

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549**

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 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: 1-2116

ARMSTRONG WORLD INDUSTRIES, INC.

(Exact Name of Registrant as Specified in its Charter)

Pennsylvania

(State or other jurisdiction of
incorporation or organization)

2500 Columbia Avenue, Lancaster, Pennsylvania

(Address of principal executive offices)

23-0366390

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

17603

(Zip Code)

Registrant's telephone number, including area code: (717) 397-0611

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

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

Number of shares of Armstrong World Industries, Inc.'s common stock outstanding as of October 24, 2024 – 43,588,172.

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When we refer to “AWI,” the “Company,” “we,” “our” or “us,” we are referring to Armstrong World Industries, Inc. and its subsidiaries.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this Quarterly Report on Form 10-Q and the documents incorporated by reference herein may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Those forward-looking statements are subject to various risks and uncertainties and include all statements that are not historical statements of fact and those regarding our intent, belief or expectations, including, but not limited to, our expectations concerning our markets, broader economic conditions and their effect on our operating results; our expectations regarding the payment of dividends; and our ability to increase revenues, earnings and earnings before interest, taxes, depreciation and amortization. Words such as “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “believe,” “outlook,” “target,” “predict,” “may,” “will,” “would,” “could,” “should,” “seek,” and similar expressions are intended to identify such forward-looking statements. These statements are based on management’s current expectations and beliefs and are subject to a number of factors that could lead to actual results materially different from those described in the forward-looking statements. Although we believe that the assumptions underlying the forward-looking statements are reasonable, we can give no assurance that our expectations will be attained. Factors that could have a material adverse effect on our financial condition, liquidity, results of operations or future prospects or which could cause actual results to differ materially from our expectations include, but are not limited to:

Risks Related to Our Operations

- changes in key customer relationships;
- availability and costs of manufacturing inputs or sourced products;
- financial contribution of Worthington Armstrong Venture (“WAVE”), our joint venture with Worthington Enterprises, Inc.;
- labor;
- cost savings and productivity initiatives;
- progress towards meeting objectives and related compliance for climate and other sustainability matters;

Risks Related to Our Strategy

- benefits from strategic initiatives, including investments in digitalization and product innovation;
- identification, completion and successful integration of strategic transactions;

Risks Related to Financial Matters

- our liquidity needs and indebtedness;
- ability to make dividend payments and stock repurchases;
- unanticipated negative tax consequences;
- defined benefit plan obligations;

Risks Related to Legal and Regulatory Matters

- environmental liability exposure;
- regulatory actions, claims and litigation;
- effectiveness of intellectual property rights protection;
- operations in Canada and Latin America;

Risks Related to General Economic and Other Factors

- economic conditions;
- construction activity;
- market competition;
- customer consolidation;

- information technology disruptions and cybersecurity breaches;
- dependence on third-party vendors and suppliers;
- geographic concentration;
- public health epidemics or pandemics; and
- other risks detailed from time to time in our filings with the Securities and Exchange Commission (the “SEC”), press releases and other communications, including those set forth under “Risk Factors” included in our Annual Report on Form 10-K for the year ended December 31, 2023.

Such forward-looking statements speak only as of the date they are made. We expressly disclaim any obligation to release publicly any updates or revisions to any forward-looking statements to reflect any change in our expectations with regard thereto or change in events, conditions or circumstances on which any statement is based.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Armstrong World Industries, Inc., and Subsidiaries
Condensed Consolidated Statements of Earnings and Comprehensive Income
(amounts in millions, except per share data)
Unaudited

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net sales	\$ 386.6	\$ 347.3	\$ 1,078.0	\$ 982.9
Cost of goods sold	222.5	205.9	640.3	605.4
Gross profit	164.1	141.4	437.7	377.5
Selling, general and administrative expenses	77.6	64.6	223.1	189.2
Loss related to change in fair value of contingent consideration	0.2	-	0.6	-
Impairment and gain on sales of fixed assets, net	0.2	-	0.3	-
Equity (earnings) from unconsolidated affiliates, net	(25.2)	(23.4)	(78.7)	(69.1)
Operating income	111.3	100.2	292.4	257.4
Interest expense	10.5	8.8	30.6	26.7
Other non-operating (income), net	(3.0)	(2.3)	(9.3)	(6.9)
Earnings before income taxes	103.8	93.7	271.1	237.6
Income tax expense	26.9	24.2	68.4	60.6
Net earnings	\$ 76.9	\$ 69.5	\$ 202.7	\$ 177.0
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	0.3	(0.5)	(0.9)	0.1
Derivative (loss), net	(5.7)	(1.9)	(5.0)	(4.3)
Pension and postretirement adjustments	(1.0)	(0.2)	(2.3)	(0.1)
Total other comprehensive (loss)	(6.4)	(2.6)	(8.2)	(4.3)
Total comprehensive income	\$ 70.5	\$ 66.9	\$ 194.5	\$ 172.7
Net earnings per share of common stock:				
Basic	\$ 1.76	\$ 1.56	\$ 4.63	\$ 3.93
Diluted	\$ 1.75	\$ 1.56	\$ 4.61	\$ 3.93
Average number of common shares outstanding:				
Basic	43.7	44.5	43.8	45.0
Diluted	43.9	44.6	44.0	45.0

See accompanying notes to Condensed Consolidated Financial Statements beginning on page 9.

Armstrong World Industries, Inc., and Subsidiaries
Condensed Consolidated Balance Sheets
(dollar amounts in millions)

<u>Assets</u>	Unaudited September 30, 2024	December 31, 2023
Current assets:		
Cash and cash equivalents	\$ 73.7	\$ 70.8
Accounts and notes receivable, net	130.9	111.0
Inventories, net	116.0	104.0
Income taxes receivable	3.5	0.8
Other current assets	33.6	26.4
Total current assets	357.7	313.0
Property, plant, and equipment, less accumulated depreciation and amortization of \$643.2 and \$598.2, respectively	577.4	566.4
Operating lease assets	36.2	26.6
Finance lease assets	26.1	25.2
Prepaid pension costs	89.2	84.6
Investments in unconsolidated affiliates	27.8	17.4
Goodwill	194.7	175.5
Intangible assets, net	438.9	412.4
Other non-current assets	56.0	51.3
Total assets	\$ 1,804.0	\$ 1,672.4
<u>Liabilities and Shareholders' Equity</u>		
Current liabilities:		
Current installments of long-term debt	\$ 22.5	\$ 22.5
Accounts payable and accrued expenses	179.8	159.9
Operating lease liabilities	8.2	6.8
Finance lease liabilities	3.1	3.0
Income taxes payable	4.8	2.3
Total current liabilities	218.4	194.5
Long-term debt, less current installments	533.1	564.3
Operating lease liabilities	29.2	20.4
Finance lease liabilities	25.1	23.4
Postretirement benefit liabilities	39.5	42.4
Pension benefit liabilities	25.8	26.9
Other long-term liabilities	33.5	26.8
Income taxes payable	16.7	15.0
Deferred income taxes	165.7	166.9
Total non-current liabilities	868.6	886.1
Shareholders' equity:		
Common stock, \$0.01 par value per share, 200 million shares authorized, 63,169,341 shares issued and 43,664,677 shares outstanding as of September 30, 2024 and 63,054,340 shares issued and 43,902,061 shares outstanding as of December 31, 2023	0.6	0.6
Capital in excess of par value	600.0	591.7
Retained earnings	1,512.1	1,346.6
Treasury stock, at cost, 19,504,664 shares as of September 30, 2024 and 19,152,279 shares as of December 31, 2023	(1,282.8)	(1,242.4)
Accumulated other comprehensive (loss)	(112.9)	(104.7)
Total shareholders' equity	717.0	591.8
Total liabilities and shareholders' equity	\$ 1,804.0	\$ 1,672.4

See accompanying notes to Condensed Consolidated Financial Statements beginning on page 9.

Armstrong World Industries, Inc., and Subsidiaries
Condensed Consolidated Statements of Shareholders' Equity
(dollar amounts in millions, except per share data)
Unaudited

Three Months Ended September 30, 2024

	Common Stock		Additional Paid-In Capital	Retained Earnings	Treasury Stock		Accumulated Other Comprehensive (Loss)	Total
	Shares	Amount			Shares	Amount		
June 30, 2024	43,787,757	\$ 0.6	\$ 595.1	\$ 1,447.5	19,378,672	\$ (1,267.7)	\$ (106.5)	\$ 669.0
Stock issuance, net	2,912	-	-	-	-	-	-	-
Cash dividends - \$0.28 per common share	-	-	-	(12.3)	-	-	-	(12.3)
Share-based employee compensation	-	-	4.9	-	-	-	-	4.9
Net earnings	-	-	-	76.9	-	-	-	76.9
Other comprehensive (loss)	-	-	-	-	-	-	(6.4)	(6.4)
Acquisition of treasury stock	(125,992)	-	-	-	125,992	(15.1)	-	(15.1)
September 30, 2024	<u>43,664,677</u>	<u>\$ 0.6</u>	<u>\$ 600.0</u>	<u>\$ 1,512.1</u>	<u>19,504,664</u>	<u>\$ (1,282.8)</u>	<u>\$ (112.9)</u>	<u>\$ 717.0</u>

Nine Months Ended September 30, 2024

	Common Stock		Additional Paid-In Capital	Retained Earnings	Treasury Stock		Accumulated Other Comprehensive (Loss)	Total
	Shares	Amount			Shares	Amount		
December 31, 2023	43,902,061	\$ 0.6	\$ 591.7	\$ 1,346.6	19,152,279	\$ (1,242.4)	\$ (104.7)	\$ 591.8
Stock issuance, net	115,001	-	-	-	-	-	-	-
Cash dividends - \$0.84 per common share	-	-	-	(37.2)	-	-	-	(37.2)
Share-based employee compensation	-	-	8.3	-	-	-	-	8.3
Net earnings	-	-	-	202.7	-	-	-	202.7
Other comprehensive (loss)	-	-	-	-	-	-	(8.2)	(8.2)
Acquisition of treasury stock	(352,385)	-	-	-	352,385	(40.4)	-	(40.4)
September 30, 2024	<u>43,664,677</u>	<u>\$ 0.6</u>	<u>\$ 600.0</u>	<u>\$ 1,512.1</u>	<u>19,504,664</u>	<u>\$ (1,282.8)</u>	<u>\$ (112.9)</u>	<u>\$ 717.0</u>

Three Months Ended September 30, 2023

	Common Stock		Additional Paid-In Capital	Retained Earnings	Treasury Stock		Accumulated Other Comprehensive (Loss)	Total
	Shares	Amount			Shares	Amount		
June 30, 2023	44,823,285	\$ 0.6	\$ 580.4	\$ 1,254.1	18,175,262	\$ (1,166.6)	\$ (101.8)	\$ 566.7
Stock issuance, net	15,968	-	-	-	-	-	-	-
Cash dividends - \$0.254 per common share	-	-	-	(11.4)	-	-	-	(11.4)
Share-based employee compensation	-	-	3.7	-	-	-	-	3.7
Net earnings	-	-	-	69.5	-	-	-	69.5
Other comprehensive (loss)	-	-	-	-	-	-	(2.6)	(2.6)
Acquisition of treasury stock	(534,736)	-	-	-	534,736	(40.4)	-	(40.4)
September 30, 2023	<u>44,304,517</u>	<u>\$ 0.6</u>	<u>\$ 584.1</u>	<u>\$ 1,312.2</u>	<u>18,709,998</u>	<u>\$ (1,207.0)</u>	<u>\$ (104.4)</u>	<u>\$ 585.5</u>

Nine Months Ended September 30, 2023

	Common Stock		Additional Paid-In Capital	Retained Earnings	Treasury Stock		Accumulated Other Comprehensive (Loss)	Total
	Shares	Amount			Shares	Amount		
December 31, 2022	45,572,185	\$ 0.6	\$ 573.6	\$ 1,169.9	17,364,635	\$ (1,109.0)	\$ (100.1)	\$ 535.0
Stock issuance, net	77,713	-	-	-	(18)	-	-	-
Cash dividends - \$0.762 per common share	-	-	-	(34.7)	-	-	-	(34.7)
Share-based employee compensation	-	-	10.5	-	-	-	-	10.5
Net earnings	-	-	-	177.0	-	-	-	177.0
Other comprehensive (loss)	-	-	-	-	-	-	(4.3)	(4.3)
Acquisition of treasury stock	(1,345,381)	-	-	-	1,345,381	(98.0)	-	(98.0)
September 30, 2023	<u>44,304,517</u>	<u>\$ 0.6</u>	<u>\$ 584.1</u>	<u>\$ 1,312.2</u>	<u>18,709,998</u>	<u>\$ (1,207.0)</u>	<u>\$ (104.4)</u>	<u>\$ 585.5</u>

See accompanying notes to Condensed Consolidated Financial Statements beginning on page 9.

Armstrong World Industries, Inc., and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(amounts in millions)
Unaudited

	Nine Months Ended September 30,	
	2024	2023
Cash flows from operating activities:		
Net earnings	\$ 202.7	\$ 177.0
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	75.9	65.8
Deferred income taxes	0.9	2.1
Share-based compensation	13.9	12.0
Equity earnings from unconsolidated affiliates	(78.7)	(69.1)
Loss related to change in fair value of contingent consideration	0.6	-
(Gain) on sales of fixed assets, net	(4.6)	-
Loss on impairment of fixed asset	4.9	-
Payment of contingent consideration in excess of acquisition-date fair value	-	(5.0)
Other non-cash adjustments, net	(0.1)	(0.4)
Changes in operating assets and liabilities:		
Receivables	(29.5)	(8.8)
Inventories	(4.2)	2.8
Accounts payable and accrued expenses	14.4	1.1
Income taxes receivable and payable, net	1.5	7.5
Other assets and liabilities	(17.5)	(8.6)
Net cash provided by operating activities	180.2	176.4
Cash flows from investing activities:		
Purchases of property, plant and equipment	(54.0)	(60.1)
Return of investment from joint venture	72.7	72.4
Cash paid for acquisitions, net of cash acquired	(93.5)	(23.8)
Investment in unconsolidated affiliate	(5.5)	-
Proceeds from the sale of fixed assets	11.5	-
Proceeds from company owned life insurance, net	7.6	0.9
Net cash (used for) investing activities	(61.2)	(10.6)
Cash flows from financing activities:		
Proceeds from revolving credit facility	138.0	30.0
Payments of revolving credit facility	(153.0)	(60.0)
Payments of long-term debt	(16.9)	-
Payments for finance leases	(2.3)	(2.0)
Dividends paid	(37.1)	(34.4)
Payments from share-based compensation plans, net of tax	(4.4)	(1.5)
Payments of acquisition-related contingent consideration	-	(10.2)
Payments for treasury stock acquired	(40.0)	(97.0)
Net cash (used for) financing activities	(115.7)	(175.1)
Effect of exchange rate changes on cash and cash equivalents	(0.4)	(0.1)
Net increase (decrease) in cash and cash equivalents	2.9	(9.4)
Cash and cash equivalents at beginning of year	70.8	106.0
Cash and cash equivalents at end of period	\$ 73.7	\$ 96.6
Supplemental Cash Flow Disclosures:		
Interest paid	\$ 28.8	\$ 25.9
Income tax payments, net	66.0	50.9
Amounts in accounts payable for capital expenditures	1.1	0.6

See accompanying notes to Condensed Consolidated Financial Statements beginning on page 9.

Armstrong World Industries, Inc., and Subsidiaries
Notes to Condensed Consolidated Financial Statements (unaudited)
(dollar amounts in millions, except per share data)

NOTE 1. BUSINESS AND BASIS OF PRESENTATION

Armstrong World Industries, Inc. (“AWI”) is a Pennsylvania corporation incorporated in 1891. When we refer to “AWI,” the “Company,” “we,” “our” or “us” in these notes, we are referring to AWI and its subsidiaries.

Except as disclosed in this note, the accounting policies used in preparing the Condensed Consolidated Financial Statements in this Form 10-Q are the same as those used in preparing the Consolidated Financial Statements for the year ended December 31, 2023. These statements should therefore be read in conjunction with the Consolidated Financial Statements and notes that are included in the Annual Report on Form 10-K for the fiscal year ended December 31, 2023. In the opinion of management, all adjustments of a normal recurring nature have been included to provide a fair statement of the results for the reporting periods presented. Operating results for the third quarter and first nine months of 2024 and 2023 included in this report are unaudited. Quarterly results are not necessarily indicative of annual earnings, primarily due to the different level of sales in each quarter of the year and the possibility of changes in general economic conditions.

These Condensed Consolidated Financial Statements are prepared in accordance with U.S. generally accepted accounting principles. The statements include management estimates and judgments, where appropriate. Management utilizes estimates to record many items, including certain asset values, contingent purchase price liabilities, allowances for bad debts, inventory obsolescence and lower of cost and net realizable value charges, warranty reserves, workers’ compensation, general liability and environmental claims, and income taxes. When preparing an estimate, management determines the amount based upon the consideration of relevant information and may confer with outside parties, including external counsel. Actual results may differ from these estimates.

Acquisitions and Investments in Unconsolidated Affiliates

In April 2024, we acquired all of the issued and outstanding membership interests in 3form, LLC (“3form”), a subsidiary of Hunter Douglas, Inc. based in Salt Lake City, Utah. 3form is a designer and manufacturer of architectural resin and glass products used for specialty walls, partitions and ceilings. The operations, assets and liabilities of 3form are included in our Architectural Specialties segment.

In January 2024, we entered into a strategic partnership and equity investment in Overcast Innovations LLC (“Overcast”) with McKinstry Essention, LLC whereby we contributed \$5.5 million in exchange for a 19.5% ownership interest in Overcast, with future rights to increase our ownership interest. Overcast is a solutions company offering prefabricated ceiling cloud systems, modular grid platforms and engineering design services to reduce waste and inefficiencies in the built environment. Our investment and equity earnings in Overcast are included in our Unallocated Corporate segment.

In October 2023, we acquired a portion of the business and certain assets of Insolcorp, LLC (“Insolcorp”), based in Albemarle, North Carolina, used to develop, test and manufacture energy saving products deployed in building and roofing installations. The acquired operations, assets and liabilities of Insolcorp are included in our Mineral Fiber segment.

In July 2023, we acquired all of the issued and outstanding stock of BOK Modern, LLC (“BOK”), based in San Rafael, California. BOK is a designer of metal facade architectural solutions. The operations, assets and liabilities of BOK are included in our Architectural Specialties segment.

Recently Issued Accounting Standards

In November 2023, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2023-07, “*Improvements to Reportable Segment Disclosures*,” which modifies reportable segment disclosure requirements. This ASU expands annual and interim reportable segment disclosures, including: disclosure of the title and position of our chief operating decision maker (“CODM”), interim and annual disclosure of significant reportable segment expenses that are components of segment profit or loss information provided to the CODM, and interim disclosure of all annual reportable segment profit or loss and asset data currently only required to be disclosed annually. This guidance is effective for annual periods beginning after December 15, 2023 and interim periods within fiscal years beginning after December 15, 2024. The adoption of this standard is not expected to have an impact on our financial statements, but will result in expanded reportable segment disclosures.

In December 2023, the FASB issued ASU 2023-09, “*Improvements to Income Tax Disclosures*,” which modifies the disclosure requirements for income taxes. This ASU requires disclosure of tabular statutory to effective rate reconciliation in both percentages and dollars, additional disaggregated rate reconciliation categories and disaggregation of both income taxes paid and income tax expense by jurisdiction. This guidance is effective for annual periods beginning after December 15, 2024. We expect this ASU to only impact our disclosures with no impact to our result of operations, cash flows and financial condition.

Armstrong World Industries, Inc., and Subsidiaries
Notes to Condensed Consolidated Financial Statements (unaudited)
(dollar amounts in millions, except per share data)

NOTE 2. SEGMENT RESULTS

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
<u>Net sales</u>				
Mineral Fiber	\$ 258.0	\$ 249.7	\$ 747.8	\$ 712.1
Architectural Specialties	128.6	97.6	330.2	270.8
Total net sales	<u>\$ 386.6</u>	<u>\$ 347.3</u>	<u>\$ 1,078.0</u>	<u>\$ 982.9</u>

Our product-based Mineral Fiber and Architectural Specialties segment net sales represent the product-based group offerings we sell to external customers.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
<u>Segment operating income (loss)</u>				
Mineral Fiber	\$ 93.0	\$ 85.5	\$ 253.9	\$ 224.8
Architectural Specialties	19.2	15.5	41.1	34.9
Unallocated Corporate	(0.9)	(0.8)	(2.6)	(2.3)
Total consolidated operating income	<u>\$ 111.3</u>	<u>\$ 100.2</u>	<u>\$ 292.4</u>	<u>\$ 257.4</u>

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Total consolidated operating income	\$ 111.3	\$ 100.2	\$ 292.4	\$ 257.4
Interest expense	10.5	8.8	30.6	26.7
Other non-operating (income), net	(3.0)	(2.3)	(9.3)	(6.9)
Earnings before income taxes	<u>\$ 103.8</u>	<u>\$ 93.7</u>	<u>\$ 271.1</u>	<u>\$ 237.6</u>

	September 30, 2024		December 31, 2023	
<u>Segment assets</u>				
Mineral Fiber		\$ 1,087.2		\$ 1,091.9
Architectural Specialties		544.9		421.1
Unallocated Corporate		171.9		159.4
Total consolidated assets		<u>\$ 1,804.0</u>		<u>\$ 1,672.4</u>

NOTE 3. REVENUE

Disaggregation of Revenues

Our Mineral Fiber and Architectural Specialties operating segments both manufacture and sell ceiling and wall systems (primarily mineral fiber, fiberglass wool, metal, wood, felt, wood fiber, architectural resin and glass, and glass-reinforced-gypsum) throughout the Americas. We disaggregate revenue based on our product-based segments and major customer channels, as they represent the most appropriate depiction of how the nature, amount and timing of revenues and cash flows are affected by economic factors. Net sales by major customer channel are as follows:

Distributors – represents net sales to building materials distributors who re-sell our products to contractors, subcontractors’ alliances, large architect and design firms, and major facility owners. Geographically, this category includes sales throughout the U.S., Canada, and Latin America.

Home centers – represents net sales to home centers, such as Lowe’s Companies, Inc. and The Home Depot, Inc. This category includes sales primarily to U.S. customers.

Direct customers – represents net sales to contractors, subcontractors, and large architect and design firms. This category includes sales primarily to U.S. customers.

Other – represents net sales to independent retailers and certain national account customers, including wholesalers who re-sell our products to dealers who service builders, contractors, online customers, major facility owners, group purchasing organizations,

Armstrong World Industries, Inc., and Subsidiaries
Notes to Condensed Consolidated Financial Statements (unaudited)
(dollar amounts in millions, except per share data)

maintenance, repair and operating entities and original product manufacturers. Geographically, this category includes sales throughout the U.S., Canada, and Latin America.

The following tables provide net sales by major customer channel within our Mineral Fiber and Architectural Specialties segments for the three and nine months ended September 30, 2024 and 2023:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
<u>Mineral Fiber</u>				
Distributors	\$ 188.7	\$ 182.0	\$ 542.9	\$ 516.4
Home centers	26.7	25.5	82.2	80.0
Direct customers	15.7	15.7	45.4	45.6
Other	26.9	26.5	77.3	70.1
Total	\$ 258.0	\$ 249.7	\$ 747.8	\$ 712.1

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
<u>Architectural Specialties</u>				
Distributors	\$ 59.5	\$ 57.4	\$ 168.8	\$ 142.5
Direct customers	63.1	36.4	146.8	122.8
Other	6.0	3.8	14.6	5.5
Total	\$ 128.6	\$ 97.6	\$ 330.2	\$ 270.8

NOTE 4. ACQUISITIONS

We account for acquisitions under the acquisition method and the results of operations of acquired operations are included in the Condensed Consolidated Financial Statements from the acquisition date. Acquisition related costs are expensed as incurred. We allocate total consideration to the assets acquired and liabilities assumed based on their estimated fair values, with the remaining unallocated amount recorded as goodwill. Definite-lived intangible assets are amortized over estimated useful lives on a straight-line basis and recorded as a component of operating income. The fair value of acquired intangible assets is estimated by applying discounted cash flow models based on significant level 3 inputs not observable in the market. Key assumptions are developed based on each acquirees' historical experience, future projections and comparable market data including future cash flows, long-term growth rates, implied royalty rates, attrition rates and discount rates. Acquisition-related contingent consideration that is classified as a liability is measured at fair value as of the acquisition date. The fair value of contingent consideration is remeasured at each reporting period, and any future changes in the fair value of contingent consideration recorded in reporting periods after the acquisition date are recorded within loss related to change in fair value of contingent consideration on our Condensed Consolidated Statements of Earnings and Comprehensive Income.

Armstrong World Industries, Inc., and Subsidiaries
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3form

In April 2024, we acquired the issued and outstanding membership interests in 3form for a purchase price of \$93.5 million, net of \$0.5 million of cash acquired, subject to customary post-closing adjustments for working capital. The total fair value of tangible assets acquired, less liabilities assumed, was \$34.5 million. The fair value of significant classes of assets acquired and liabilities assumed included accounts receivable of \$6.6 million, inventory of \$7.9 million, property, plant and equipment of \$35.0 million, operating lease assets of \$10.1 million, operating lease liabilities of \$10.0 million and accounts payable and accrued liabilities of \$16.3 million. The total fair value of identifiable intangible assets acquired was \$40.2 million, resulting in \$19.3 million of goodwill. The following table summarizes the fair values of identifiable intangible assets acquired, and their estimated useful lives:

	Fair Value at Acquisition Date	Estimated Useful Life
Customer relationships	\$ 11.7	5 years
Trademarks and brand names	11.6	15 years
Developed technology	7.3	16 years
Non-compete agreements	5.1	5 years
Software	4.1	5 years
Backlog	0.4	1 year
Total identifiable intangible assets	\$ 40.2	

Goodwill from the 3form acquisition relates to many factors, including the technical competencies and capabilities of the acquired workforce and our strategic intent to integrate and leverage those competencies and capabilities to advance and expand our portfolio of solutions and offerings. All of the acquired goodwill is deductible for tax purposes. Valuations for assets acquired and liabilities assumed are based on preliminary estimates that are subject to revisions and may result in adjustments to preliminary values as valuations are finalized.

The following table summarizes aggregate unaudited as reported and pro forma information assuming the acquisition of 3form had occurred on January 1, 2023. The unaudited pro forma results include the depreciation and amortization associated with the acquired assets. The unaudited pro forma results do not include any expected benefits from the 3form acquisition. Accordingly, the unaudited pro forma results are not necessarily indicative of either future results of operations or results that might have been achieved had the acquisition been consummated as of January 1, 2023.

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2024	2023	2024	2023
Net sales, pro forma	\$ 409.7	\$ 373.3	\$ 1,147.4	\$ 1,057.2
Net sales, as reported	386.6	347.3	1,078.0	982.9
Earnings before income taxes, pro forma	104.2	94.7	274.6	238.6
Earnings before income taxes, as reported	103.8	93.7	271.1	237.6

BOK

In July 2023, we acquired all of the issued and outstanding stock of BOK for a purchase price of \$13.8 million and additional contingent consideration payable upon the achievement of certain future performance obligations in 2024 and 2025 not to exceed \$3.3 million. We, with the assistance of an independent, third-party valuation specialist, utilized a Monte Carlo simulation to determine the estimated fair value of the contingent consideration of \$0.8 million at the acquisition date, resulting in a purchase price of \$14.6 million. The total fair value of tangible assets acquired less liabilities assumed was \$1.4 million. The total fair value of identifiable intangible assets acquired was \$5.4 million, resulting in \$7.8 million of goodwill. Acquired intangible assets were comprised of amortizable patents of \$1.9 million, amortizable trademarks of \$1.8 million, amortizable customer relationships of \$1.4 million, and non-compete agreements of \$0.3 million, that are being amortized on a straight-line basis over a weighted-average life of 18, 15, 2, and 3 years, respectively. All of the acquired goodwill is deductible for tax purposes.

For the three and nine months ended September 30, 2024, net sales of \$26.6 million and \$50.1 million, respectively, from BOK and 3form were included in our Condensed Consolidated Statements of Earnings and Comprehensive Income since the acquisition dates. The impact of the acquisitions of BOK and 3form were immaterial to earnings (loss) before income taxes for all periods presented.

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Software-Related Intellectual Property

In May 2023, we acquired a co-ownership interest in certain software-related intellectual property for a total purchase price of \$11.0 million, of which \$10.0 million was paid in the second quarter of 2023 and an additional \$1.0 million was paid in the fourth quarter of 2023. As a result of this transaction, the total fair value of identifiable intangible assets acquired was \$6.5 million of software and \$4.5 million of developed technology, which are being amortized over a weighted-average life of 5 and 17 years, respectively.

NOTE 5. ACCOUNTS AND NOTES RECEIVABLE

	September 30, 2024	December 31, 2023
Customer receivables	\$ 129.5	\$ 102.1
Miscellaneous receivables	5.1	11.8
Less allowance for warranties, discounts and losses	(3.7)	(2.9)
Accounts and notes receivable, net	<u>\$ 130.9</u>	<u>\$ 111.0</u>

We sell our products to select, pre-approved customers whose businesses are affected by changes in economic and market conditions. We consider these factors and the financial condition of each customer when establishing our allowance for losses from doubtful accounts.

NOTE 6. INVENTORIES

	September 30, 2024	December 31, 2023
Finished goods	\$ 62.0	\$ 55.1
Goods in process	8.1	5.1
Raw materials and supplies	70.8	66.7
Less LIFO reserves	(24.9)	(22.9)
Total inventories, net	<u>\$ 116.0</u>	<u>\$ 104.0</u>

NOTE 7. OTHER CURRENT ASSETS

	September 30, 2024	December 31, 2023
Prepaid expenses	\$ 17.9	\$ 15.9
Assets held for sale	13.0	6.7
Fair value of derivative assets	0.6	1.1
Other	2.1	2.7
Total other current assets	<u>\$ 33.6</u>	<u>\$ 26.4</u>

As of December 31, 2023, assets held for sale included the building and land of our idled Mineral Fiber plant in St. Helens, Oregon and the building and related land of an Architectural Specialties design center in Chicago, Illinois. During the second quarter of 2024, we sold the Architectural Specialties design center in Chicago, Illinois for total proceeds of \$2.1 million, with no gain or loss recorded upon sale. During the third quarter of 2024, we sold our idled Mineral Fiber plant in St. Helens, Oregon for total proceeds of \$9.4 million, with a \$4.6 million gain recorded upon sale. As of September 30, 2024, assets held for sale included a parcel of undeveloped land adjacent to our corporate campus in Lancaster, Pennsylvania and recorded as a component of our Mineral Fiber segment. Upon classification to held for sale during the third quarter, we recognized an impairment loss of \$4.9 million. The impact of these transactions is recorded within impairment and gain on sale of fixed assets, net on our Condensed Consolidated Statements of Earnings and Comprehensive Income.

NOTE 8. INVESTMENTS IN UNCONSOLIDATED AFFILIATES

Investments in unconsolidated affiliates include our 50% equity interest in Worthington Armstrong Venture (“WAVE”), our joint venture with Worthington Enterprises, Inc., and our 19.5% equity interest in Overcast. Both the WAVE joint venture and Overcast investment are reflected within our Condensed Consolidated Financial Statements using the equity method of accounting. WAVE is reflected as a component of our Mineral Fiber segment while Overcast is included as a component of our Unallocated Corporate segment.

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Condensed financial statement data for WAVE is summarized below.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net sales	\$ 122.6	\$ 117.8	\$ 374.5	\$ 343.4
Gross profit	72.5	68.5	225.3	200.9
Net earnings	52.9	49.1	165.1	144.5

The following table presents equity (earnings) losses from our unconsolidated affiliates for the three and nine months ended September 30, 2024 and 2023:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
WAVE	\$ (25.5)	\$ (23.4)	\$ (79.4)	\$ (69.1)
Overcast	0.3	-	0.7	-
Equity (earnings) from unconsolidated affiliates, net	\$ (25.2)	\$ (23.4)	\$ (78.7)	\$ (69.1)

NOTE 9. GOODWILL AND INTANGIBLE ASSETS

The following table details amounts related to our goodwill and intangible assets as of September 30, 2024 and December 31, 2023:

	Estimated Useful Life	September 30, 2024		December 31, 2023	
		Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortizing intangible assets					
Customer relationships	2-20 years	\$ 195.2	\$ 161.1	\$ 183.6	\$ 152.1
Developed technology	13-20 years	109.5	85.4	101.4	84.4
Software	5-7 years	19.7	6.9	15.6	4.6
Trademarks and brand names	3-20 years	17.8	4.0	6.2	3.4
Non-compete agreements	3-5 years	11.0	5.0	6.1	3.8
Other	Various	3.2	0.4	2.8	0.2
Total		\$ 356.4	\$ 262.8	\$ 315.7	\$ 248.5
Non-amortizing intangible assets					
Trademarks and brand names	Indefinite	345.3		345.2	
Total intangible assets		\$ 701.7		\$ 660.9	
Goodwill	Indefinite	\$ 194.7		\$ 175.5	

The net increase in goodwill as of September 30, 2024 compared to December 31, 2023 was due to the acquisition of 3form, net of foreign exchange movements.

	Nine Months Ended September 30,	
	2024	2023
Amortization expense	\$ 14.6	\$ 11.0

NOTE 10. OTHER NON-CURRENT ASSETS

	September 30, 2024	December 31, 2023
Cash surrender value of company-owned life insurance policies	\$ 39.1	\$ 40.3
Investment in employee deferred compensation plans	15.7	8.3
Fair value of derivative assets	-	1.8
Other	1.2	0.9
Total other non-current assets	\$ 56.0	\$ 51.3

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NOTE 11. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

	September 30, 2024	December 31, 2023
Payables, trade and other	\$ 113.2	\$ 91.0
Employment costs	28.8	33.6
Current portion of pension and postretirement liabilities	8.0	8.0
Other	29.8	27.3
Total accounts payable and accrued expenses	\$ 179.8	\$ 159.9

NOTE 12. INCOME TAX EXPENSE

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Earnings before income taxes	\$ 103.8	\$ 93.7	\$ 271.1	\$ 237.6
Income tax expense	26.9	24.2	68.4	60.6
Effective tax rate	25.9%	25.8%	25.2%	25.5%

The effective tax rate for the third quarter of 2024 was essentially unchanged from the same period in 2023. The decrease in the effective tax rate for the first nine months of 2024 in comparison to the same period in 2023 was primarily due to an increase in discrete tax benefits recognized, partially offset by less favorable permanent adjustments.

It is reasonably possible that the amount of unrecognized tax benefits could significantly increase or decrease within the next twelve months. However, an estimate of the range of reasonably possible outcomes cannot be reliably made at this time. Changes to unrecognized tax benefits could result from the expiration of statutes of limitations, the completion of ongoing examinations, or other unforeseen circumstances.

NOTE 13. DEBT

Our long-term debt is comprised of borrowings outstanding under our \$950.0 million variable rate senior credit facility, which is comprised of a \$500.0 million revolving credit facility (with a \$150.0 million sublimit for letters of credit) and a \$450.0 million Term Loan A. As of September 30, 2024 and December 31, 2023, the principal balance of our Term Loan A was \$433.1 million and \$450.0 million, respectively. As of September 30, 2024 and December 31, 2023, borrowings outstanding under our revolving credit facility were \$125.0 million and \$140.0 million, respectively. We also have a \$25.0 million bi-lateral letter of credit facility.

We utilize lines of credit and other commercial commitments to ensure that adequate funds are available to meet operating requirements. Letters of credit are currently arranged through our revolving credit facility and our bi-lateral facility. Letters of credit may be issued to third party suppliers, insurance companies and financial institutions and typically can only be drawn upon in the event of AWI's failure to pay its obligations to the beneficiary. The following table presents details related to our letters of credit facilities:

Financing Arrangements	September 30, 2024		
	Limit	Used	Available
Bi-lateral facility	\$ 25.0	\$ 7.4	\$ 17.6
Revolving credit facility	150.0	-	150.0
Total	\$ 175.0	\$ 7.4	\$ 167.6

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NOTE 14. PENSIONS AND OTHER BENEFIT PROGRAMS

Following are the components of net periodic benefit costs (credits):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
U.S. defined benefit plans:				
Pension benefits				
Service cost of benefits earned during the period	\$ 0.6	\$ 0.6	\$ 1.8	\$ 1.9
Interest cost on projected benefit obligation	4.2	4.3	12.6	12.8
Expected return on plan assets	(6.0)	(6.3)	(18.2)	(18.8)
Amortization of net actuarial loss	1.3	1.4	3.9	4.1
Net periodic pension cost	<u>\$ 0.1</u>	<u>\$ -</u>	<u>\$ 0.1</u>	<u>\$ -</u>
Retiree health and life insurance benefits				
Interest cost on projected benefit obligation	\$ 0.6	\$ 0.7	\$ 1.6	\$ 2.1
Amortization of prior service credit	(0.1)	(0.1)	(0.2)	(0.2)
Amortization of net actuarial gain	(2.2)	(1.4)	(6.4)	(4.3)
Net periodic postretirement credit	<u>\$ (1.7)</u>	<u>\$ (0.8)</u>	<u>\$ (5.0)</u>	<u>\$ (2.4)</u>

Excluded from the table above is the net periodic pension cost associated with an unfunded defined benefit pension plan in Germany that was not included as part of prior dispositions. This plan is reported as a component of our Unallocated Corporate segment. Net periodic pension cost for this plan was immaterial for the three and nine months ended September 30, 2024 and 2023.

The service cost component of net benefit cost has been presented in the Condensed Consolidated Statements of Earnings and Comprehensive Income within cost of goods sold and selling, general and administrative (“SG&A”) expenses for all periods presented, which are the same line items as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net benefit cost are presented in the Condensed Consolidated Statements of Earnings and Comprehensive Income separately from the service cost component within other non-operating income, net.

NOTE 15. FINANCIAL INSTRUMENTS AND CONTINGENT CONSIDERATION

We do not hold or issue financial instruments for trading purposes. The estimated fair values of our financial instruments and contingent consideration are as follows:

	September 30, 2024		December 31, 2023	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Liabilities, net:				
Total long-term debt, including current portion	\$ (555.6)	\$ (555.6)	\$ (586.8)	\$ (586.8)
Interest rate swap contracts	(6.3)	(6.3)	(0.4)	(0.4)
Acquisition-related contingent consideration	(2.2)	(2.2)	(1.6)	(1.6)

The carrying amounts of cash and cash equivalents, customer receivables and accounts payable approximate fair value because of the short-term maturity of these instruments. The fair value estimates of long-term debt are based on data for our Term Loan A debt provided by a major financial institution. The fair value estimates for interest rate swap contracts are estimated with the assistance of third-party valuation experts and verified by obtaining quotes from major financial institutions. We engaged an independent, third-party valuation specialist to determine the fair value estimate for acquisition-related contingent consideration payable based on performance, which was measured using a Monte Carlo simulation.

As of September 30, 2024 and December 31, 2023, acquisition-related contingent consideration liabilities represented additional cash consideration payable related to our acquisitions of Insolcorp and BOK that will be paid upon the final achievement of certain financial and performance milestones. As of September 30, 2024, \$0.7 million of acquisition-related contingent consideration was classified as accounts payable and other accrued expenses, while \$1.5 million was classified as other long-term liabilities on our Condensed Consolidated Balance Sheet. As of December 31, 2023, \$1.6 million was classified as other long-term liabilities on our Condensed Consolidated Balance Sheet.

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Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Three levels of inputs may be used to measure fair value:

Level 1 — Quoted prices in active markets for identical assets or liabilities;

Level 2 — Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data; or

Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The fair value measurement of liabilities measured at fair value on a recurring basis and reported on the Condensed Consolidated Balance Sheets is summarized below:

	September 30, 2024		December 31, 2023	
	Fair value based on		Fair value based on	
	Other observable inputs	Other unobservable inputs	Other observable inputs	Other unobservable inputs
	Level 2	Level 3	Level 2	Level 3
Liabilities, net:				
Interest rate swap contracts	\$ (6.3)	\$ -	\$ (0.4)	\$ -
Acquisition-related contingent consideration	-	(2.2)	-	(1.6)

Acquisition-related contingent consideration of \$2.2 million and \$1.6 million as of September 30, 2024 and December 31, 2023, respectively, was measured with the use of significant unobservable inputs, which included financial projections over respective earn-out periods, the volatility of the underlying financial metrics and estimated discount rates. All changes in acquisition-related contingent consideration liabilities subsequent to the initial acquisition-date measurements were recorded as a component of operating income on our Condensed Consolidated Statements of Earnings and Comprehensive Income.

The following table summarizes the weighted-average of the significant unobservable inputs as of September 30, 2024:

<u>Unobservable input</u>	BOK	Insolcorp
Volatility	24.5 %	21.3 %
Discount rates	4.1 %	5.1 %

The changes in fair value of the acquisition-related contingent consideration liabilities for the three and nine months ended September 30, 2024 and 2023 were as follows:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2024	2023	2024	2023
Fair value of contingent consideration as of beginning of period	\$ 2.0	\$ -	\$ 1.6	\$ 15.2
Cash consideration paid	-	-	-	(15.2)
Acquisition date fair value of contingent consideration	-	0.8	-	0.8
Loss related to change in fair value of contingent consideration	0.2	-	0.6	-
Fair value of contingent consideration as of end of period	<u>\$ 2.2</u>	<u>\$ 0.8</u>	<u>\$ 2.2</u>	<u>\$ 0.8</u>

During the three and nine months ended September 30, 2024, the changes in fair value were primarily due to changes in financial projections over each entity's earn-out periods and due to changes in valuation inputs.

During the nine months ended September 30, 2023, we paid \$15.2 million of additional cash consideration, which represented the final achievement of certain financial and performance milestones through December 31, 2022 for the July 2020 acquisition of TURF Design, Inc. The additional cash consideration paid was classified as cash flows from financing activities in our Condensed Consolidated Statements of Cash Flows, up to the acquisition date fair value. The portion of additional cash consideration paid in excess of the acquisition date fair value was classified as cash flows from operating activities in our Condensed Consolidated Statements of Cash Flows.

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NOTE 16. DERIVATIVE FINANCIAL INSTRUMENTS

We are exposed to market risk from changes in foreign exchange rates, interest rates and commodity prices that could impact our results of operations, cash flows and financial condition. We use interest rate derivatives to manage our exposures to interest rates. At inception, interest rate swap derivatives that we designate as hedging instruments are formally documented as a hedge of a forecasted transaction or cash flow hedge. We also formally assess, both at inception and at least quarterly thereafter, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in the cash flows of the hedged item. If it is determined that a derivative ceases to be a highly effective hedge, or if the anticipated transaction is no longer probable of occurring, we discontinue hedge accounting, and any future mark-to-market adjustments are recognized in earnings. We use derivative financial instruments as risk management tools and not for speculative trading purposes.

Counterparty Risk

We enter into derivative transactions only with established financial institution counterparties having an investment-grade credit rating. We monitor counterparty credit ratings on a regular basis. All of our derivative transactions with counterparties are governed by master International Swap and Derivatives Association agreements (“ISDAs”) with netting arrangements. These agreements can limit our exposure in situations where we have gain and loss positions outstanding with a single counterparty. We do not post nor do we receive cash collateral with any counterparty for our derivative transactions. These ISDAs do not have any credit contingent features; however, a default under our bank credit facility would trigger a default under these agreements. Exposure to individual counterparties is controlled and we consider the risk of counterparty default to be negligible.

Interest Rate Risk

We utilize interest rate swaps to minimize the fluctuations in earnings caused by interest rate volatility. These swaps are designated as cash flow hedges against changes in interest rates for a portion of our variable rate debt.

The following table summarizes our interest rate swaps as of September 30, 2024:

Coverage Period	Notional Amount	Risk Coverage	Trade Date
March 2021 to March 2025	\$ 100.0	USD-SOFR	November 28, 2018
November 2023 to December 2025	\$ 50.0	USD-SOFR	October 23, 2023
March 2024 to June 2026	\$ 50.0	USD-SOFR	March 25, 2024
November 2023 to December 2026	\$ 50.0	USD-SOFR	October 10, 2023
March 2024 to June 2027	\$ 50.0	USD-SOFR	March 27, 2024
November 2023 to November 2027	\$ 50.0	USD-SOFR	September 29, 2023
June 2024 to June 2028	\$ 50.0	USD-SOFR	June 26, 2024

Under the terms of the interest rate swap with a November 28, 2018 trade date above, we pay a fixed rate monthly and receive a floating rate based on the Secured Overnight Financing Rate (“SOFR”), inclusive of a 0% floor. Under the terms of all remaining interest rate swaps above, we pay a fixed rate monthly and receive a floating rate based on SOFR.

Financial Statement Impacts

The following tables detail amounts related to our derivatives as of September 30, 2024 and December 31, 2023. We did not have any derivative assets or liabilities not designated as hedging instruments as of September 30, 2024 or December 31, 2023. The derivative asset amounts below are shown gross and have not been netted.

	Derivative Assets			Derivative Liabilities		
	Balance Sheet Location	Fair Value		Balance Sheet Location	Fair Value	
		September 30, 2024	December 31, 2023		September 30, 2024	December 31, 2023
Interest rate swap contracts	Other current assets	\$ 0.6	\$ 1.1	Accounts payable and accrued expenses	\$ -	\$ 0.1
Interest rate swap contracts	Other non-current assets	-	1.8	Other long-term liabilities	6.9	3.2

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	Amount of (Loss) Gain Recognized in AOCI		Location of Gain Reclassified from AOCI into Net Earnings	Gain Reclassified from AOCI into Net Earnings			
	Nine Months Ended September 30,			Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023		2024	2023	2024	2023
<u>Derivatives in cash flow hedging relationships</u>							
Interest rate swap contracts	\$ (1.9)	\$ 2.8	Interest expense	\$ 1.4	\$ 3.3	\$ 4.7	\$ 8.6

As of September 30, 2024, the amount of existing net losses in Accumulated Other Comprehensive Income (“AOCI”) expected to be recognized in net earnings over the next twelve months was \$0.9 million.

NOTE 17. OTHER LONG-TERM LIABILITIES

	September 30, 2024	December 31, 2023
Long-term deferred compensation arrangements	\$ 13.4	\$ 12.3
Fair value of derivative liabilities	6.9	3.2
Long-term environmental liabilities	4.2	0.5
Environmental insurance recoveries received in excess of cumulative expenses incurred	-	2.6
Acquisition-related contingent consideration	1.5	1.6
Other	7.5	6.6
Total other long-term liabilities	<u>\$ 33.5</u>	<u>\$ 26.8</u>

NOTE 18. SHAREHOLDERS’ EQUITY

Common Stock Repurchase Plan

On July 29, 2016, our Board of Directors approved our share repurchase program authorizing us to repurchase up to \$150.0 million of our outstanding shares of common stock (the “Program”). Since inception of the Program, we have been further authorized to repurchase up to an aggregate of \$1,700.0 million of our outstanding shares of common stock through December 31, 2026. We had \$676.8 million remaining under the Board’s repurchase authorization as of September 30, 2024.

Repurchases under the Program may be made through open market, block and privately negotiated transactions, including Rule 10b5-1 plans, at such times and in such amounts as management deems appropriate, subject to market and business conditions, regulatory requirements and other factors. The Program does not obligate AWI to repurchase any particular amount of common stock and may be suspended or discontinued at any time without notice.

During the three months ended September 30, 2024, we repurchased 0.1 million shares under the Program for a total cost of \$15.0 million, excluding commissions and taxes, or an average price of \$119.05 per share. During the nine months ended September 30, 2024, we repurchased 0.4 million shares under the Program for a total cost of \$40.0 million, excluding commissions and taxes, or an average price of \$113.51 per share. Since inception, we have repurchased 14.5 million shares under the Program for a total cost of \$1,023.2 million, excluding commissions and taxes, or an average price of \$70.39 per share.

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Dividends

In February, April and July 2024, our Board of Directors declared a \$0.28 per share quarterly dividend, which was paid to shareholders in March, May and August 2024. On October 23, 2024, our Board of Directors declared a \$0.308 per share quarterly dividend to be paid in November 2024.

Accumulated Other Comprehensive (Loss)

	Foreign Currency Translation Adjustments ⁽¹⁾	Derivative Gain (Loss) ⁽¹⁾	Pension and Postretirement Adjustments ⁽¹⁾	Total Accumulated Other Comprehensive (Loss) ⁽¹⁾
Balance, June 30, 2024	\$ (0.2)	\$ 1.2	\$ (107.5)	\$ (106.5)
Other comprehensive income (loss) before reclassifications, net of tax benefit of -, \$1.5, \$0.2 and \$1.7	0.3	(4.7)	(0.4)	(4.8)
Amounts reclassified from accumulated other comprehensive (loss)	-	(1.0)	(0.6)	(1.6)
Net current period other comprehensive income (loss)	0.3	(5.7)	(1.0)	(6.4)
Balance, September 30, 2024	<u>\$ 0.1</u>	<u>\$ (4.5)</u>	<u>\$ (108.5)</u>	<u>\$ (112.9)</u>

	Foreign Currency Translation Adjustments ⁽¹⁾	Derivative Gain (Loss) ⁽¹⁾	Pension and Postretirement Adjustments ⁽¹⁾	Total Accumulated Other Comprehensive (Loss) ⁽¹⁾
Balance, December 31, 2023	\$ 1.0	\$ 0.5	\$ (106.2)	\$ (104.7)
Other comprehensive (loss) income before reclassifications, net of tax benefit of \$0.1, \$0.5, \$0.2 and \$0.8	(0.9)	(1.4)	(0.4)	(2.7)
Amounts reclassified from accumulated other comprehensive (loss)	-	(3.6)	(1.9)	(5.5)
Net current period other comprehensive (loss)	(0.9)	(5.0)	(2.3)	(8.2)
Balance, September 30, 2024	<u>\$ 0.1</u>	<u>\$ (4.5)</u>	<u>\$ (108.5)</u>	<u>\$ (112.9)</u>

	Foreign Currency Translation Adjustments ⁽¹⁾	Derivative Gain (Loss) ⁽¹⁾	Pension and Postretirement Adjustments ⁽¹⁾	Total Accumulated Other Comprehensive (Loss) ⁽¹⁾
Balance, June 30, 2023	\$ 1.1	\$ 7.1	\$ (110.0)	\$ (101.8)
Other comprehensive (loss) income before reclassifications, net of tax (expense) of \$-, (\$0.1), \$- and (\$0.1)	(0.5)	0.7	(0.1)	0.1
Amounts reclassified from accumulated other comprehensive (loss)	-	(2.6)	(0.1)	(2.7)
Net current period other comprehensive (loss)	(0.5)	(1.9)	(0.2)	(2.6)
Balance, September 30, 2023	<u>\$ 0.6</u>	<u>\$ 5.2</u>	<u>\$ (110.2)</u>	<u>\$ (104.4)</u>

	Foreign Currency Translation Adjustments ⁽¹⁾	Derivative Gain (Loss) ⁽¹⁾	Pension and Postretirement Adjustments ⁽¹⁾	Total Accumulated Other Comprehensive (Loss) ⁽¹⁾
Balance, December 31, 2022	\$ 0.5	\$ 9.5	\$ (110.1)	\$ (100.1)
Other comprehensive income before reclassifications, net of tax (expense) of \$-, (\$0.4), (\$0.1) and (\$0.5)	0.1	2.5	0.2	2.8
Amounts reclassified from accumulated other comprehensive (loss)	-	(6.8)	(0.3)	(7.1)
Net current period other comprehensive income (loss)	0.1	(4.3)	(0.1)	(4.3)
Balance, September 30, 2023	<u>\$ 0.6</u>	<u>\$ 5.2</u>	<u>\$ (110.2)</u>	<u>\$ (104.4)</u>

(1) Amounts are net of tax.

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	Amounts Reclassified from Accumulated Other Comprehensive (Loss)				Affected Line Item in the Condensed Consolidated Statements of Earnings and Comprehensive Income
	Three Months Ended September 30,		Nine Months Ended September 30,		
	2024	2023	2024	2023	
Derivative Adjustments:					
Interest rate swap contracts, before tax	\$ (1.4)	\$ (3.3)	\$ (4.7)	\$ (8.6)	Interest expense
Tax impact	0.4	0.7	1.1	1.8	Income tax expense
Total (income), net of tax	<u>(1.0)</u>	<u>(2.6)</u>	<u>(3.6)</u>	<u>(6.8)</u>	
Pension and Postretirement Adjustments:					
Amortization of prior service credit	(0.1)	(0.1)	(0.2)	(0.2)	Other non-operating (income), net
Amortization of net actuarial (gain)	(0.9)	-	(2.5)	(0.2)	Other non-operating (income), net
Total (income), before tax	(1.0)	(0.1)	(2.7)	(0.4)	
Tax impact	0.4	-	0.8	0.1	Income tax expense
Total (income), net of tax	<u>(0.6)</u>	<u>(0.1)</u>	<u>(1.9)</u>	<u>(0.3)</u>	
Total reclassifications for the period	<u>\$ (1.6)</u>	<u>\$ (2.7)</u>	<u>\$ (5.5)</u>	<u>\$ (7.1)</u>	

NOTE 19. LITIGATION AND RELATED MATTERS

ENVIRONMENTAL MATTERS

Environmental Compliance

Our manufacturing and research facilities are affected by various federal, state and local requirements relating to the discharge of materials and the protection of the environment. We make expenditures necessary for compliance with applicable environmental requirements at each of our operating facilities. While these expenditures are not typically material, the applicable regulatory requirements continually change and, as a result, we cannot predict with certainty the amount, nature or timing of future expenditures associated with environmental compliance.

Environmental Sites

Summary

We are actively involved in the investigation and remediation of existing or potential environmental contamination under the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") and state Superfund and similar environmental laws at two domestically owned locations allegedly resulting from past industrial activity.

In each location, we are one of multiple potentially responsible parties and have agreed to jointly fund the required investigation and remediation, while preserving our defenses to the liability. We may also have rights of contribution or reimbursement from other parties or coverage under applicable insurance policies. We have pursued coverage and recoveries under those applicable insurance policies with respect to certain of the sites, including the Macon, Georgia site and the Elizabeth City, North Carolina site, each of which is summarized below. Other than disclosed below, we are unable to predict the outcome of these matters or the timing of any future recoveries, whether through settlement or otherwise. We are also unable to predict the extent to which any recoveries might cover our final share of investigation and remediation costs for these sites. Our final share of investigation and remediation costs may exceed any such recoveries, and such amounts net of insurance recoveries may be material.

Between 2017 and 2021, we entered into settlement agreements totaling \$53.0 million with certain legacy insurance carriers to resolve ongoing litigation and recover fees and costs previously incurred by us in connection with certain environmental sites. These settlements were recorded as reductions to cost of goods sold and SG&A expenses, reflecting the same income statement categories where environmental expenditures were historically recorded. From 2020 through the third quarter of 2024, cumulative insurance recoveries exceeded cumulative expenses to date related to the respective environmental sites and the excess was recorded within long-term liabilities on our Condensed Consolidated Balance Sheets. Excess recoveries are released to offset additional reserves for potential liabilities incurred on the respective environmental sites. As of December 31, 2023, insurance recoveries in excess of cumulative expenses were \$2.6 million. We may enter into additional settlement agreements in the future, which may or may not be material, with other legacy insurers to obtain reimbursement or contribution for environmental site expenses.

Estimates of our future liability at the environmental sites are based on evaluations of currently available facts regarding each individual site. We consider factors such as our activities associated with the site, existing technology, presently enacted laws and

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regulations and prior company experience in remediating contaminated sites. Although current law imposes joint and several liability on all parties at Superfund sites, our contribution to the remediation of these sites is expected to be limited by the number of other companies potentially liable for site remediation. As a result, our estimated liability reflects only our expected share. In determining the probability of contribution, we consider the solvency of other parties, the site activities of other parties, whether liability is being disputed, the terms of any existing agreements and experience with similar matters, and the effect of our October 2006 Chapter 11 reorganization upon the validity of the claim, if any.

Specific Material Events

Macon, Georgia

The U.S. Environmental Protection Agency (the “EPA”) has listed two landfills located on a portion of our facility in Macon, Georgia, along with the former Macon Naval Ordnance Plant landfill adjacent to our property, portions of Rocky Creek, and certain tributaries leading to Rocky Creek (collectively, the “Macon Site”) as a Superfund site on the National Priorities List due to the presence of contaminants, most notably polychlorinated biphenyls (“PCBs”).

In September 2010, we entered into an Administrative Order on Consent for a Removal Action (the “Removal Action”) with the EPA to investigate PCB contamination in one of the landfills on our property, the Wastewater Treatment Plant Landfill (“Operable Unit 1”). After completing an investigation of Operable Unit 1 and submitting our final Engineering Evaluation/Cost Analysis, the EPA issued an Action Memorandum in July 2013 selecting our recommended remedy for the Removal Action. The Operable Unit 1 response action is complete and the final report was submitted to the EPA in October 2016. The EPA approved the final report in November 2016, and a Post-Removal Control Plan was submitted to the EPA in March 2017. AWI has been conducting operation and maintenance activities of the completed remedy since 2017 consistent with the approved Post-Removal Control Plan.

In September 2015, AWI and other Potential Responsible Parties (“PRPs”) received a Special Notice Letter from the EPA under CERCLA inviting AWI and the PRPs to enter into the negotiation of a Remedial Investigation and Feasibility Study (“RI/FS”) with respect to the remainder of the Superfund site, which included the other landfill on our property, as well as areas on and adjacent to our property and Rocky Creek (“Operable Unit 2”). We and the other PRPs entered into a settlement agreement with the EPA effective September 2018, in response to the Special Notice Letter to conduct the RI/FS. The PRPs submitted an RI/FS work plan, which was approved by the EPA in September 2019. Investigative work on this portion of the site commenced in December 2019.

In June 2021, the PRPs submitted a Site Characterization Summary Report (“SCSR”) for Operable Unit 2 to the EPA. The purpose of the SCSR was to demonstrate that the available data for Operable Unit 2 was adequate for the risk assessment and for the development of remedial action objectives. In the second half of 2022, the EPA and the PRPs agreed to separate all non-groundwater aspects of the site; the groundwater investigation is ongoing. In August 2022, the PRPs submitted a Human Health Baseline Risk Assessment to the EPA, and in December 2022, the PRPs submitted a final Baseline Ecological Risk Assessment for all non-groundwater aspects of Operable Unit 2 to the EPA. Both risk assessments served as exhibits to the Remedial Investigation Report (“RIR”), which the EPA approved in July 2023.

Based on findings in the RIR, the PRPs developed a draft Feasibility Study (“FS”) to identify and evaluate potential remedial alternatives for all non-groundwater elements of Operable Unit 2. The draft FS was submitted to the EPA in August 2023. The EPA and the State of Georgia provided comments in October 2023 and a revised FS was submitted in November 2023. The EPA conditionally approved the FS in April 2024 and issued a Proposed Remedial Action Plan (“Proposed Plan”) for the non-groundwater elements at the site in May 2024. The EPA held a public meeting in May 2024 to explain the Proposed Plan and start the thirty-day period for public comment, which closed on June 30, 2024. The EPA’s Proposed Plan included a total cost estimate for the non-groundwater elements at the site of approximately \$8 million. In August 2024, the EPA signed the Record of Decision, selecting the remedy outlined in the Proposed Plan. The portion of these remediation costs that AWI will bear for all non-groundwater elements of Operable Unit 2 will not be known until the PRPs resolve the final allocation of costs.

It is probable that we will incur field investigation, engineering and oversight costs associated with designing and implementing the remedy for all non-groundwater elements of Operable Unit 2 and for completing an RI/FS for all groundwater elements of Operable Unit 2 (now designated “Operable Unit 3” by the EPA). We may also ultimately incur costs in remediating contamination discovered during the RI/FS for Operable Unit 3 and we are unable to reasonably estimate our final share of the total costs associated with the investigation work or any resulting remediation therefrom, although such amounts may be material to any one quarter’s or year’s results of operations in the future. We do not expect the total future costs to have a material adverse effect on our liquidity or financial condition as the cash payments may be made over many years.

Elizabeth City, North Carolina

This site is a former cabinet manufacturing facility that from 1977 until 1996 was operated by Triangle Pacific Corporation, which became Armstrong Wood Products, Inc. (“AWP”), and is now known as AHF Products, LLC. The site was formerly owned by the U.S. Navy (“Navy”) and Westinghouse, which was purchased by Paramount Global (“Paramount”) (then known as CBS Corporation). We assumed ownership of the site when we acquired the stock of AWP in 1998. Prior to our acquisition, the North Carolina Department of Environment and Natural Resources listed the site as a hazardous waste site. In 1997, AWP entered into a cost sharing

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agreement with Westinghouse whereby the parties agreed to share equally in costs associated with investigation and potential remediation. In 2000, AWP and Paramount entered into an Administrative Order on Consent to conduct an RI/FS with the EPA for the site. In 2007, we and Paramount entered into an agreement with the Navy whereby the Navy agreed to pay one third of defined past and future investigative costs up to a certain amount, which has now been exhausted. The EPA approved an RI/FS work plan for the site in August 2011. In January 2014, we submitted draft RI and Risk Assessment reports and conducted supplemental investigative work based upon agency comments to those reports. In connection with the separation of Armstrong Flooring, Inc. in 2016, we agreed to retain any legacy environmental liabilities associated with the AWP site. The EPA published an Interim Action Proposed Plan for the site in April 2018 seeking public comment until June 2018. The EPA evaluated comments, including ours, and has published its Interim Record Of Decision (“IROD”) selecting an interim cleanup approach. In September 2018, AWI and Paramount received a Special Notice Letter from the EPA under CERCLA inviting AWI and Paramount to enter into the negotiation of a settlement agreement to conduct or finance the response action at the site. In response to the September 2018 Special Notice Letter, we and Paramount submitted a good faith offer to the EPA in May 2019. In June 2021, we entered into a negotiated Partial Consent Decree and Site Participation Agreement with the EPA, Paramount and the U.S. on behalf of the Navy for the remedial design and remedial action for the interim remedy. Because the U.S. does not conduct work as a PRP at Superfund sites, similar to the 2007 agreement, the U.S. agreed to pay its share of the estimated costs of performing the work. The Partial Consent Decree was entered by the U.S. District Court for the Eastern District of North Carolina in January 2022. A Remedial Design Work Plan (“RDWP”) for the site was submitted to the EPA in June 2022, and AWI and Paramount responded on November 2022 to comments received from the EPA in September 2022. The EPA approved the revised RDWP in February 2023 and in June 2023, the parties submitted a Pre-Design Investigation Work Plan. The EPA provided comments on the Pre-Design Investigation Work Plan in November 2023 and the revised document was submitted to the EPA in December 2023. In March 2024, the EPA issued a conditional approval of the Pre-Design Investigation Work Plan, subject to the Company and Paramount addressing the EPA comments on a component of the Work Plan within 60 days. In May 2024 and August 2024, AWI submitted revisions to the Pre-Design Investigation Work Plan to address additional comments received from the EPA. The current estimate of future liability at this site includes only our estimated share of the costs of implementing the interim remedial action under the IROD. We are unable to reasonably estimate our final share of the total costs associated with the interim or final remediation at the site, although such amounts may be material to any one quarter's or one year's results of operations in the future. We do not expect the total future costs to have a material adverse effect on our liquidity or financial condition as the cash payments may be made over many years.

Summary of Financial Position

Total liabilities, reflected within other long-term liabilities on the Condensed Consolidated Balance Sheets, for environmental matters that we consider probable and for which a reasonable estimate of the probable liability could be made were \$4.2 million and \$0.5 million as of September 30, 2024 and December 31, 2023, respectively. As noted above, expenses associated with additional reserves for environmental matters were offset through the release of a portion of the balance of insurance recoveries in excess of cumulative expenses. During the three and nine months ended September 30, 2024, we recorded \$0.1 million and \$4.1 million of additional reserves for potential environmental liabilities, of which, \$2.5 million was offset through a release of our remaining environmental insurance recoveries in excess of cumulative expenses, and \$1.6 million was recorded as a component of SG&A expenses on our Condensed Consolidated Statements of Earnings and Comprehensive Income. During the three and nine months ended September 30, 2023, we recorded \$0.5 million of additional reserves for potential environmental liabilities, all of which was offset through a release of our remaining environmental insurance recoveries in excess of cumulative expenses. Where existing data is sufficient to estimate the liability, that estimate has been used; where only a range of probable liabilities is available and no amount within that range is more likely than any other, the lower end of the range has been used. As assessments and remediation activities progress at each site, these liabilities are reviewed to reflect new information as it becomes available and adjusted to reflect amounts actually incurred and paid. These liabilities are undiscounted.

The estimated environmental liabilities above do not take into account any claims for additional recoveries from insurance or third parties. It is our policy to record insurance recoveries as assets in the Condensed Consolidated Balance Sheets when realizable. We incur costs to pursue environmental insurance recoveries, which are expensed as incurred.

Actual costs to be incurred at identified sites may vary from our estimates. Based on our knowledge of the identified sites, it is not possible to reasonably estimate future costs in excess of amounts already recognized.

OTHER CLAIMS

From time to time, we are involved in other various lawsuits, claims, investigations and other legal matters that arise in the ordinary course of business, including matters involving our products, intellectual property, relationships with suppliers, relationships with distributors, other customers or end users, relationships with competitors, employees and other matters. In connection with those matters, we may have rights of indemnity, contribution or reimbursement from other parties or coverage under applicable insurance policies. When applicable and appropriate, we will seek indemnity, contribution or reimbursement from other parties and pursue coverage and recoveries under those policies, but are unable to predict the outcome of those demands. While complete assurance

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cannot be given to the outcome of any proceedings relating to these matters, we do not believe that any current claims, individually or in the aggregate, will have a material adverse effect on our financial condition, liquidity or results of operations.

NOTE 20. NET EARNINGS PER SHARE

The following table is a reconciliation of net earnings attributable to common shares used in our basic and diluted net Earnings Per Share (“EPS”) calculations for the three and nine months ended September 30, 2024 and 2023. EPS components may not add due to rounding.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net earnings	\$ 76.9	\$ 69.5	\$ 202.7	\$ 177.0
(Earnings) allocated to participating vested share awards	-	-	-	(0.1)
Net earnings attributable to common shares	<u>\$ 76.9</u>	<u>\$ 69.5</u>	<u>\$ 202.7</u>	<u>\$ 176.9</u>

The following table is a reconciliation of basic shares outstanding to diluted shares outstanding for the three and nine months ended September 30, 2024 and 2023 (shares in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Basic shares outstanding	43.7	44.5	43.8	45.0
Dilutive effect of common stock equivalents	0.2	0.1	0.2	-
Diluted shares outstanding	<u>43.9</u>	<u>44.6</u>	<u>44.0</u>	<u>45.0</u>

Anti-dilutive stock awards excluded from the computation of dilutive EPS for the three and nine months ended September 30, 2024 were 128 and 11,660, respectively. Anti-dilutive stock awards excluded from the computation of dilutive EPS for the three and nine months ended September 30, 2023 were 44,932 and 103,740, respectively.

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

This discussion should be read in conjunction with the financial statements, the accompanying notes, the cautionary note regarding forward-looking statements and risk factors included in this report and our Annual Report on Form 10-K for the year ended December 31, 2023.

OVERVIEW

AWI is a leader in the design, innovation and manufacture of ceiling and wall solutions in the Americas. We manufacture and source products made of numerous materials, including mineral fiber, fiberglass wool, metal, wood, felt, wood fiber, architectural resin and glass, and glass-reinforced-gypsum. We also manufacture ceiling suspension system (grid) products through a joint venture with Worthington Enterprises, Inc. ("Worthington") called Worthington Armstrong Venture ("WAVE").

Acquisitions and Investments in Unconsolidated Affiliates

In April 2024, we acquired all of the issued and outstanding membership interests in 3form, LLC ("3form"), a subsidiary of Hunter Douglas, Inc. based in Salt Lake City, Utah. 3form is a designer and manufacturer of architectural resin and glass products used for specialty walls, partitions and ceilings. The operations, assets and liabilities of 3form are included in our Architectural Specialties segment.

In January 2024, we entered into a strategic partnership and equity investment in Overcast Innovations LLC ("Overcast") with McKinstry Essention, LLC whereby we acquired a 19.5% ownership interest in Overcast, with future rights to increase our ownership interest. Overcast is a solutions company offering prefabricated ceiling cloud systems, modular grid platforms and engineering design services to reduce waste and inefficiencies in the built environment. Our investment and equity earnings in Overcast are included in our Unallocated Corporate segment.

In October 2023, we acquired a portion of the business and certain assets of Insolcorp, LLC ("Insolcorp"), based in Albemarle, North Carolina, used to develop, test and manufacture energy saving products deployed in building and roofing installations. The acquired operations, assets and liabilities of Insolcorp are included in our Mineral Fiber segment.

In July 2023, we acquired all of the issued and outstanding stock of BOK Modern, LLC ("BOK"), based in San Rafael, California. BOK is a designer of metal facade architectural solutions. The acquired operations, assets and liabilities of BOK are included in our Architectural Specialties segment.

Manufacturing Plants

As of September 30, 2024, we operated 19 manufacturing plants, including 17 plants located within the U.S. and two plants in Canada.

WAVE operates seven additional plants in the U.S. to produce suspension system (grid) products, which we use and sell in our ceiling systems.

Reportable Segments

Our operating segments are as follows: Mineral Fiber, Architectural Specialties and Unallocated Corporate.

Mineral Fiber – produces suspended mineral fiber and soft fiber ceiling systems. Our mineral fiber products offer various performance attributes such as acoustical control, rated fire protection, and energy efficiency, along with other health and sustainability features and aesthetic appeal. Ceiling products are primarily sold to resale distributors, ceiling systems contractors and wholesalers, and retailers (including large home centers). The Mineral Fiber segment also includes the results of WAVE, which manufactures and sells suspension system (grid) products and ceiling component products that are invoiced by both AWI and WAVE. Segment results relating to WAVE consist primarily of equity earnings and reflect our 50% equity interest in the joint venture. Ceiling component products consist of ceiling perimeters and trim, in addition to grid products that support drywall ceiling systems. For some customers, WAVE sells its suspension system products to AWI for resale to customers. Mineral Fiber segment results reflect those sales transactions. The Mineral Fiber segment also includes all assets and liabilities not specifically allocated to our Architectural Specialties or Unallocated Corporate segment, including all property and related depreciation associated with our Lancaster, Pennsylvania headquarters. Operating results for the Mineral Fiber segment include a significant majority of allocated Corporate administrative expenses that represent a reasonable allocation of general services to support its operations.

Architectural Specialties – produces, designs and sources ceilings, walls and facades primarily for use in commercial settings. Products are available in numerous materials, such as metal, wood and felt, in addition to various colors, shapes and designs. These

Management's Discussion and Analysis of Financial Condition and Results of Operations

products offer various performance attributes such as acoustical control, rated fire protection, light and aesthetic appeal. We sell standard, premium and customized products, a portion of which are sourced from third-party producers. Architectural Specialties products are sold primarily to resale distributors and direct customers, primarily ceiling systems contractors. The majority of this segment's revenues are project driven, which can lead to more variability in sales patterns. Operating results for the Architectural Specialties segment include a portion of allocated Corporate administrative expenses that represent a reasonable allocation of general services to support its operations.

Unallocated Corporate – includes certain assets, liabilities, income and expenses that have not been allocated to our other business segments and consists of: cash and cash equivalents, our Overcast investment and related equity earnings/losses, the net funded status of our U.S. Retirement Income Plan ("RIP"), the estimated fair value of interest rate swap contracts, outstanding borrowings under our senior secured credit facility and income tax balances.

Factors Affecting Revenues

For information on our 2024 net sales by segment, see Notes 2 and 3 to the Condensed Consolidated Financial Statements.

Markets. We compete in the building product markets of the Americas. We closely monitor publicly available macroeconomic data and trends that provide insight into commercial construction market activity, including, but not limited to, gross domestic product, office vacancy rates, the Architecture Billings Index, new commercial construction starts, state and local government spending, corporate profits, and retail sales. The Company also continues to monitor the impacts of geopolitical events, none of which had a material direct impact on our financial condition, liquidity or results of operations in the first nine months of 2024 or 2023.

Several factors and trends within our markets affected our business performance during the three and nine months ended September 30, 2024 compared to the same periods in 2023, most notably an increase in net sales due to our April 2024 acquisition of 3form and our July 2023 acquisition of BOK. For the three months ended September 30, 2024, sales volumes increased \$30 million compared to the same period in 2023, with the 3form and BOK acquisitions contributing \$25 million to net sales. For the nine months ended September 30, 2024, sales volumes increased \$53 million compared to the same period in 2023 driven primarily by a \$48 million increase in net sales from the 3form and BOK acquisitions.

Average Unit Value. We periodically modify sales prices of our products due to changes in costs for raw materials and energy, market conditions and the competitive environment. Typically, realized price increases are less than announced price increases because of project pricing, competitive adjustments and changing market conditions. We also offer a wide assortment of products that are differentiated by style, design and performance attributes. Pricing and margins for products within the assortment vary. In addition, changes in the relative quantity of products purchased at different price points can impact year-to-year comparisons of net sales and operating income. Within our Mineral Fiber segment, we focus on improving sales dollars per unit sold, or average unit value ("AUV"), as a measure that accounts for the varying assortment of products and like-for-like pricing impacting our revenues.

Favorable AUV increased our total consolidated net sales for the three and nine months ended September 30, 2024 by approximately \$9 million and \$42 million, respectively, compared to the same periods in 2023. Our Architectural Specialties segment revenues are primarily generated by individual contracts that include a mix of products, both manufactured by us and sourced from third parties, that varies by project. As such, we do not track AUV performance for this segment, but rather attribute most changes in net sales to volume.

During the first and third quarters of 2024, we implemented price increases on Mineral Fiber ceiling products. During the first and second quarters of 2024, WAVE implemented price increases on grid products. Future pricing actions may be implemented based on numerous factors, including the rate and pace of inflation and its impact on our business.

Seasonality. Historically, our sales tend to be stronger in the second and third quarters of our fiscal year due to more favorable weather conditions, customer business cycles and the timing of renovation and new construction projects.

Factors Affecting Operating Costs

Operating Expenses. Our operating expenses are composed of direct production costs (principally raw materials, labor, and energy), manufacturing overhead costs, freight, costs to purchase sourced products and selling, general and administrative ("SG&A") expenses.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Our largest raw material expenditures are primarily for fiberglass, perlite, recycled paper, and starch. Other raw materials include clay, felt, pigment, wood, and wood fiber. We manufacture substantially all of our mineral wool at one of our manufacturing facilities. We use aluminum and steel in the production of metal ceilings by us and by WAVE. Finally, natural gas and packaging materials are also significant input costs. Fluctuations in the prices of these inputs impact our financial results. During the three and nine months ended September 30, 2024, lower energy and freight costs were partially offset by higher raw material costs, resulting in a \$1 million and \$5 million benefit to operating income, respectively, compared to the prior year periods.

Acquisition-Related Expenses and Losses

In connection with our acquisitions of 3form in April 2024, Insolcorp in October 2023, BOK in July 2023 and Arktura LLC ("Arktura") in December 2020, we recorded certain acquisition-related expenses and losses to operating income during the three and nine months ended September 30, 2024 and 2023, summarized as follows (dollar amounts in millions):

	<u>Three Months Ended</u> <u>September 30,</u>		<u>Nine Months Ended</u> <u>September 30,</u>		Affected Line Item in the Condensed Consolidated Statements of Earnings and Comprehensive Income
	2024	2023	2024	2023	
Inventory	\$ -	\$ -	\$ 0.3	\$ -	Cost of goods sold
Deferred cash and restricted stock expenses	-	1.4	-	4.1	SG&A expenses
Acquisition costs	-	-	1.0	-	SG&A expenses
Loss related to change in fair value of contingent consideration	0.2	-	0.6	-	Loss related to change in fair value of contingent consideration
Net negative impact to operating income	\$ 0.2	\$ 1.4	\$ 1.9	\$ 4.1	

The inventory amounts above reflect the post-acquisition expenses associated with recording inventory at fair value as part of purchase accounting for the 3form acquisition. Expenses related to the deferred cash and restricted stock awards were related to our Arktura acquisition and represented expenses for Arktura's former owners and employees that were recorded over their respective service periods, as such payments were subject to the awardees' continued employment with AWI. The Company and the former owners of Arktura mutually agreed upon the separation of their service effective in the fourth quarter of 2023. Acquisition costs above reflect certain contingent third-party professional fees incurred due to the 3form acquisition. The change in fair value of contingent consideration was related to our BOK and Insolcorp acquisitions and is remeasured quarterly during each acquisition's earn-out periods. See Note 15 to the Condensed Consolidated Financial Statements for further information. Depreciation of fixed assets acquired and amortization of intangible assets acquired have been excluded from the table above.

Employees

As of September 30, 2024 we had approximately 3,500 full-time and part-time employees, compared to 3,100 full-time and part-time employees as of December 31, 2023. The increase in employees since December 31, 2023 was primarily driven by our April 2024 acquisition of 3form.

RESULTS OF OPERATIONS

Please refer to Note 2 to the Condensed Consolidated Financial Statements for a reconciliation of operating income to consolidated net earnings before income taxes.

CONSOLIDATED RESULTS

(dollar amounts in millions)

	<u>2024</u>	<u>2023</u>	<u>Change is Favorable</u>
<u>Three Months Ended September 30,</u>			
Total consolidated net sales	\$ 386.6	\$ 347.3	11.3 %
Operating income	\$ 111.3	\$ 100.2	11.1 %
<u>Nine Months Ended September 30,</u>			
Total consolidated net sales	\$ 1,078.0	\$ 982.9	9.7 %
Operating income	\$ 292.4	\$ 257.4	13.6 %

Management's Discussion and Analysis of Financial Condition and Results of Operations

Consolidated net sales for the third quarter of 2024 increased 11.3% over the prior-year period primarily due to higher volumes of \$30 million and favorable AUV of \$9 million. Architectural Specialties net sales increased \$31 million and Mineral Fiber net sales increased \$8 million over the prior-year period. Architectural Specialties segment net sales improved primarily due to contributions from the acquisitions of 3form and BOK. The increase in Mineral Fiber net sales was primarily driven by favorable AUV.

Consolidated net sales for the first nine months of 2024 increased 9.7% compared to the prior-year period primarily due to higher volumes of \$53 million and favorable AUV of \$42 million. Architectural Specialties net sales increased \$59 million and Mineral Fiber net sales increased \$36 million over the prior-year period. Architectural Specialties segment net sales improved primarily due to contributions from the acquisitions of 3form and BOK. The increase in Mineral Fiber net sales was primarily driven by favorable AUV, partially offset by lower sales volumes.

Cost of goods sold in the third quarter of 2024 was 57.6% of net sales, compared to 59.3% for the same period in 2023. Cost of goods sold in the first nine months of 2024 was 59.4% of sales, compared to 61.6% for the same period in 2023. The decreases in cost of goods sold as a percent of net sales for the third quarter and first nine months of 2024 compared to the same periods in 2023 were driven primarily by favorable AUV margin benefit, improved manufacturing productivity and lower input costs.

SG&A expenses in the third quarter of 2024 were \$77.6 million, or 20.1% of net sales, compared to \$64.6 million, or 18.6% of net sales, for the same period in 2023. The year-over-year increase in SG&A expenses was primarily driven by an \$11 million increase related to the acquisitions of 3form and BOK and a \$3 million increase in incentive compensation.

SG&A expenses in the first nine months of 2024 were \$223.1 million, or 20.7% of net sales, compared to \$189.2 million, or 19.2% of net sales, for the same period in 2023. The year-over-year increase in SG&A expenses was primarily driven by a \$20 million increase related to the acquisitions of 3form and BOK, a \$6 million increase in incentive compensation, a \$3 million increase in deferred compensation related charges, a \$2 million increase in selling expenses, as well as a \$2 million increase in business development expenses.

Remeasurement losses for changes in the fair value of contingent consideration were \$0.2 million and \$0.6 million for the three and nine months ended September 30, 2024 and related to our BOK and Insolcorp acquisitions. See Note 15 to the Condensed Consolidated Financial Statements for further information.

Impairment and gain on sales of fixed assets, net were \$0.2 million and \$0.3 million for the three and nine months ended September 30, 2024. During the third quarter of 2024, we recorded a \$4.6 million gain on the sale of our idled Mineral Fiber plant in St. Helens, Oregon. Also in the third quarter of 2024, we recorded a \$4.9 million impairment charge for undeveloped land adjacent to our Corporate headquarters, which represented the expected loss on sale of the property based on an agreement we entered into with a buyer that we anticipate closing within the next twelve months.

Equity earnings from unconsolidated subsidiaries were \$25.2 million in the third quarter of 2024, compared to \$23.4 million in the third quarter of 2023, and were \$78.7 million in the first nine months of 2024 compared to \$69.1 million in the same period in 2023. WAVE equity earnings were \$25.5 million in the third quarter of 2024, while Overcast equity losses were \$0.3 million. WAVE equity earnings were \$79.4 million in the first nine months of 2024, while Overcast equity losses were \$0.7 million. The year-over-year increase in WAVE equity earnings for the third quarter of 2024 was primarily driven by the benefit from favorable AUV, partially offset by lower sales volumes. The year-over-year increase in WAVE equity earnings for the first nine months of 2024 was primarily driven by the benefit from favorable AUV and higher sales volumes, partially offset by increased employee compensation and benefits. See Note 8 to the Condensed Consolidated Financial Statements for further information.

Interest expense was \$10.5 million in the third quarter of 2024 compared to \$8.8 million in the third quarter of 2023. Interest expense was \$30.6 million in the first nine months of 2024 compared to \$26.7 million in the first nine months of 2023. The increases for the third quarter and first nine months of 2024 in comparison to the same periods in 2023 were primarily due to higher average effective interest rates, partially offset by lower average debt balances.

Other non-operating income, net, was \$3.0 million in the third quarter of 2024 compared to \$2.3 million in the third quarter of 2023. Other non-operating income, net, was \$9.3 million in the first nine months of 2024 compared to \$6.9 million in the first nine months of 2023. The increases in other non-operating income, net, for the third quarter and first nine months of 2024 in comparison to the same periods in 2023 were primarily driven by the non-service cost components of pension and postretirement net periodic benefit costs.

Income tax expense was \$26.9 million in the third quarter of 2024 compared to \$24.2 million in the third quarter of 2023. The effective tax rate for the third quarter of 2024 was 25.9% compared to 25.8% for the same period of 2023. Income tax expense was \$68.4 million in the first nine months of 2024 compared to \$60.6 million in the first nine months of 2023. The effective tax rate was 25.2% in the first nine months of 2024 compared to 25.5% in the same period of 2023. The effective tax rate for the third quarter of 2024 was essentially unchanged from the same period in 2023. The decrease in the effective tax rate for the first nine months of 2024 in comparison to the same period in 2023 was primarily due to an increase in discrete tax benefits recognized, partially offset by less favorable permanent adjustments.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Total Other Comprehensive Loss ("OCL") was \$6.4 million in the third quarter of 2024 compared to \$2.6 million in the third quarter of 2023. OCL was \$8.2 million in the first nine months of 2024 compared to \$4.3 million in the first nine months of 2023. The change in OCL in the third quarter and first nine months of 2024 compared to the same periods in 2023 were primarily driven by derivative losses, pension and postretirement adjustments and foreign currency translation adjustments. Derivative losses represent the mark-to-market value fair adjustments for our derivative assets and liabilities, and the recognition of gains and losses previously deferred in Accumulated Other Comprehensive Income. Pension and postretirement adjustments represent the amortization of actuarial gains and losses related to our defined benefit pension and postretirement plans. Foreign currency translation adjustments represent the change in the U.S. dollar value of assets and liabilities denominated in foreign currencies. Foreign currency translation adjustments in 2024 and 2023 were driven primarily by changes in the Canadian dollar.

REPORTABLE SEGMENT RESULTS

Mineral Fiber

(dollar amounts in millions)

	<u>2024</u>	<u>2023</u>	<u>Change is Favorable</u>
<u>Three Months Ended September 30,</u>			
Total segment net sales	\$ 258.0	\$ 249.7	3.3 %
Operating income	\$ 93.0	\$ 85.5	8.8 %
<u>Nine Months Ended September 30,</u>			
Total segment net sales	\$ 747.8	\$ 712.1	5.0 %
Operating income	\$ 253.9	\$ 224.8	12.9 %

Net sales increased 3.3% in the third quarter of 2024 as compared to the prior-year quarter due to \$10 million of favorable AUV, partially offset by \$1 million of lower sales volumes. The improvement in AUV was driven by favorable like-for-like price.

For the first nine months of 2024, net sales improved by 5.0% from the prior-year period, primarily due to \$42 million of favorable AUV, partially offset by lower sales volumes of \$6 million. The favorable AUV was driven primarily by positive like-for-like pricing, and to a lesser extent, favorable mix. The decrease in volumes for the first nine months of 2024 was driven primarily within our home center customer channel, most notably prior-year first quarter inventory level increases that did not repeat in the current year period, partially offset by the positive contribution from our growth initiatives compared to the prior-year period.

Third-quarter 2024 operating income increased primarily due to a \$6 million benefit from favorable AUV, a \$3 million decrease in manufacturing and input costs and a \$2 million increase in WAVE equity earnings. These benefits were partially offset by a \$3 million increase in SG&A expenses, primarily driven by higher incentive compensation.

Operating income for the first nine months of 2024 increased primarily due to a \$28 million benefit from favorable AUV, a \$10 million increase in WAVE equity earnings and a \$9 million decrease in manufacturing and input costs, partially offset by a \$4 million decrease from lower sales volumes. Operating income was also negatively impacted by a \$15 million increase in SG&A expenses, which was primarily due to increases in incentive compensation, an increase in deferred compensation related charges, an increase in employee costs due to inflationary pressures, higher depreciation and amortization expense and an increase in accruals for environmental remediation matters.

Architectural Specialties

(dollar amounts in millions)

	<u>2024</u>	<u>2023</u>	<u>Change is Favorable</u>
<u>Three Months Ended September 30,</u>			
Total segment net sales	\$ 128.6	\$ 97.6	31.8 %
Operating income	\$ 19.2	\$ 15.5	23.9 %
<u>Nine Months Ended September 30,</u>			
Total segment net sales	\$ 330.2	\$ 270.8	21.9 %
Operating income	\$ 41.1	\$ 34.9	17.8 %

Net sales increased \$31 million in the third quarter of 2024 compared to the same period in 2023 primarily due to a \$25 million increase from the acquisitions of 3form and BOK, in addition to increased custom metal project net sales.

For the first nine months of 2024, net sales improved by \$59 million from the prior-year period primarily due to a \$48 million contribution from the acquisitions of 3form and BOK, in addition to increased custom metal project net sales.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Operating income increased in the third quarter of 2024 primarily due to an \$18 million margin benefit from increased sales, driven primarily by the acquisitions of 3form and BOK, and partially due to improved custom project margins. This increase was partially offset by a \$10 million increase in SG&A expenses and a \$3 million increase in manufacturing costs, both of which were primarily due to the acquisitions of 3form and BOK.

Operating income for the first nine months of 2024 compared to the same period in 2023 was positively impacted by a \$36 million margin benefit from increased sales, driven primarily by the acquisitions of 3form and BOK, and partially due to improved custom project margins. This increase was largely offset by a \$20 million increase in SG&A expenses primarily due to the acquisitions of 3form and BOK and a \$9 million increase in manufacturing costs, driven by inflationary pressures and the acquisitions of 3form and BOK.

Unallocated Corporate

Unallocated Corporate operating loss was \$1 million in the third quarter of 2024 and 2023. Unallocated Corporate operating loss was \$3 million in the first nine months of 2024 and \$2 million in the first nine months of 2023.

FINANCIAL CONDITION AND LIQUIDITY

Cash Flow

Operating activities for the first nine months of 2024 provided \$180.2 million, compared to \$176.4 million for the first nine months of 2023. The favorable change in cash from operating activities was driven by higher cash earnings for the first nine months of 2024 in comparison to the prior-year period and a favorable timing-related change in accounts payable and accrued expenses was partially offset by an unfavorable timing-related change in accounts receivables and an increase in cash paid for income taxes.

Net cash used for investing activities was \$61.2 million in the first nine months of 2024, compared to \$10.6 million in the first nine months of 2023. The unfavorable change in cash in the first nine months of 2024 compared to the same period in 2023 was primarily due to \$94 million of cash paid for the 3form acquisition, partially offset by proceeds received from the sale of fixed assets, an increase in proceeds received from company-owned life insurance policies, and lower purchases of property, plant and equipment.

Net cash used for financing activities was \$115.7 million in the first nine months of 2024, compared to \$175.1 million cash in the first nine months of 2023. The favorable change in cash was primarily due to a decrease in repurchases of outstanding common stock and lower payments of acquisition-related contingent consideration.

Liquidity

Our liquidity needs for operations vary throughout the year. We retain lines of credit to facilitate our seasonal cash flow needs, since cash flow is historically lower during the first and fourth quarters of our fiscal year.

We have a \$950.0 million variable rate senior credit facility, which is comprised of a \$500.0 million revolving credit facility (with a \$150.0 million sublimit for letters of credit) and a \$450.0 million Term Loan A. The revolving credit facility and Term Loan A are currently priced at 1.375% over the Secured Overnight Financing Rate ("SOFR"), plus a 10-basis point adjustment. The revolving credit facility and Term Loan A mature in December 2027. We also have a \$25.0 million bi-lateral letter of credit facility.

As of September 30, 2024, the total principal balances outstanding under our senior credit facility were \$433.1 million under Term Loan A and \$125.0 million under the revolving credit facility.

The senior credit facility includes two financial covenants that require the ratio of consolidated earnings before interest, taxes, depreciation and amortization ("EBITDA") to consolidated cash interest expense minus cash consolidated interest income to be greater than or equal to 3.0 to 1.0, and requires the ratio of consolidated funded indebtedness, minus AWI and domestic subsidiary unrestricted cash and cash equivalents up to \$100 million, to EBITDA to be less than or equal to 3.75 to 1.0 (subject to certain exceptions for certain acquisitions). As of September 30, 2024, we were in compliance with all covenants of the senior credit facility.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The Term Loan A is currently priced on a variable interest rate basis. The following table summarizes our interest rate swaps (dollar amounts in millions):

Coverage Period	Notional Amount	Risk Coverage	Trade Date
March 2021 to March 2025	\$ 100.0	USD-SOFR	November 28, 2018
November 2023 to December 2025	\$ 50.0	USD-SOFR	October 23, 2023
March 2024 to June 2026	\$ 50.0	USD-SOFR	March 25, 2024
November 2023 to December 2026	\$ 50.0	USD-SOFR	October 10, 2023
March 2024 to June 2027	\$ 50.0	USD-SOFR	March 27, 2024
November 2023 to November 2027	\$ 50.0	USD-SOFR	September 29, 2023
June 2024 to June 2028	\$ 50.0	USD-SOFR	June 26, 2024

Under the terms of the interest rate swap with a November 28, 2018 trade date above, we pay a fixed rate monthly and receive a floating rate based on SOFR, inclusive of a 0% floor. Under the terms of all remaining interest rate swaps above, we pay a fixed rate monthly and receive a floating rate based on SOFR.

As of September 30, 2024, these swaps are designated as cash flow hedges against changes in SOFR for a portion of our variable rate debt.

We utilize lines of credit and other commercial commitments to ensure that adequate funds are available to meet operating requirements. Letters of credit are currently arranged through our revolving credit facility and our bi-lateral facility. Letters of credit may be issued to third party suppliers, insurance companies and financial institutions and typically can only be drawn upon in the event of AWI's failure to pay its obligations to the beneficiary. The following table presents details related to our letters of credit facilities (dollar amounts in millions):

Financing Arrangements	September 30, 2024		
	Limit	Used	Available
Bi-lateral facility	\$ 25.0	\$ 7.4	\$ 17.6
Revolving credit facility	150.0	-	150.0
Total	\$ 175.0	\$ 7.4	\$ 167.6

As of September 30, 2024, we had \$73.7 million of cash and cash equivalents, \$56.9 million in the U.S. and \$16.8 million in foreign jurisdictions, primarily Canada. As of September 30, 2024, we also had \$375 million available under our revolving credit facility. We believe cash on hand and cash generated from operations, together with borrowing capacity under our credit facility, will be adequate to address our near-term liquidity needs based on current expectations of our business operations, capital expenditures, acquisitions and scheduled payments of debt obligations.

CRITICAL ACCOUNTING ESTIMATES

There have been no material changes to our critical accounting estimates disclosed in our Annual Report on Form 10-K for the year ended December 31, 2023.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

For information regarding our exposure to certain market risks, see Item 7A, “Quantitative and Qualitative Disclosures About Market Risk,” in our Annual Report on Form 10-K for the year ended December 31, 2023.

ITEM 4. CONTROLS AND PROCEDURES

- (a) Evaluation of Disclosure Controls and Procedures. The Securities and Exchange Commission defines the term “disclosure controls and procedures” to mean a company’s controls and other procedures that are designed to ensure that information required to be disclosed in the reports that it files or submits under the Securities Exchange Act of 1934, as amended (the “Act”), is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms. Based on the evaluation of the effectiveness of our disclosure controls and procedures by our management, with the participation of our principal executive officer and our chief financial officer, as of September 30, 2024, our principal executive officer and our chief financial officer have concluded that our disclosure controls and procedures were effective to ensure that information required to be disclosed in the reports that we file or submit under the Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms.
- (b) Changes in Internal Control Over Financial Reporting. There have been no material changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Act) during the fiscal quarter ended September 30, 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

See Note 19 to the Condensed Consolidated Financial Statements, which is incorporated herein by reference.

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors disclosed in our Annual Report on Form 10-K for the year ended December 31, 2023.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

(c) Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Approximate Value of Shares that may yet be Purchased under the Plans or Programs
July 1-31, 2024	127,041	\$ 119.05	125,992	\$ 676,794,879
August 1-31, 2024	525	\$ 126.91	-	\$ 676,794,879
September 1-30, 2024	50	\$ 126.76	-	\$ 676,794,879
Total	<u>127,616</u>		<u>125,992</u>	

- (1) Includes shares reacquired through the withholding of shares to pay employee tax obligations upon the exercise of options or vesting of restricted shares previously granted under our long-term incentive plans.

On July 29, 2016, our Board of Directors approved our share repurchase program authorizing us to repurchase up to \$150.0 million of our outstanding shares of common stock (the “Program”). Since inception of the Program, we have been further authorized to repurchase up to an aggregate of \$1,700.0 million of our outstanding shares of common stock through December 31, 2026.

Repurchases of our common stock under the Program may be made through open market, block and privately negotiated transactions, including Rule 10b5-1 plans, at such times and in such amounts as management deems appropriate, subject to market and business conditions, regulatory requirements and other factors. The Program does not obligate AWI to repurchase any particular amount of common stock and may be suspended or discontinued at any time without notice.

During the three months ended September 30, 2024, we repurchased 0.1 million shares under the Program for a total cost of \$15.0 million, excluding commissions and taxes, or an average price of \$119.05 per share. During the nine months ended September 30, 2024, we repurchased 0.4 million shares under the Program for a total cost of \$40.0 million, excluding commissions and taxes, or an average price of \$113.51 per share. Since inception and through September 30, 2024, we have repurchased 14.5 million shares under the Program for a total cost of \$1,023.2 million, excluding commissions and taxes, or an average price of \$70.39 per share.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

ITEM 5. OTHER INFORMATION

Trading Arrangements of Directors and Executive Officers

During the three months ended September 30, 2024, no director or officer of the Company adopted or terminated a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement,” as each term is defined in item 408(a) of Regulation S-K.

ITEM 6. EXHIBITS

The following exhibits are filed as part of this Quarterly Report on Form 10-Q:

<u>Exhibit No.</u>	<u>Description</u>
3.1	<u>Amended and Restated Bylaws of Armstrong World Industries, Inc., are incorporated by reference from the Current Report on Form 8-K filed on July 30, 2024, wherein it appeared as Exhibit 3.1</u>
31.1	<u>Certification of Chief Executive Officer required by Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act. †</u>
31.2	<u>Certification of Chief Financial Officer required by Rule 13a-14-(a) or 15d-14(a) of the Securities Exchange Act. †</u>
32.1	<u>Certification of Chief Executive Officer required by Rule 13a and 18 U.S.C. Section 1350. ††</u>
32.2	<u>Certification of Chief Financial Officer required by Rule 13a and 18 U.S.C. Section 1350. ††</u>
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document. †
101.SCH	Inline XBRL Taxonomy Extension Schema With Embedded Linkbase Documents. †
104	The cover page from the Company’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2024 has been formatted in Inline XBRL.

† Filed herewith.

†† Furnished herewith.

SIGNATURES

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

Armstrong World Industries, Inc.

By: /s/ Christopher P. Calzaretta
Christopher P. Calzaretta, Senior Vice President and
Chief Financial Officer (Principal Financial Officer)

By: /s/ James T. Burge
James T. Burge, Vice President and
Controller (Principal Accounting Officer)

Date: October 29, 2024

I, Victor D. Grizzle, certify that:

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

Date: October 29, 2024

/s/ Victor D. Grizzle

Victor D. Grizzle

Director, President and Chief Executive Officer

I, Christopher P. Calzaretta, certify that:

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

Date: October 29, 2024

/s/ Christopher P. Calzaretta

Christopher P. Calzaretta

Senior Vice President and Chief Financial Officer

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.

I certify to the best of my knowledge and belief that the periodic report on Form 10-Q of Armstrong World Industries, Inc. (the "Company") containing its financial statements for the fiscal quarter ended September 30, 2024 fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, and that information contained in that report fairly presents, in all material respects, the financial condition and results of operations of the Company as of that date.

/s/ Victor D. Grizzle

Victor D. Grizzle

Director, President and Chief Executive Officer

Armstrong World Industries, Inc.

Dated: October 29, 2024

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

I certify to the best of my knowledge and belief that the periodic report on Form 10-Q of Armstrong World Industries, Inc. (the "Company") containing its financial statements for the fiscal quarter ended September 30, 2024 fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, and that information contained in that report fairly presents, in all material respects, the financial condition and results of operations of the Company as of that date.

/s/ Christopher P. Calzaretta

Christopher P. Calzaretta
Senior Vice President and Chief Financial Officer
Armstrong World Industries, Inc.

Dated: October 29, 2024

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.
