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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2024

OR

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

Commission file number: 001-36557

ADVANCED DRAINAGE SYSTEMS, INC.
(Exact name of registrant as specified in its charter)

Delaware	**51-0105665**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**

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

(614) 658-0050
(Registrant's Telephone Number, Including Area Code)

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

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

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

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

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

Large Accelerated Filer	☒	Accelerated Filer	☐
Non-Accelerated Filer	☐	Smaller Reporting Company	☐
Emerging Growth Company	☐		

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

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

As of November 1, 2024, the registrant had 77,536,148 shares of common stock outstanding, which excludes 195,615 shares of unvested restricted common stock. The shares of common stock trade on the New York Stock Exchange under the ticker symbol "WMS."

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Forward-Looking Statements

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

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

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

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

PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

	September 30, 2024	March 31, 2024
ASSETS		
Current assets:		
Cash	$ 613,020	$ 490,163
Receivables (less allowance for doubtful accounts of $4,769 and $4,849, respectively)	357,636	323,576
Inventories	487,232	464,200
Other current assets	34,032	22,028
Total current assets	1,491,920	1,299,967
Property, plant and equipment, net	955,434	876,351
Other assets:		
Goodwill	617,147	617,183
Intangible assets, net	328,924	352,652
Other assets	142,325	122,760
Total assets	**$ 3,535,750**	**$ 3,268,913**
LIABILITIES, MEZZANINE EQUITY AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current maturities of debt obligations	$ 11,130	$ 11,870
Current maturities of finance lease obligations	26,233	18,015
Accounts payable	273,293	254,401
Other accrued liabilities	152,091	154,260
Accrued income taxes	4,590	1,076
Total current liabilities	467,337	439,622
Long-term debt obligations (less unamortized debt issuance costs of $8,737 and $9,759, respectively)	1,255,118	1,259,522
Long-term finance lease obligations	90,272	61,661
Deferred tax liabilities	154,574	156,705
Other liabilities	76,183	70,704
Total liabilities	2,043,484	1,988,214
Commitments and contingencies (see Note 8)		
Mezzanine equity:		
Redeemable common stock: $0.01 par value; 6,045 and 6,682 shares outstanding, respectively	98,231	108,584
Total mezzanine equity	98,231	108,584
Stockholders' equity:		
Common stock; $0.01 par value: 1,000,000 shares authorized; 83,359 and 82,283 shares issued, respectively; 71,463 and 70,868 shares outstanding, respectively	11,690	11,679
Paid-in capital	1,255,794	1,219,834
Common stock in treasury, at cost	(1,219,438)	(1,140,578)
Accumulated other comprehensive loss	(30,689)	(29,830)
Retained earnings	1,359,100	1,092,208
Total ADS stockholders' equity	1,376,457	1,153,313
Noncontrolling interest in subsidiaries	17,578	18,802
Total stockholders' equity	1,394,035	1,172,115
Total liabilities, mezzanine equity and stockholders' equity	**$ 3,535,750**	**$ 3,268,913**

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended September 30,		Six Months Ended September 30,	
	2024	**2023**	**2024**	**2023**
Net sales	$ 782,610	$ 780,220	$ 1,597,946	$ 1,558,266
Cost of goods sold	488,669	477,543	971,551	924,129
Gross profit	293,941	302,677	626,395	634,137
Operating expenses:				
Selling, general and administrative	94,132	91,725	188,184	178,236
Loss (gain) on disposal of assets and costs from exit and disposal activities	617	123	909	(13,181)
Intangible amortization	11,816	12,792	23,711	25,594
Income from operations	187,376	198,037	413,591	443,488
Other expense:				
Interest expense	23,156	21,941	45,980	43,653
Interest income and other, net	(6,956)	(7,506)	(14,072)	(11,055)
Income before income taxes	171,176	183,602	381,683	410,890
Income tax expense	40,920	47,476	90,806	102,534
Equity in net income of unconsolidated affiliates	(918)	(901)	(2,619)	(2,576)
Net income	131,174	137,027	293,496	310,932
Less: net income attributable to noncontrolling interest	792	1,225	1,712	1,478
Net income attributable to ADS	$ 130,382	$ 135,802	$ 291,784	$ 309,454
Weighted average common shares outstanding:				
Basic	77,542	78,606	77,541	78,756
Diluted	78,110	79,307	78,194	79,475
Net income per share:				
Basic	$ 1.68	$ 1.73	$ 3.76	$ 3.93
Diluted	$ 1.67	$ 1.71	$ 3.73	$ 3.89

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended September 30,		Six Months Ended September 30,	
	2024	**2023**	**2024**	**2023**
Net income	$ 131,174	$ 137,027	$ 293,496	$ 310,932
Currency translation loss	(46)	(4,864)	(3,795)	(1,632)
Comprehensive income	131,128	132,163	289,701	309,300
Less: other comprehensive (loss) income attributable to noncontrolling interest	(1,148)	(605)	(2,936)	446
Less: net income attributable to noncontrolling interest	792	1,225	1,712	1,478
Total comprehensive income attributable to ADS	**$ 131,484**	**$ 131,543**	**$ 290,925**	**$ 307,376**

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	Six Months Ended September 30,	
	2024	**2023**
Cash Flows from Operating Activities		
Net income	$ 293,496	$ 310,932
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	85,905	73,961
Deferred income taxes	(2,270)	519
Loss (gain) on disposal of assets and costs from exit and disposal activities	909	(13,181)
Stock-based compensation	13,960	16,234
Amortization of deferred financing charges	1,022	1,022
Fair market value adjustments to derivatives	1,024	(1,889)
Equity in net income of unconsolidated affiliates	(2,619)	(2,576)
Other operating activities	(6,124)	756
Changes in working capital:		
Receivables	(35,565)	(43,530)
Inventories	(24,750)	79,215
Prepaid expenses and other current assets	(4,804)	(2,228)
Accounts payable, accrued expenses, and other liabilities	30,142	39,629
Net cash provided by operating activities	350,326	458,864
Cash Flows from Investing Activities		
Capital expenditures	(112,182)	(82,625)
Proceeds from disposition of assets	—	19,979
Other investing activities	640	446
Net cash used in investing activities	(111,542)	(62,200)
Cash Flows from Financing Activities		
Payments on syndicated Term Loan Facility	(3,500)	(3,500)
Payments on Equipment Financing	(2,665)	(4,458)
Payments on finance lease obligations	(11,756)	(5,452)
Repurchase of common stock	(69,922)	(101,564)
Cash dividends paid	(24,917)	(22,224)
Proceeds from exercise of stock options	8,694	2,623
Payment of withholding taxes on vesting of restricted stock units	(10,576)	(8,811)
Other financing activities	2	—
Net cash used in financing activities	(114,640)	(143,386)
Effect of exchange rate changes on cash	(1,142)	3
Net change in cash	123,002	253,281
Cash and restricted cash at beginning of period	495,848	217,128
Cash and restricted cash at end of period	**$ 618,850**	**$ 470,409**
RECONCILIATION TO BALANCE SHEET		
Cash	$ 613,020	
Restricted cash (included in Other assets in the Condensed Consolidated Balance Sheets)	5,830	
Total cash and restricted cash	**$ 618,850**	

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	Common Stock		Paid -In Capital	Common Stock in Treasury		Accumulated Other Compre-hensive Loss	Retained Earnings	Total ADS Stockholders’ Equity	Non-controlling Interest in Subsidiaries	Total Stock-holders’ Equity	Redeemable Common Stock		Total Mezzanine Equity
	Shares	Amount		Shares	Amount						Shares	Amount	
Balance at July 1, 2023	79,651	$ 11,654	$ 1,147,449	10,110	$ (977,812)	$ (25,399)	$ 788,780	$ 944,672	$ 18,797	$ 963,469	9,132	$ 148,397	$ 148,397
Net income	—	—	—	—	—	—	135,802	135,802	1,225	137,027	—	—	—
Other comprehensive loss	—	—	—	—	—	(4,259)	—	(4,259)	(605)	(4,864)	—	—	—
Common stock dividends ($0.14 per share)	—	—	—	—	—	—	(11,031)	(11,031)	—	(11,031)	—	—	—
Share repurchases	—	—	—	507	(61,836)	—	—	(61,836)	—	(61,836)	—	—	—
KSOP redeemable common stock conversion	926	9	15,039	—	—	—	—	15,048	—	15,048	(926)	(15,048)	(15,048)
Exercise of common stock options	35	—	1,756	—	—	—	—	1,756	—	1,756	—	—	—
Restricted stock awards	23	—	—	—	(69)	—	—	(69)	—	(69)	—	—	—
Stock-based compensation expense	—	—	9,331	—	—	—	—	9,331	—	9,331	—	—	—
Other	—	—	(1)	—	—	—	—	(1)	—	(1)	—	—	—
Balance at September 30, 2023	80,635	$ 11,663	$ 1,173,574	10,617	$ (1,039,717)	$ (29,658)	$ 913,551	$ 1,029,413	$ 19,417	$ 1,048,830	8,206	$ 133,349	$ 133,349
Balance at April 1, 2023	79,057	$ 11,647	$ 1,134,864	9,539	$ (920,999)	$ (27,580)	$ 626,215	$ 824,147	$ 17,493	$ 841,640	9,429	$ 153,220	$ 153,220
Net income	—	—	—	—	—	—	309,454	309,454	1,478	310,932	—	—	—
Other comprehensive (loss) income	—	—	—	—	—	(2,078)	—	(2,078)	446	(1,632)	—	—	—
Common stock dividends ($0.28 per share)	—	—	—	—	—	—	(22,118)	(22,118)	—	(22,118)	—	—	—
Share repurchases	—	—	—	981	(109,907)	—	—	(109,907)	—	(109,907)	—	—	—
KSOP redeemable common stock conversion	1,223	12	19,859	—	—	—	—	19,871	—	19,871	(1,223)	(19,871)	(19,871)
Exercise of common stock options	56	1	2,622	—	—	—	—	2,623	—	2,623	—	—	—
Restricted stock awards	99	1	—	25	(2,415)	—	—	(2,414)	—	(2,414)	—	—	—
Performance-based restricted stock units	200	2	—	72	(6,396)	—	—	(6,394)	—	(6,394)	—	—	—
Stock-based compensation expense	—	—	16,234	—	—	—	—	16,234	—	16,234	—	—	—
Other	—	—	(5)	—	—	—	—	(5)	—	(5)	—	—	—
Balance at September 30, 2023	80,635	$ 11,663	$ 1,173,574	10,617	$ (1,039,717)	$ (29,658)	$ 913,551	$ 1,029,413	$ 19,417	$ 1,048,830	8,206	$ 133,349	$ 133,349

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	Common Stock		Paid -In Capital	Common Stock in Treasury		Accumulated Other Compre-hensive Loss	Retained Earnings	Total ADS Stockholders' Equity	Non-controlling Interest in Subsidiaries	Total Stock-holders' Equity	Redeemable Common Stock		Total Mezzanine Equity
	Shares	Amount		Shares	Amount						Shares	Amount	
Balance at July 1, 2024	82,973	$ 11,687	$ 1,241,525	11,775	$ (1,199,469)	$ (31,791)	$ 1,241,161	$ 1,263,113	$ 17,934	$ 1,281,047	6,386	$ 103,766	$ 103,766
Net income	—	—	—	—	—	—	130,382	130,382	792	131,174	—	—	—
Other comprehensive income (loss)	—	—	—	—	—	1,102	—	1,102	(1,148)	(46)	—	—	—
Common stock dividends ($0.16 per share)	—	—	—	—	—	—	(12,443)	(12,443)	—	(12,443)	—	—	—
Share repurchases	—	—	—	120	(19,950)	—	—	(19,950)	—	(19,950)	—	—	—
KSOP redeemable common stock conversion	341	3	5,532	—	—	—	—	5,535	—	5,535	(341)	(5,535)	(5,535)
Exercise of common stock options	26	—	1,716	—	—	—	—	1,716	—	1,716	—	—	—
Restricted stock awards	19	—	—	1	(19)	—	—	(19)	—	(19)	—	—	—
Stock-based compensation expense	—	—	6,983	—	—	—	—	6,983	—	6,983	—	—	—
Other	—	—	38	—	—	—	—	38	—	38	—	—	—
Balance at September 30, 2024	83,359	$ 11,690	$ 1,255,794	11,896	$ (1,219,438)	$ (30,689)	$ 1,359,100	$ 1,376,457	$ 17,578	$ 1,394,035	6,045	$ 98,231	$ 98,231
Balance at April 1, 2024	82,283	$ 11,679	$ 1,219,834	11,415	$ (1,140,578)	$ (29,830)	$ 1,092,208	$ 1,153,313	$ 18,802	$ 1,172,115	6,682	$ 108,584	$ 108,584
Net income	—	—	—	—	—	—	291,784	291,784	1,712	293,496	—	—	—
Other comprehensive loss	—	—	—	—	—	(859)	—	(859)	(2,936)	(3,795)	—	—	—
Common stock dividends ($0.32 per share)	—	—	—	—	—	—	(24,892)	(24,892)	—	(24,892)	—	—	—
Share repurchases	—	—	—	420	(68,283)	—	—	(68,283)	—	(68,283)	—	—	—
KSOP redeemable common stock conversion	637	6	10,347	—	—	—	—	10,353	—	10,353	(637)	(10,353)	(10,353)
Exercise of common stock options	223	2	8,692	—	—	—	—	8,694	—	8,694	—	—	—
Restricted stock awards	98	1	—	27	(4,640)	—	—	(4,639)	—	(4,639)	—	—	—
Performance-based restricted stock units	93	1	—	34	(5,937)	—	—	(5,936)	—	(5,936)	—	—	—
Stock-based compensation expense	—	—	13,960	—	—	—	—	13,960	—	13,960	—	—	—
ESPP Share Issuance	25	1	2,963	—	—	—	—	2,964	—	2,964	—	—	—
Other	—	—	(2)	—	—	—	—	(2)	—	(2)	—	—	—
Balance at September 30, 2024	83,359	$ 11,690	$ 1,255,794	11,896	$ (1,219,438)	$ (30,689)	$ 1,359,100	$ 1,376,457	$ 17,578	$ 1,394,035	6,045	$ 98,231	$ 98,231

See accompanying Notes to Condensed Consolidated Financial Statements.

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

1. BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Basis of Presentation - The Company prepares its Condensed Consolidated Financial Statements in accordance with accounting principles generally accepted in the United States of America (“GAAP”). The Condensed Consolidated Balance Sheet as of March 31, 2024 was derived from audited financial statements included in the Annual Report on Form 10-K for the year ended March 31, 2024 (“Fiscal 2024 Form 10-K”). The accompanying unaudited Condensed Consolidated Financial Statements contain all adjustments, of a normal recurring nature, necessary to present fairly its financial position as of September 30, 2024, the results of operations for the three and six months ended September 30, 2024 and cash flows for the six months ended September 30, 2024. The interim Condensed Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements, including the notes thereto, filed in the Company’s Fiscal 2024 Form 10-K.

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

Recent Accounting Guidance

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

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

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

2. REVENUE RECOGNITION

Revenue Disaggregation - The Company disaggregates net sales by Domestic, International and Infiltrator and further disaggregates Domestic and International by product type, consistent with its reportable segment disclosure. This disaggregation level best depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. Refer to “Note 11. Business Segments Information” for the Company’s disaggregation of Net sales by reportable segment.

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

(In thousands)	**September 30, 2024**	**March 31, 2024**
Contract asset - product returns	$ 1,828	$ 1,353
Refund liability	5,219	3,920

3. LEASES

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

4. INVENTORIES

Inventories as of the periods presented consisted of the following:

(In thousands)	**September 30, 2024**	**March 31, 2024**
Raw materials	$ 114,388	$ 106,662
Finished goods	372,844	357,538
Total inventories	**$ 487,232**	**$ 464,200**

5. NET INCOME PER SHARE AND STOCKHOLDERS' EQUITY

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

(In thousands, except per share data)	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Six Months Ended September 30, 2024	Six Months Ended September 30, 2023
NET INCOME PER SHARE—BASIC:				
Net income available to common stockholders – Basic	$ 130,382	$ 135,802	$ 291,784	$ 309,454
Weighted average number of common shares outstanding – Basic	77,542	78,606	77,541	78,756
Net income per common share – Basic	$ 1.68	$ 1.73	$ 3.76	$ 3.93
NET INCOME PER SHARE—DILUTED:				
Net income available to common stockholders – Diluted	$ 130,382	$ 135,802	$ 291,784	$ 309,454
Weighted average number of common shares outstanding – Basic	77,542	78,606	77,541	78,756
Assumed restricted stock	52	62	76	54
Assumed exercise of stock options	504	618	564	600
Assumed performance-based restricted stock units	12	21	13	65
Weighted average number of common shares outstanding – Diluted	78,110	79,307	78,194	79,475
Net income per common share – Diluted	$ 1.67	$ 1.71	$ 3.73	$ 3.89
Potentially dilutive securities excluded as anti-dilutive	7	23	11	62

6. RELATED PARTY TRANSACTIONS

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

On June 6, 2022, the Company and ADS Mexicana amended the Intercompany Revolving Credit Promissory Note (the “Intercompany Note”) with a borrowing capacity of $9.5 million. The Intercompany Note matures on June 8, 2027. The Intercompany Note indemnifies the ADS Mexicana joint venture partner for 49% of any unpaid borrowings. The interest rates under the Intercompany Note are determined by certain base rates or Secured Overnight Financing Rate (“SOFR”) plus an applicable margin based on the Leverage Ratio. As of both September 30, 2024 and March 31, 2024, there were no borrowings outstanding under the Intercompany Note.

South American Joint Venture - The Tuberias Tigre - ADS Limitada joint venture (the “South American Joint Venture”) manufactures and sells HDPE corrugated pipe in certain South American markets. ADS owns 50% of the South American Joint Venture. ADS is the guarantor of 50% of the South American Joint Venture’s credit arrangement, and the debt guarantee is shared equally with the joint venture partner. The Company’s maximum potential obligation under this guarantee is $5.5 million as of September 30, 2024. The maximum borrowings permitted under the South American Joint Venture’s credit facility are $11.0 million. The Company does not anticipate any required contributions related to the balance of this credit arrangement. As of September 30, 2024 and March 31, 2024, there was no outstanding principal balance for the South American Joint Venture’s credit facility including letters of credit.

7. DEBT

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

(In thousands)	September 30, 2024	March 31, 2024
Term Loan Facility	$ 416,750	$ 420,250
Senior Notes due 2027	350,000	350,000
Senior Notes due 2030	500,000	500,000
Revolving Credit Facility	—	—
Equipment Financing	8,235	10,901
Total	1,274,985	1,281,151
Less: Unamortized debt issuance costs	(8,737)	(9,759)
Less: Current maturities	(11,130)	(11,870)
Long-term debt obligations	**$ 1,255,118**	**$ 1,259,522**

Senior Secured Credit Facilities - In May 2022, the Company entered into a Second Amendment (the "Second Amendment") to the Company's Base Credit Agreement with Barclays Bank PLC, as administrative agent under the Term Loan Facility and PNC Bank, National Association, as new administrative agent under the Revolving Credit Facility. Among other things, the Second Amendment (i) amended the Base Credit Agreement by increasing the Revolving Credit Facility (the "Amended Revolving Credit Facility") from $350 million to $600 million (including an increase of the sub-limit for the swing-line sub-facility from $50 million to $60 million), (ii) extended the maturity date of the Revolving Credit Facility to May 26, 2027, (iii) revised the "applicable margin" to provide an additional step-down to 175 basis points (for Term Benchmark based loans) and 75 basis points (for base rate loans) in the event the consolidated senior secured net leverage ratio is less than 2.00 to 1.00, and (iv) reset the "incremental amount" and the investment basket in non-guarantors and joint ventures. The Second Amendment also revised the reference interest rate from LIBOR to SOFR for both the Amended Revolving Credit Facility and the Term Loan Facility. Letters of credit outstanding at September 30, 2024 and March 31, 2024 amounted to $10.5 million and $11.2 million, respectively, and reduced the availability of the Revolving Credit Facility.

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

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

Equipment Financing - The assets under the Equipment Financing acquired are titled to the Company and included in Property, plant and equipment, net on the Company's Condensed Consolidated Balance Sheet. The equipment financing has an initial term of between 12 and 84 months, based on the life of the equipment, and bears a weighted average interest rate of 1.7% as of September 30, 2024. The current portion of the equipment financing is $4.1 million, and the long-term portion is $4.1 million at September 30, 2024.

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

	September 30, 2024		March 31, 2024	
(In thousands)	Fair Value	Carrying Value	Fair Value	Carrying Value
Senior Notes due 2027	$ 346,388	$ 350,000	$ 339,780	$ 350,000
Senior Notes due 2030	510,905	500,000	502,890	500,000
Equipment Financing	8,113	8,235	10,475	10,901
Total fair value	**$ 865,406**	**$ 858,235**	**$ 853,145**	**$ 860,901**

The fair values of the 2027 Notes and 2030 Notes were determined based on quoted market data for the Company's 2027 Notes and 2030 Notes, respectively. The fair value of the Equipment Financing was determined based on a comparison of the interest rate and terms of such borrowings to the rates and terms of similar debt available for the period. The categorization of the framework used to evaluate the 2027 Notes, 2030 Notes and Equipment Financing are considered Level 2. The Company believes the carrying amount of the remaining long-term debt, including the Term Loan Facility and Revolving Credit Facility, is not materially different from its fair value as the interest rates and terms of the borrowings are similar to currently available borrowings.

8. COMMITMENTS AND CONTINGENCIES

Purchase Commitments - The Company has historically secured supplies of resin raw material by agreeing to purchase quantities during a future given period at a fixed price. These purchase contracts typically ranged from 1 to 12 months and occur in the ordinary course of business. The Company does not have any outstanding purchase commitments with fixed price and quantity as of September 30, 2024. The Company also enters into equipment purchase contracts with manufacturers.

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

9. INCOME TAXES

The Company's effective tax rate will vary based on a variety of factors, including overall profitability, the geographical mix of income before taxes and related tax rates in jurisdictions where it operates and other one-time charges, as well as the occurrence of discrete events. For the three months ended September 30, 2024 and 2023, the Company utilized an effective tax rate of 23.9% and 25.9%, respectively, to calculate its provision for income taxes. For the six months ended September 30, 2024 and 2023, the Company utilized an effective tax rate of 23.8% and 25.0%, respectively, to calculate its provision for income taxes. State and local income taxes increased the effective rate for the three and six months ended September 30, 2024 and 2023.

10. STOCK-BASED COMPENSATION

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

	Three Months Ended September 30,		Six Months Ended September 30,	
(In thousands)	**2024**	**2023**	**2024**	**2023**
Component of income before income taxes:				
Cost of goods sold	$ 1,455	$ 1,344	$ 2,796	$ 2,157
Selling, general and administrative expenses	5,528	7,987	11,164	14,077
Total stock-based compensation expense	**$ 6,983**	**$ 9,331**	**$ 13,960**	**$ 16,234**

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

	Three Months Ended September 30,		Six Months Ended September 30,	
(In thousands)	**2024**	**2023**	**2024**	**2023**
Stock-based compensation expense:				
Stock Options	$ 1,563	$ 1,307	$ 2,998	$ 2,741
Restricted Stock	2,655	2,054	4,889	4,081
Performance-based Restricted Stock Units	1,884	5,035	4,108	7,919
Employee Stock Purchase Plan	400	381	946	381
Non-Employee Directors	481	554	1,019	1,112
Total stock-based compensation expense	**$ 6,983**	**$ 9,331**	**$ 13,960**	**$ 16,234**

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

Restricted Stock - During the six months ended September 30, 2024, the Company granted 0.1 million shares of restricted stock with a grant date fair value of $13.9 million.

Performance-based Restricted Stock Units **("*Performance Units")*** - During the six months ended September 30, 2024, the Company granted 0.1 million performance units at a grant date fair value of $11.6 million.

Options - During the six months ended September 30, 2024, the Company granted 0.1 million nonqualified stock options under the 2017 Incentive Plan with a grant date fair value of $7.9 million. The Company estimates the fair value of stock options using a Black-Scholes option-pricing model. The following table summarizes the assumptions used to estimate the fair value of stock-options during the period presented:

	Six Months Ended September 30, 2024
Common stock price	$177.38
Expected stock price volatility	45.5%
Risk-free interest rate	4.5%
Weighted-average expected option life (years)	6
Dividend yield	0.36%

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

11. BUSINESS SEGMENTS INFORMATION

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

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

	Three Months Ended					
	September 30, 2024			September 30, 2023		
(In thousands)	Net Sales	Intersegment Net Sales	Net Sales from External Customers	Net Sales	Intersegment Net Sales	Net Sales from External Customers
Pipe	$ 425,099	$ (14,611)	$ 410,488	$ 427,997	$ (12,284)	$ 415,713
Infiltrator	148,690	(20,198)	128,492	133,731	(17,553)	116,178
International						
International - Pipe	44,445	(3,437)	41,008	52,407	(3,284)	49,123
International - Allied Products & Other	15,613	(68)	15,545	17,025	(14)	17,011
Total International	60,058	(3,505)	56,553	69,432	(3,298)	66,134
Allied Products & Other	191,114	(4,037)	187,077	185,696	(3,501)	182,195
Intersegment Eliminations	(42,351)	42,351	—	(36,636)	36,636	—
Total Consolidated	**$ 782,610**	**$ —**	**$ 782,610**	**$ 780,220**	**$ —**	**$ 780,220**

	Six Months Ended					
	September 30, 2024			September 30, 2023		
(In thousands)	Net Sales	Intersegment Net Sales	Net Sales from External Customers	Net Sales	Intersegment Net Sales	Net Sales from External Customers
Pipe	$ 871,278	$ (29,365)	$ 841,913	$ 856,569	$ (20,043)	$ 836,526
Infiltrator	303,720	(45,010)	258,710	275,217	(36,131)	239,086
International						
International - Pipe	88,372	(7,290)	81,082	89,585	(3,799)	85,786
International - Allied Products & Other	33,292	(116)	33,176	32,623	(26)	32,597
Total International	121,664	(7,406)	114,258	122,208	(3,825)	118,383
Allied Products & Other	391,687	(8,622)	383,065	369,141	(4,870)	364,271
Intersegment Eliminations	(90,403)	90,403	—	(64,869)	64,869	—
Total Consolidated	**$ 1,597,946**	**$ —**	**$ 1,597,946**	**$ 1,558,266**	**$ —**	**$ 1,558,266**

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

(In thousands)	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Six Months Ended September 30, 2024	Six Months Ended September 30, 2023
Segment Adjusted Gross Profit				
Pipe	$ 115,422	$ 125,856	$ 257,659	$ 286,505
Infiltrator	86,135	73,663	172,550	147,927
International	17,445	21,339	37,108	37,368
Allied Products & Other	107,324	106,239	221,191	212,424
Intersegment Eliminations	(394)	(454)	(1,569)	(2,509)
Total	**$ 325,932**	**$ 326,643**	**$ 686,939**	**$ 681,715**
Depreciation and Amortization				
Pipe	$ 21,033	$ 13,663	$ 38,998	$ 28,391
Infiltrator	6,164	5,534	12,359	10,892
International	1,556	1,236	2,921	2,474
Allied Products & Other[(a)]	16,054	16,288	31,627	32,204
Total	**$ 44,807**	**$ 36,721**	**$ 85,905**	**$ 73,961**
Capital Expenditures				
Pipe	$ 39,910	$ 23,809	$ 75,398	$ 53,413
Infiltrator	1,915	6,042	5,519	11,496
International	2,126	1,786	3,317	2,935
Allied Products & Other[(a)]	10,516	8,910	27,948	14,781
Total	**$ 54,467**	**$ 40,547**	**$ 112,182**	**$ 82,625**

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

(In thousands)	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Six Months Ended September 30, 2024	Six Months Ended September 30, 2023
Reconciliation of Segment Adjusted Gross Profit:				
Total Gross Profit	$ 293,941	$ 302,677	$ 626,395	$ 634,137
Depreciation and Amortization	30,536	22,622	57,748	45,421
Stock-based compensation expense	1,455	1,344	2,796	2,157
Total Segment Adjusted Gross Profit	**$ 325,932**	**$ 326,643**	**$ 686,939**	**$ 681,715**

12. SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Supplemental disclosures of cash flow information for the six months ended September 30 were as follows:

(In thousands)	2024	2023
Supplemental disclosures of cash flow information - cash paid:		
Cash paid for income taxes	$ 83,740	$ 78,300
Cash paid for interest	45,192	33,464
Supplemental disclosures of noncash investing and financing activities:		
Repurchase of common stock pending settlement	—	7,500
Share repurchase excise tax accrual	83	843
ESPP Share Issuance	2,964	—
Acquisition of property, plant and equipment under finance lease	48,468	9,827
Balance in accounts payable for the acquisition of property, plant and equipment	28,354	25,199

13. SUBSEQUENT EVENTS

Acquisition of Orenco - On October 1, 2024, the Company’s wholly-owned subsidiary, Infiltrator, completed the acquisition of Orenco Systems, Inc. (“Orenco”), a leading manufacturer of advanced onsite septic wastewater treatment products serving residential and non-residential end markets. The preliminary fair value of consideration transferred was approximately $250 million and funded from cash on hand. Orenco will be included in the Infiltrator reportable segment. The Company will account for the transaction as a business combination in the third quarter of fiscal 2025.

Common Stock Dividend - Subsequent to the end of the quarter, the Company declared a quarterly cash dividend of $0.16 per share of common stock. The dividend is payable on December 13, 2024, to stockholders of record at the close of business on November 29, 2024.

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

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

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

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

Overview

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

Executive Summary

Second Quarter Fiscal 2025 Results

- Net sales increased 0.3% to $782.6 million
- Net income decreased 4.3% to $131.2 million
- Net income per diluted share decreased 2.3% to $1.67
- Adjusted EBITDA, a non-GAAP measure, decreased 0.3% to $245.6 million

Net sales increased $2.4 million, or 0.3%, to $782.6 million, as compared to $780.2 million in the prior year quarter. Domestic pipe sales decreased $5.2 million, or 1.3%, to $410.5 million. Domestic allied products & other sales increased $4.9 million, or 2.7%, to $187.1 million. Infiltrator sales increased $12.3 million, or 10.6%, to $128.5 million. The overall increase in domestic net sales was primarily driven by demand in the residential and infrastructure end markets. International sales decreased $9.6 million, or 14.5%, to $56.6 million.

Gross profit decreased $8.7 million, or 2.9%, to $293.9 million as compared to $302.7 million in the prior year. The decrease in gross profit is primarily driven by unfavorable pricing and material cost, partially offset by favorable manufacturing costs.

Selling, general and administrative expenses increased $2.4 million, or 2.6% to $94.1 million, as compared to $91.7 million. As a percentage of net sales, selling, general and administrative expenses were largely flat at 12.0% as compared to 11.8% in the prior year.

Adjusted EBITDA, a non-GAAP measure, decreased $0.7 million, or 0.3%, to $245.6 million, as compared to $246.3 million in the prior year. As a percentage of Net sales, Adjusted EBITDA was 31.4% as compared to 31.6% in the prior year.

Year-to-date Fiscal 2025 Results

- Net sales increased 2.5% to $1,597.9 million
- Net income decreased 5.6% to $293.5 million
- Net income per diluted share decreased 4.1% to $3.73
- Adjusted EBITDA, a non-GAAP measure, decreased 1.2% to $521.0 million

Net sales increased $39.7 million, or 2.5%, to $1,597.9 million, as compared to $1,558.3 million in the prior year. Domestic pipe sales increased $5.4 million, or 0.6%, to $841.9 million. Domestic allied products & other sales increased $18.8 million, or 5.2%, to $383.1 million. Infiltrator sales increased $19.6 million, or 8.2%, to $258.7 million. The overall increase in domestic net sales was primarily driven by demand in the residential and infrastructure end markets. International sales decreased $4.1 million, or 3.5%, to $114.3 million.

Gross profit decreased $7.7 million, or 1.2%, to $626.4 million as compared to $634.1 million in the prior year. The decrease in gross profit is primarily driven by unfavorable pricing and material cost, partially offset by favorable manufacturing costs.

Selling, general and administrative expenses increased $9.9 million, or 5.6% to $188.2 million, as compared to $178.2 million. As a percentage of net sales, selling, general and administrative expenses were largely flat at 11.8% as compared to 11.4% in the prior year.

Adjusted EBITDA, a non-GAAP measure, decreased $6.5 million, or 1.2%, to $521.0 million, as compared to $527.6 million in the prior year. As a percentage of Net sales, Adjusted EBITDA was 32.6% as compared to 33.9% in the prior year.

Results of Operations

Comparison of the Three Months Ended September 30, 2024 to the Three Months Ended September 30, 2023

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

Consolidated Statements of Operations data:	**For the Three Months Ended September 30,**			
(In thousands)	**2024**		**2023**	
Net sales	$ 782,610	100.0 %	$ 780,220	100.0 %
Cost of goods sold	488,669	62.4	477,543	61.2
Gross profit	293,941	37.6	302,677	38.8
Selling, general and administrative	94,132	12.0	91,725	11.8
Loss on disposal of assets and costs from exit and disposal activities	617	0.1	123	—
Intangible amortization	11,816	1.5	12,792	1.6
Income from operations	187,376	23.9	198,037	25.4
Interest expense	23,156	3.0	21,941	2.8
Interest income and other, net	(6,956)	(0.9)	(7,506)	(1.0)
Income before income taxes	171,176	21.9	183,602	23.5
Income tax expense	40,920	5.2	47,476	6.1
Equity in net income of unconsolidated affiliates	(918)	(0.1)	(901)	(0.1)
Net income	131,174	16.8	137,027	17.6
Less: net income attributable to noncontrolling interest	792	0.1	1,225	0.2
Net income attributable to ADS	$ 130,382	16.7 %	$ 135,802	17.4 %

Net sales - The following table presents Net sales to external customers by reportable segment for the three months ended September 30, 2024 and 2023.

(Amounts in thousands)	**2024**	**2023**	**$ Variance**	**% Variance**
Pipe	$ 410,488	$ 415,713	$ (5,225)	(1.3) %
Infiltrator	128,492	116,178	12,314	10.6
International	56,553	66,134	(9,581)	(14.5)
Allied Products & Other	187,077	182,195	4,882	2.7
Total Consolidated	**$ 782,610**	**$ 780,220**	**$ 2,390**	**0.3 %**

Our consolidated Net sales for the three months ended September 30, 2024 increased by $2.4 million, or 0.3%, compared to the same period in fiscal 2024. The overall increase in domestic net sales was primarily driven by demand in the residential and infrastructure end markets. Net sales for Infiltrator were also driven by improved price/mix, while the volume growth in Domestic Pipe was offset by unfavorable price/mix impact. For the international segment, the decrease was driven by decreased volume as well as unfavorable price/mix.

Cost of goods sold and Gross profit - The following table presents gross profit by reportable segment for the three months ended September 30, 2024 and 2023.

(Amounts in thousands)	2024	2023	$ Variance	% Variance
Pipe	$ 93,093	$ 110,193	$ (17,100)	(15.5) %
Infiltrator	79,846	68,038	11,808	17.4
International	15,871	20,103	(4,232)	(21.1)
Allied Products & Other	105,525	104,797	728	0.7
Intersegment eliminations	(394)	(454)	60	(13.2)
Total gross profit	**$ 293,941**	**$ 302,677**	**$ (8,736)**	**(2.9)%**

Our consolidated Cost of goods sold for the three months ended September 30, 2024 increased by $11.1 million, or 2.3%, and our consolidated Gross profit decreased by $8.7 million, or 2.9%, compared to the same period in fiscal 2024. The decrease in gross profit for Domestic Pipe is primarily driven by unfavorable pricing and material cost, partially offset by favorable manufacturing costs and volume. The increase in gross profit for Infiltrator was driven by volume and improved material cost.

Selling, general and administrative expenses

	Three Months Ended September 30,	
(Amounts in thousands)	2024	2023
Selling, general and administrative expenses	$ 94,132	$ 91,725
% of Net sales	12.0 %	11.8 %

Selling, general and administrative expenses for the three months ended September 30, 2024 increased $2.4 million from the same period in fiscal 2024 and as a percentage of net sales, increased by 0.2%.

Interest expense - Interest expense increased $1.2 million in the three months ended September 30, 2024 compared to the same period in the previous fiscal year. The increase was primarily due to an increase in interest rates.

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

	Three Months Ended September 30,	
	2024	2023
Effective tax rate	23.9 %	25.9 %

The change in the effective tax rate for the three months ended September 30, 2024 was primarily related to the decrease in state and local income taxes and the additional tax benefit recorded to adjust prior quarter income tax expense to the annual effective tax rate. See “Note 9. Income Taxes” for additional information.

Comparison of the Six Months Ended September 30, 2024 to the Six Months Ended September 30, 2023

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

	For the Six Months Ended September 30,			
	2024		2023	
Consolidated Statements of Operations data:	(In thousands)			
Net sales	$ 1,597,946	100.0 %	$ 1,558,266	100.0 %
Cost of goods sold	971,551	60.8	924,129	59.3
Gross profit	626,395	39.2	634,137	40.7
Selling, general and administrative	188,184	11.8	178,236	11.4
Loss (gain) on disposal of assets and costs from exit and disposal activities	909	0.1	(13,181)	(0.8)
Intangible amortization	23,711	1.5	25,594	1.6
Income from operations	413,591	25.9	443,488	28.5
Interest expense	45,980	2.9	43,653	2.8
Interest income and other, net	(14,072)	(0.9)	(11,055)	(0.7)
Income before income taxes	381,683	23.9	410,890	26.4
Income tax expense	90,806	5.7	102,534	6.6
Equity in net income of unconsolidated affiliates	(2,619)	(0.2)	(2,576)	(0.2)
Net income	293,496	18.4	310,932	20.0
Less: net income attributable to noncontrolling interest	1,712	0.1	1,478	0.1
Net income attributable to ADS	$ 291,784	18.3 %	$ 309,454	19.9 %

Net sales - The following table presents Net sales to external customers by reportable segment for the six months ended September 30, 2024 and 2023.

(Amounts in thousands)	2024	2023	$ Variance	% Variance
Pipe	$ 841,913	$ 836,526	$ 5,387	0.6 %
Infiltrator	258,710	239,086	19,624	8.2
International	114,258	118,383	(4,125)	(3.5)
Allied Products & Other	383,065	364,271	18,794	5.2
Total Consolidated	**$ 1,597,946**	**$ 1,558,266**	**$ 39,680**	**2.5 %**

Our consolidated Net sales for the six months ended September 30, 2024 increased by $39.7 million, or 2.5%, compared to the same period in fiscal 2024. The overall increase in domestic net sales was primarily driven by demand in the residential and infrastructure end markets. Net sales for Infiltrator were also driven by improved price/mix, while the volume growth in Domestic Pipe was partially offset by unfavorable price/mix impact. For the international segment, the decrease was driven by unfavorable price/mix.

Cost of goods sold and Gross profit - The following table presents gross profit by reportable segment for the six months ended September 30, 2024 and 2023.

(Amounts in thousands)	2024	2023	$ Variance	% Variance
Pipe	$ 216,145	$ 255,449	$ (39,304)	(15.4) %
Infiltrator	159,964	136,905	23,059	16.8
International	34,168	34,894	(726)	(2.1)
Allied Products & Other	217,687	209,398	8,289	4.0
Intersegment eliminations	(1,569)	(2,509)	940	(37.5)
Total gross profit	**$ 626,395**	**$ 634,137**	**$ (7,742)**	**(1.2)%**

Our consolidated Cost of goods sold for the six months ended September 30, 2024 increased by $47.4 million, or 5.1%, and our consolidated Gross profit decreased by $7.7 million, or 1.2%, compared to the same period in fiscal 2024. The decrease in gross profit for Domestic Pipe is primarily driven by unfavorable pricing and material cost, partially offset by favorable manufacturing costs. The increase in gross profit for Infiltrator was driven by favorable pricing and improved material cost.

Selling, general and administrative expenses

	Six Months Ended September 30,	
(Amounts in thousands)	**2024**	**2023**
Selling, general and administrative expenses	$ 188,184	$ 178,236
% of Net sales	11.8 %	11.4 %

Selling, general and administrative expenses for six months ended September 30, 2024 increased $9.9 million from the same period in fiscal 2024 and as a percentage of net sales, increased by 0.4%. This increase is primarily due to higher commissions from the increase in volume, as well as continued investments in talent to support strategic areas such as engineering and product development.

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

Interest expense - Interest expense increased $2.3 million in the six months ended September 30, 2024 compared to the same period in the previous fiscal year. The increase was primarily due to increased interest rates.

Interest income and other, net - Interest income and other, net increased by $3.0 million for the six months ended September 30, 2024 compared to the same period in the previous fiscal year primarily due to increased cash.

Income tax expense - The following table presents the effective tax rates for the six months ended September 30, 2024 and 2023.

	Six Months Ended September 30,	
	2024	**2023**
Effective tax rate	23.8 %	25.0 %

The change in the effective tax rate for the six months ended September 30, 2024 was primarily related to the decrease in state and local income taxes and the increase of the discrete income tax benefit related to the stock-based compensation windfall. See “Note 9. Income Taxes” for additional information.

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

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

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

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

	Three Months Ended September 30,		Six Months Ended September 30,	
(In thousands)	**2024**	**2023**	**2024**	**2023**
Net income	$ 131,174	$ 137,027	$ 293,496	$ 310,932
Depreciation and amortization	44,807	36,721	85,905	73,961
Interest expense	23,156	21,941	45,980	43,653
Income tax expense	40,920	47,476	90,806	102,534
EBITDA	240,057	243,165	516,187	531,080
Loss (gain) on disposal of assets and costs from exit and disposal activities	617	123	909	(13,181)
Stock-based compensation expense	6,983	9,331	13,960	16,234
Transaction costs[a]	2,685	52	2,695	2,024
Interest income	(7,368)	(5,137)	(13,933)	(8,626)
Other adjustments[b]	2,576	(1,284)	1,230	32
Adjusted EBITDA	**$ 245,550**	**$ 246,250**	**$ 521,048**	**$ 527,563**
Adjusted EBITDA Margin	31.4 %	31.6 %	32.6 %	33.9 %

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

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

Liquidity and Capital Resources

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

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

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

	Six Months Ended September 30,	
(Amounts in thousands)	**2024**	**2023**
Net cash provided by operating activities	$ 350,326	$ 458,864
Capital expenditures	(112,182)	(82,625)
Free Cash Flow	**$ 238,144**	**$ 376,239**

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

(Amounts in thousands)	September 30, 2024
Total debt (debt and finance lease obligations)	$ 1,382,753
Cash	613,020
Net debt (total debt less cash)	769,733
Leverage Ratio	0.8

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

(Amounts in thousands)	September 30, 2024
Revolver capacity	$ 600,000
Less: outstanding borrowings	—
Less: letters of credit	(10,450)
Revolver available liquidity	**$ 589,550**

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

As of September 30, 2024, we had $23.5 million in cash that was held by our foreign subsidiaries, including $14.7 million held by our Canadian subsidiaries. We continue to evaluate our strategy regarding foreign cash, but our earnings in foreign subsidiaries still remain indefinitely reinvested, except for Canada. We plan to repatriate earnings from Canada and believe that there will be no additional tax costs associated with the repatriation of such earnings other than any potential non-U.S. withholding taxes.

Working Capital and Cash Flows

As of September 30, 2024, we had $1,202.6 million in liquidity, including $613.0 million of cash and $589.6 million in borrowings available under our Revolving Credit Agreement, net of outstanding letters of credit. We believe that our cash on hand, together with the availability of borrowings under our Credit Agreement and other financing arrangements and cash generated from operations, will be sufficient to meet our working capital requirements, anticipated capital expenditures, and scheduled principal and interest payments on our indebtedness for at least the next twelve months.

Working Capital - Working capital increased to $1,024.6 million as of September 30, 2024, from $860.3 million as of March 31, 2024. The increase in working capital is primarily due to an increase in cash, accounts receivable and inventory due to seasonality offset by changes in accounts payable due to the timing of payments.

	Six Months Ended September 30,	
(Amounts in thousands)	2024	2023
Net cash provided by operating activities	$ 350,326	$ 458,864
Net cash used in investing activities	(111,542)	(62,200)
Net cash used in financing activities	(114,640)	(143,386)

Operating Cash Flows - Cash flows from operating activities decreased $108.5 million during the six months ended September 30, 2024 primarily driven by investment in inventory.

Investing Cash Flows - Cash flows used in investing activities during the six months ended September 30, 2024 increased by $49.3 million compared to the same period in fiscal 2024. The increase in cash used in investing activities was primarily due to increased capital expenditures in fiscal 2025 and the sale of Spartan Concrete in fiscal 2024.

Capital expenditures totaled $112.2 million and $82.6 million for the six months ended September 30, 2024 and 2023, respectively. Our capital expenditures for the six months ended September 30, 2024 were used primarily to support facility expansions, equipment replacements and technology improvement initiatives. We also acquired $48.5 million of property, plant and equipment under finance leases, which includes transportation equipment to update our fleet of trucks and trailers.

We currently anticipate that we will make capital expenditures of approximately $250 million in fiscal year 2025, including approximately $120 million of open orders as of September 30, 2024. Such capital expenditures are expected to be financed using funds generated by operations.

Financing Cash Flows - During the six months ended September 30, 2024, cash used in financing activities included the repurchase of common stock of $69.9 million, $24.9 million of dividend payments, $11.8 million of payments of finance lease obligations and $10.6 million for shares withheld for tax purposes.

During the six months ended September 30, 2023, cash used in financing activities included the repurchase of common stock of $101.6 million, $22.2 million of dividend payments, and $8.8 million for shares withheld for tax purposes.

Financing Transactions - There have been no changes in our debt disclosures from those disclosed in “Liquidity and Capital Resources” in our Fiscal 2024 Form 10-K. We are in compliance with our debt covenants as of September 30, 2024.

Off-Balance Sheet Arrangements

Excluding the guarantees of 50% of certain debt of our unconsolidated South American Joint Venture as further discussed in “Note 6. Related Party Transactions” to the Condensed Consolidated Financial Statements, we do not have any other off-balance sheet arrangements. As of September 30, 2024, our South American Joint Venture had no outstanding debt subject to our guarantees. We do not believe that this guarantee will have a current or future effect on our financial condition, results of operations, liquidity or capital resources.

Critical Accounting Policies and Estimates

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

Item 3. Quantitative and Qualitative Disclosures about Market Risk

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

Interest Rate Risk - We are subject to interest rate risk associated with our bank debt. A 1.0% increase in interest rates on our variable-rate debt would increase our annual forecasted interest expense by approximately $4.1 million based on our borrowings as of September 30, 2024. Assuming the Revolving Credit Facility is fully drawn, each 1.0% increase or decrease in the applicable interest rate would change our interest expense by approximately $10.1 million, for the twelve months ended September 30, 2024.

Item 4. Controls and Procedures

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

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

Changes in Internal Control over Financial Reporting - There were no changes in the Company’s internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act that occurred during the three months ended September 30, 2024 that has materially affected, or is reasonably likely to materially affect, internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

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

Please see "Note 8. Commitments and Contingencies," of the Condensed Consolidated Financial Statements of this Form 10-Q for more information regarding legal proceedings.

Item 1A. Risk Factors

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

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

In February 2022, our Board of Directors authorized a $1.0 billion common stock repurchase program. Repurchases of common stock will be made in accordance with applicable securities laws. During the three months ended September 30, 2024, the Company repurchased 0.1 million shares of common stock at a cost of $19.9 million. As of September 30, 2024, approximately $147.7 million of common stock may be repurchased under the authorization. The stock repurchase program does not obligate us to acquire any particular amount of common stock and may be suspended or terminated at any time at our discretion.

The following table provides information with respect to repurchases of our common stock by us and our "affiliated purchasers" (as defined by Rule 10b-18(a)(3) under the Exchange Act) during the three months ended September 30, 2024:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plan
	(amounts in thousands, except per share data)			
July 1, 2024 to July 31, 2024	110	$ 165.51	110	$ 149,403
August 1, 2024 to August 31, 2024	10	166.07	10	147,742
September 1, 2024 to September 30, 2024	—	—	—	147,742
Total	120	$ 165.56	120	$ 147,742

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

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 such terms are defined in Item 408(a) of Regulation S-K.

Item 6. Exhibits

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

Exhibit Number	Exhibit Description
31.1*	Certification of President and Chief Executive Officer of Advanced Drainage Systems, Inc. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Executive Vice President and Chief Financial Officer of Advanced Drainage Systems, Inc. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Principal Executive Officer of Advanced Drainage Systems, Inc. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of Principal Financial Officer of Advanced Drainage Systems, Inc. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH*	Inline XBRL Taxonomy Extension Schema.
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase.
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase.
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase.
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase.
104	The cover page for the Company’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2024, has been formatted in Inline XBRL and contained in Exhibit 101.

* Filed herewith

SIGNATURES

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

Date: November 8, 2024

ADVANCED DRAINAGE SYSTEMS, INC.

By: /s/ D. Scott Barbour

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

By: /s/ Scott A. Cottrill

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

By: /s/ Tim A. Makowski

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

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, D. Scott Barbour, certify that:

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

Date: November 8, 2024

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

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Scott A. Cottrill, certify that:

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

Date: November 8, 2024

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

Exhibit 32.1

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

The undersigned hereby certifies, pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, and in accordance with 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, in his capacity as the principal executive officer of Advanced Drainage Systems, Inc. (the "Company"), that, to the best of his knowledge, the Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2024 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in such report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods presented in the financial statements included in such report.

November 8, 2024

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

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

Exhibit 32.2

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

The undersigned hereby certifies, pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, and in accordance with 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, in his capacity as the principal financial officer of Advanced Drainage Systems, Inc. (the "Company"), that, to the best of his knowledge, the Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2024 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in such report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods presented in the financial statements included in such report.

November 8, 2024

/s/ Scott A. Cottrill
Scott A. Cottrill
Chief Financial Officer
(Principal Financial Officer)

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