information regarding the 2023 Repurchase Plan.

We repurchased approximately 1.1 million shares of our common stock for $98.5 million pursuant to the 2023 Repurchase Plan during the six months ended October 31, 2024, plus $0.8 million of excise taxes. As of October 31, 2024, we had $102.0 million of remaining purchase authorization under the 2023 Repurchase Plan.

On December 2, 2024, the Company’s Board of Directors approved a renewal of the share repurchase program authorizing the Company to repurchase up to $250 million of its outstanding common stock (such new repurchase program, the “2024 Repurchase Plan”). The 2024 Repurchase Plan replaces the Company’s previous share repurchase authorization of $250 million under the 2023 Repurchase Plan, which commenced in October 2023 and had $94.6 million of authorization remaining as of November 30, 2024. See Note 15 of the Notes to Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q for more information regarding the 2024 Repurchase Plan.

Debt Covenants

The ABL Facility, the Term Loan Facility and the indenture governing the senior unsecured notes due May 2029 (the “Senior Notes”) contain a number of covenants that limit our ability and the ability of our restricted subsidiaries, as described in the respective credit agreement and the indenture, to incur more indebtedness; pay dividends, redeem or repurchase stock or make other distributions; make investments; create restrictions on the ability of our restricted subsidiaries to pay dividends to us or make other intercompany transfers; create liens securing indebtedness; transfer or sell assets; merge or consolidate; enter into certain transactions with our affiliates; and prepay or amend the terms of certain indebtedness. Such covenants are subject to several important exceptions and qualifications set forth in the ABL Facility, the Term Loan Facility and the indenture governing the Senior Notes. We were in compliance with all such covenants as of October 31, 2024.

Contractual Obligations

There have been no material changes to the contractual obligations as disclosed in our Annual Report on Form 10-K for the fiscal year ended April 30, 2024, other than those made in the ordinary course of business.

Off-Balance Sheet Arrangements

There have been no material changes to our off-balance sheet arrangements as discussed in our Annual Report on Form 10-K for the fiscal year ended April 30, 2024.

Newly Issued Accounting Pronouncements

See Note 1 of the Notes to Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q for information regarding recently issued accounting pronouncements.

Critical Accounting Estimates

During the three months ended October 31, 2024, there were no material changes to our critical accounting estimates or our significant accounting policies as disclosed in our Annual Report on Form 10-K for the fiscal year ended April 30, 2024.

Non-GAAP Financial Measures

Adjusted EBITDA

Adjusted EBITDA and Adjusted EBITDA margin are non-GAAP measures. We report our financial results in accordance with GAAP; however, we present Adjusted EBITDA and Adjusted EBITDA margin because we believe they assist investors and analysts in comparing our operating performance across reporting periods on a consistent basis by excluding items that we do not believe are indicative of our core operating performance. Management believes Adjusted EBITDA and Adjusted EBITDA margin are helpful in highlighting trends in our operating results, while other measures can differ significantly depending on long-term strategic decisions regarding capital structure and allocation, the tax jurisdictions in which companies operate and capital investments and acquisitions.

In addition, we utilize Adjusted EBITDA in certain calculations under our debt agreements. Our debt agreements permit us to make certain additional adjustments in calculating Consolidated EBITDA, such as projected net cost savings, which are not reflected in the Adjusted EBITDA data presented in this Quarterly Report on Form 10-Q.

We believe that Adjusted EBITDA and Adjusted EBITDA margin are frequently used by analysts, investors and other interested parties in their evaluation of companies, many of which present an Adjusted EBITDA or Adjusted EBITDA margin measure when reporting their results. Our presentation of Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. In addition, Adjusted EBITDA may not be comparable to similarly titled measures used by other companies in our industry or across different industries.

We also include information concerning Adjusted EBITDA margin, which is calculated as Adjusted EBITDA divided by net sales. We present Adjusted EBITDA margin because it is used by management as a performance measure to judge the level of Adjusted EBITDA that is generated from net sales.

Adjusted EBITDA and Adjusted EBITDA margin have their limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of our results as reported under GAAP.

The following is a reconciliation of our net income to Adjusted EBITDA and Adjusted EBITDA margin:

	Three Months Ended October 31,		Six Months Ended October 31,	
	2024	2023	2024	2023
	(in thousands)			
Net income	$ 53,536	$ 80,957	$ 110,784	$ 167,787
Interest expense	23,697	18,742	45,910	37,656
Write-off of debt discount and deferred financing fees	—	—	—	1,401
Interest income	(193)	(292)	(563)	(766)
Provision for income taxes	18,890	27,205	39,836	53,939
Depreciation expense	20,529	16,963	39,757	33,290
Amortization expense	21,549	15,974	40,353	31,665
Stock appreciation rights(a)	397	401	640	1,619
Redeemable noncontrolling interests and deferred compensation(b)	693	184	1,115	664
Equity-based compensation(c)	4,925	5,111	8,603	8,415
Severance and other permitted costs(d)	6,460	882	7,416	1,288
Transaction costs (acquisitions and other)(e)	1,193	1,223	2,473	2,608
(Gain) loss on disposal of assets(f)	(351)	(310)	507	(441)
Effects of fair value adjustments to inventory(g)	106	140	481	442
Change in fair value of contingent consideration(h)	793	—	793	—
Debt transaction fees(i)	—	378	—	1,289
Adjusted EBITDA	$ 152,224	$ 167,558	$ 298,105	$ 340,856
Net sales	$ 1,470,776	$ 1,420,930	$ 2,919,232	$ 2,830,530
Adjusted EBITDA Margin	10.3 %	11.8 %	10.2 %	12.0 %

(a) Represents changes in the fair value of stock appreciation rights.

(b) Represents changes in the fair values of noncontrolling interests and deferred compensation agreements.

(c) Represents non-cash equity-based compensation expense related to the issuance of share-based awards.

(d) Represents severance expenses and certain other cost adjustments as permitted under the ABL Facility and the Term Loan Facility.

(e) Represents costs related to acquisitions paid to third parties.

(f) Includes gains and losses from the sale and disposal of assets.

(g) Represents the non-cash cost of sales impact of acquisition accounting adjustments to increase inventory to its estimated fair value.

(h) Represents the change in fair value of contingent consideration arrangements.

(i) Represents costs paid to third-party advisors related to debt refinancing activities.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes to our exposure to market risks from those reported in our Annual Report on Form 10-K for the fiscal year ended April 30, 2024.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of October 31, 2024, our management, with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) of the Exchange Act, which are designed to provide reasonable assurance that the information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include controls and procedures that are designed to provide reasonable assurance that information required to be disclosed in the reports that we file or submit under the Exchange Act is accumulated and communicated to management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of October 31, 2024, our disclosure controls and procedures were effective to ensure that information required to be disclosed in the reports that are filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the three months ended October 31, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – Other Information

Item 1. Legal Proceedings

From time to time, we are involved in lawsuits that are brought against us in the normal course of business. We are not currently a party to any legal proceedings that in management's opinion would be expected, either individually or in the aggregate, to have a material adverse effect on our business or financial condition. For additional information, see Note 12 of the Notes to Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q.

The building materials industry has been subject to personal injury and property damage claims arising from alleged exposure to raw materials contained in building products as well as claims for incidents of catastrophic loss, such as building fires. As a distributor of building materials, we face an inherent risk of exposure to product liability claims if the use of the products we have distributed in the past or may in the future distribute is alleged to have resulted in economic loss, personal injury or property damage or to have violated environmental, health or safety or other laws. Such product liability claims have included and may in the future include allegations of defects in manufacturing, defects in design, a failure to warn of dangers inherent in the product, negligence, strict liability or a breach of warranties. Certain of our subsidiaries have been the subject of claims related to alleged exposure to asbestos-containing products they distributed prior to 1979. The vast majority of these suits that have been filed against us have been dismissed; however, we continue to have a number of active asbestos-related personal injury lawsuits against which we continue to vigorously defend ourselves. We do not expect the ultimate outcome of any of these lawsuits to have a material impact on our financial condition or operating results; however, claims and legal proceedings are subject to inherent uncertainties and rulings unfavorable to the Company could occur which could have a material impact on our financial condition or operating results. See "Risk Factors—Risks Relating to Our Business and Industry—We are exposed to product liability, warranty, casualty, construction defect, contract, tort, personal injury, employment and other claims and legal proceedings related to our business, the products we distribute, the services we provide and services provided for us by third parties" listed in Part 1, Item 1A of our Annual Report on Form 10-K for the fiscal year ended April 30, 2024.

Item 1A. Risk Factors

There have been no material changes in the risks facing the Company as described in the Company's Annual Report on Form 10-K for the fiscal year ended April 30, 2024.

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

The number of shares repurchased and the average price paid per share for each month in the three months ended October 31, 2024 were as follows:

	Total Number of Shares Purchased	Average Price Paid per Share (1)	Total Number of Shares Purchased as Part of Publicly Announced Program (2)	Approximate Dollar Value of Shares that May Yet be Purchased Under the Program (1)
				(in thousands)
August 1 through August 31	132,736	$ 90.01	132,736	$ 142,351
September 1 through September 30	284,326	85.68	284,326	117,992
October 1 through October 31	176,106	90.88	176,106	101,988
Total	593,168		593,168	

(1) Share repurchases in excess of issuances are subject to a 1% excise tax. All dollar amounts presented above exclude such excise taxes.

(2) On October 18, 2023, our Board of Directors approved the 2023 Repurchase Plan. See Note 8 of the Notes to Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q for more information.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

During the three months ended October 31, 2024, none of our directors or officers adopted or terminated a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement,” as each term is defined in Item 408(a) of the SEC’s Regulation S-K.

Item 6. Exhibits

(a) Exhibits. The following exhibits are filed as part of this report **:**

Exhibit No.	Exhibit Description
3.1	Third Amended and Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on October 23, 2020).
3.2	Second Amended and Restated Bylaws of the Company (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed on October 23, 2020).
31.1*	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) promulgated under the Securities Exchange Act of 1934, as amended.
31.2*	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) promulgated under the Securities Exchange Act of 1934, as amended.
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 (formatted as inline XBRL and contained in Exhibit 101).

* Filed herewith.

SIGNATURES

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

GMS INC.

Date: December 5, 2024

By: /s/ Scott M. Deakin

Scott M. Deakin

Chief Financial Officer

(Principal Financial Officer)

Exhibit 31.1

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

I, John C. Turner, Jr., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of GMS Inc. for the quarter ended October 31, 2024;

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

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

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

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

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

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

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

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

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

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

Date: December 5, 2024

/s/ John C. Turner, Jr.

John C. Turner, Jr.

Chief Executive Officer, President and Director
(Principal Executive Officer)

Exhibit 31.2

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

I, Scott M. Deakin, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of GMS Inc. for the quarter ended October 31, 2024;

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

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

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

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

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

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

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

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

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

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

Date: December 5, 2024

/s/ Scott M. Deakin
Scott M. Deakin
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

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

In connection with the Quarterly Report on Form 10-Q of GMS Inc., a Delaware corporation (the "Company"), for the quarter ended October 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), John C. Turner, Jr., Chief Executive Officer, President and Director of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge:

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

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

Date: December 5, 2024

/s/ John C. Turner, Jr.

John C. Turner, Jr.
Chief Executive Officer, President and Director
(Principal Executive Officer)

Exhibit 32.2

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

In connection with the Quarterly Report on Form 10-Q of GMS Inc., a Delaware corporation (the "Company"), for the quarter ended October 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Scott M. Deakin, Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge:

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

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

Date: December 5, 2024

/s/ Scott M. Deakin

Scott M. Deakin
Chief Financial Officer
(Principal Financial Officer)