

ADVANCED DRAINAGE SYSTEMS, INC.

Form 424B4

December 04, 2014

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Filed Pursuant to Rule 424(b)(4)  
Registration No. 333-200312

PROSPECTUS

10,000,000 Shares

## Advanced Drainage Systems, Inc.

### Common Stock

All of the shares of common stock of Advanced Drainage Systems, Inc. being sold in this offering are being sold by the selling stockholder identified in this prospectus. We will not receive any of the proceeds from the sale of shares of common stock by the selling stockholder in this offering.

Our common stock is listed on the New York Stock Exchange under the symbol WMS. The last reported sale price of our common stock on December 3, 2014 was \$21.66 per share.

*Investing in our common stock involves risks. See [Risk Factors](#) beginning on page 20 of this prospectus.*

	Per Share	Total
Price to the public	\$ 21.25	\$ 212,500,000.00
Underwriting discounts and commissions <sup>(1)</sup>	\$ 0.903125	\$ 9,031,250.00
Proceeds to the selling stockholder (before expenses)	\$ 20.346875	\$ 203,468,750.00

(1)

We refer you to Underwriting beginning on page 170 of this prospectus for additional information regarding total underwriter compensation.

The underwriters also may purchase up to 1,500,000 additional shares of common stock from the selling stockholder at the public offering price less the underwriting discounts and commissions. We will not receive any of the proceeds from the sale of shares of common stock by the selling stockholder if the underwriters exercise their option to purchase additional shares of common stock.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares of common stock on or about December 9, 2014.

**Barclays**

**Deutsche Bank Securities**

**RBC Capital Markets**

**BofA Merrill Lynch**

**Baird**

**Fifth Third Securities**

Prospectus dated December 3, 2014

**PNC Capital Markets LLC**

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We, the selling stockholder and the underwriters have not authorized anyone to provide any information or to make any representations other than those contained in this prospectus or in any free writing prospectuses we have prepared. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. This prospectus is an offer to sell only the shares offered hereby but only in circumstances and in jurisdictions where it is lawful to do so.



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**TRADEMARKS**

We use various trademarks, service marks and brand names that we deem particularly important to the marketing activities and operation of our various lines of business, and some of these marks are registered in the United States and, in some cases, other jurisdictions. This prospectus also refers to the brand names, trademarks or service marks of other companies. All brand names and other trademarks or service marks referenced in this prospectus, including N-12<sup>®</sup>, SaniTite<sup>®</sup>, StormTech<sup>®</sup>, Nyloplast<sup>®</sup>, Inserta Tee<sup>®</sup>, BaySeparator, BayFilter and FleXstorm, are the property of their respective holders. Solely for convenience, we refer to trademarks, service marks and brand names in this prospectus without <sup>®</sup>, SM and <sup>®</sup> symbols. We do not intend our use or display of other parties' trademarks, service marks or brand names to imply, and such use or display should not be construed to imply, a relationship with, or endorsement or sponsorship of us by, these other parties.

**MARKET AND INDUSTRY DATA**

This prospectus includes estimates regarding market and industry data and forecasts, which are based on publicly-available information, industry publications and surveys, reports from government agencies, reports by market research firms and our own estimates based on our management's knowledge of and experience in the market sectors in which we compete. These estimates and forecasts are based on data from third-party sources, including certain market and industry data provided on a subscription basis by the Freedonia Group, Inc., an independent research firm and industry consultant based in Cleveland, Ohio, which we refer to as Freedonia. We also base certain estimates and forecasts related to stormwater retention/detention and water quality on a special study that we commissioned for a fee specifically for the purpose of our initial public offering, or IPO, by Freedonia Custom Research, Inc., an affiliate of Freedonia, which we refer to in this prospectus as the Freedonia Special Report. We have not independently verified market and industry data provided by Freedonia, or by other third-party sources such as McGraw Hill, the U.S. Environmental Protection Agency, Reed Construction Data, the American Institute of Architects, the U.S. Census Bureau, the National Association of Realtors, the St. Louis Federal Reserve, HIRI / IHS Global Insight, The Ohio State University and the U.S. Department of Agriculture, although we believe such market and industry data included in this prospectus is reliable. This information cannot always be verified with complete certainty due to the limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in surveys of market size.

**PRESENTATION OF INFORMATION**

Unless the context otherwise indicates or requires, as used in this prospectus, 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.

Because our fiscal year ends on March 31, any reference to a fiscal year means the fiscal year ended March 31 of the same calendar year. For example, references to fiscal year 2014 mean the fiscal year ended March 31, 2014 and references to fiscal year 2013, fiscal year 2012 and fiscal year 2011 mean the fiscal years ended March 31, 2013, March 31, 2012 and March 31, 2011, respectively.

Our consolidated financial statements include our ownership interests in various consolidated joint ventures through which we conduct operations in Mexico and Central America. We also have an ownership interest in an unconsolidated joint venture through which we conduct operations in South America, which we refer to in this prospectus as our South American Joint Venture, and two unconsolidated joint ventures through which we conduct certain operations in the United States, which we refer to in this prospectus as our BaySaver Joint Venture and our Tigre-ADS USA Joint Venture. Our equity interest in the operating results of the South American Joint Venture, the

BaySaver Joint Venture and the Tigre-ADS USA Joint Venture is presented in

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our consolidated financial statements as equity in net (income) loss of unconsolidated affiliates in accordance with U.S. generally accepted accounting principles, or GAAP. Although not consolidated under GAAP, we treat the South American Joint Venture, the BaySaver Joint Venture and the Tigre-ADS USA Joint Venture as if they are consolidated subsidiaries for internal reporting purposes. Throughout this prospectus, when we refer to our financial results or operations, we are referring to our financial results and operations as presented in our consolidated financial statements under GAAP, which do not consolidate our South American Joint Venture, our BaySaver Joint Venture or our Tigre-ADS USA Joint Venture, unless the context otherwise indicates.

We also sponsor a tax-qualified employee stock ownership plan, or the ESOP, that covers our employees who meet certain service requirements. The ESOP was originally funded with a 30-year term loan from us as well as a transfer of assets from our profit sharing retirement plan, both of which were used to purchase shares of our convertible preferred stock. The loan is secured by a pledge of unallocated shares of convertible preferred stock purchased by the ESOP that has not yet been released from the pledge and allocated to ESOP accounts. The ESOP Preferred Stock held by the ESOP is referred to in this prospectus as our convertible preferred stock. The ESOP operates as a leveraged ESOP and was designed to enable eligible employees to acquire stock ownership interests in their accounts under the ESOP. See [Description of Employee Stock Ownership Plan](#) for a description of the ESOP.

Unless otherwise indicated, all information in this prospectus assumes no exercise by the underwriters of their option to purchase additional shares.

## **PRESENTATION OF CERTAIN FINANCIAL MEASURES**

For purposes of calculating the weighted average number of shares outstanding and net income per share in this prospectus, we divide net income available to common stockholders by the weighted average number of shares of common stock outstanding. These items are described below in [Summary Consolidated Financial Data](#) and [Selected Historical Consolidated Financial Data](#).

We refer in this prospectus to Redeemable Common Stock, which represents shares of our common stock that are held by certain stockholders who hold in excess of 15% of our common stock. These stockholders entered into an amended and restated stockholders' agreement, which provided such stockholders with the right to cause the shares to be repurchased by us at fair value in certain specified circumstances as described in Note 16 to our consolidated financial statements included elsewhere in this prospectus. As this right is considered for purposes of GAAP to be a redemption right, which is outside of our control, we have classified the shares of common stock held by such stockholders in the mezzanine section of our consolidated balance sheets and changes in fair value are recorded in retained earnings as of and for dates and periods prior to the completion of our IPO. The stockholders' agreement was terminated upon the completion of our IPO, and the rights associated with these shares, which required them to be classified in mezzanine equity, are no longer in effect. Accordingly, we reclassified these balances to total stockholders' equity upon the completion of our IPO. Our Redeemable Common Stock is also described below in [Summary Consolidated Financial Data](#) and [Selected Historical Consolidated Financial Data](#).

We also refer in this prospectus to Redeemable Convertible Preferred Stock, which represents our convertible preferred stock held by our ESOP. In certain specified circumstances that are not currently applicable, the trustee of our ESOP has the ability to require us to repurchase the shares of Redeemable Convertible Preferred Stock at fair value in the event that it needs cash to pay for distributions, pre-retirement diversification, or other expenses, causing the shares to be repurchased at the option of the holder as described in Note 16 to our consolidated financial statements included elsewhere in this prospectus. As this right is considered to be a redemption right, which is outside of our control, we have classified the shares of Redeemable Convertible Preferred Stock in the mezzanine section of our consolidated balance sheets and changes in fair value are recorded in retained earnings. Our Redeemable



Convertible Preferred Stock is also described below in Summary Consolidated Financial Data and Selected Historical Consolidated Financial Data.

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Certain financial measures presented in this prospectus, such as System-Wide Net Sales, Adjusted Earnings Per Fully Converted Share, EBITDA, Adjusted EBITDA, Segment EBITDA and Segment Adjusted EBITDA, are not recognized under GAAP. For definitions of System-Wide Net Sales, Adjusted Earnings Per Fully Converted Share, EBITDA, Adjusted EBITDA, Segment EBITDA and Segment Adjusted EBITDA and reconciliations of those measures to the most directly comparable GAAP measures, see Selected Historical Consolidated Financial Data and Management's Discussion and Analysis of Financial Condition and Results of Operations Components of Results of Operations.

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**PROSPECTUS SUMMARY**

*The following summary highlights information contained elsewhere in this prospectus. This summary does not contain all of the information that you should consider before investing in our common stock. You should read this entire prospectus carefully, especially the information set forth under Risk Factors, Management's Discussion and Analysis of Financial Condition and Results of Operations, and the financial statements and notes included elsewhere in this prospectus, before making an investment decision.*

**Our Company**

We are the leading manufacturer of high performance thermoplastic corrugated pipe, providing a comprehensive suite of water management products and superior drainage solutions for use in the construction and infrastructure marketplace. Our innovative products are used across a broad range of end markets and applications, including non-residential, residential, agriculture and infrastructure applications. We have established a leading position in many of these end markets by leveraging our national sales and distribution platform, our overall product breadth and scale and our manufacturing excellence. In North America, our national footprint combined with our strong local presence and broad product offering makes us the leader in an otherwise highly fragmented sector comprised of many smaller competitors. We believe the markets we serve in the United States represent approximately \$10.1 billion of annual revenue opportunity. In addition, we believe the increasing acceptance of thermoplastic pipe products in international markets represents an attractive growth opportunity. For fiscal year 2014, we generated net sales of \$1,069.0 million, net income of \$12.9 million and Adjusted EBITDA of \$147.0 million and, as of March 31, 2014, we had \$454.0 million of total outstanding debt. For the six months ended September 30, 2014, we generated net sales of \$693.0 million, net income of \$37.4 million and Adjusted EBITDA of \$109.7 million and, as of September 30, 2014, we had \$397.6 million of total outstanding debt. For a reconciliation of Adjusted EBITDA to the most directly comparable GAAP measure, see Selected Historical Consolidated Financial Data.

Our products are generally lighter, more durable, more cost effective and easier to install than comparable alternatives made with traditional materials. Following our entrance into the non-residential construction market with the introduction of N-12 corrugated polyethylene pipe in the late 1980s, our pipe has been displacing traditional materials, such as reinforced concrete, corrugated steel and polyvinyl chloride, or PVC, across an ever expanding range of end markets. This has allowed us to consistently gain share and achieve above market growth throughout economic cycles. We expect to continue to drive conversion to our products from traditional products as contractors, civil design engineers and municipal agencies increasingly acknowledge the superior physical attributes and compelling value proposition of our thermoplastic products. In addition, we believe that overall demand for our products will benefit as the regulatory environment continues to evolve.

Our broad product line includes corrugated high density polyethylene (or HDPE) pipe, polypropylene (or PP) pipe and related water management products. Building on our core drainage businesses, we have aggressively pursued attractive ancillary product categories such as storm and septic chambers, PVC drainage structures, fittings and filters, and water quality filters and separators. We refer to these ancillary product categories as Allied Products. Given the scope of our overall sales and distribution platform, we have been able to drive growth within our Allied Products and believe there are significant growth opportunities going forward.

We have an extensive domestic network of 48 manufacturing plants and 20 distribution centers allowing us to effectively serve all major markets in the United States, which we define as the largest 100 metropolitan statistical areas based on population. The effective shipping radius for our pipe products is approximately 200 miles, thus competition in our industry tends to be on a regional and local basis with minimal competition from distant markets and imports. We are the only supplier of high performance thermoplastic corrugated pipe in our industry with a

national footprint, thereby allowing us to efficiently service those customers that value having

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one source of supply throughout their entire distribution network. We believe our extensive national footprint creates a cost and service advantage versus our HDPE pipe producing competitors, the largest of which has only 10 domestic HDPE pipe manufacturing plants. Internationally, we have two manufacturing plants and three distribution centers in Canada, four manufacturing plants in Mexico, four manufacturing plants and five distribution centers in South America and one distribution center in Europe.

We have long-standing distribution relationships with many of the largest national and independent waterworks distributors, including Ferguson, HD Supply and WinWholesale, who sell primarily to the storm sewer and sanitary sewer markets. We also utilize a network of hundreds of small to medium-sized independent distributors across the United States. We have strong relationships with major national retailers that carry drainage products, including The Home Depot, Lowe's, Ace Hardware, Carter Lumber and Do it Best, and also sell to buying groups and co-ops in the United States that serve the plumbing, hardware, irrigation and landscaping markets. The combination of our large sales force, long-standing retail and contractor customer relationships and extensive network of manufacturing and distribution facilities complements and strengthens our broad customer and market coverage.

We believe the ADS brand has long been associated with quality products and market-leading performance. Our trademarked green stripe, which is prominently displayed on many of our products, serves as clear identification of our commitment to the customers and markets we serve.

As illustrated in the charts below, we provide a broad range of high performance thermoplastic corrugated pipe and related water management products to a highly diversified set of end markets and geographies.

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### **Our Strengths**

We believe that we benefit significantly from the following competitive strengths:

***Market leader with unmatched scale.*** We are the leading manufacturer of high performance thermoplastic corrugated pipe and a leading manufacturer of related water management products. We believe our extensive national footprint of 48 manufacturing plants and 20 distribution centers creates a cost and service advantage versus our HDPE pipe producing competitors, the largest of which has only 10 domestic HDPE pipe manufacturing plants. We maintain an in-house fleet of approximately 625 tractor-trailers and approximately 1,100 trailers that are specially designed to haul our lightweight pipe and fittings products. Our effective shipping radius is approximately 200 miles from one of our manufacturing plants or distribution centers. Our world-class manufacturing expertise and extensive national distribution and fleet network allow us to service customers across the United States on a cost-effective and timely basis. Our long-standing customer relationships also provide us with visibility to attractive market opportunities.

***Well positioned to drive continued material conversion.*** Our products are generally lighter, more durable, more cost effective and easier to install than comparable alternatives made with traditional materials. For example, concrete pipe generally weighs more than 20 times as much per foot as our thermoplastic pipe, resulting in the significant handling advantages that our product line enjoys during installation by contractors. These advantages typically provide our thermoplastic pipe with an installed cost advantage of approximately 20% over concrete pipe. High performance thermoplastic corrugated pipe represented approximately 26% of the total storm sewer market in 2013, up from what we believe was less than 10% ten years ago and less than 1% twenty years ago. We believe the penetration rate will continue to increase over time, as contractors, engineers and municipal agencies increasingly acknowledge the superior attributes and compelling value proposition of our thermoplastic products. We believe the recent introduction of our PP pipe products will also help accelerate this conversion given the additional applications for which our PP pipe products can be used. We continue to drive this material conversion through extensive sales force training and education of our customers. We have been at the forefront of educating an industry undergoing significant change in the regulatory environment, while pushing for expanded approvals of our products in new markets and geographies. Since 2006, 32 states have enhanced their approval of our pipe products, and an average of approximately 60 state, county and municipal approvals have been added or enhanced each year over the past five years.

***Broad portfolio of Allied Products.*** Our Allied Products include storm and septic chambers, PVC drainage structures, fittings and filters and water separators. These products complement our pipe product lines and allow us to offer a comprehensive water management solution to our customers and drive organic growth. We have a long history of leveraging our broad distribution platform to develop or acquire, and market, complementary Allied Products that provide new technologies and product capabilities. Given our strong brand recognition, network of customer and distributor relationships and large team of trained salespeople, we believe we are the acquirer of choice for many providers of ancillary products who wish to partner with an industry leader. Our broad product line and reputation for quality provide our sales force with a competitive advantage in sourcing new opportunities and cross-selling products.

***Industry-leading manufacturing and technical expertise.*** We believe we have developed a reputation in the industry for products that deliver technically-superior performance with lower installation and maintenance costs versus competing products. Our products are lightweight and flexible, strong, resistant to corrosion and resistant to abrasion. These characteristics allow for easy and low-cost installation, provide strength comparable to much heavier materials (as a result of the corrugated profile design of our thermoplastic pipe products) and provide an excellent service life expectancy. Our significant investment in custom-designed mold and die tooling (\$173 million investment over the last nine years) allows us to manufacture a variety of corrugated pipe sizes and provides us with the flexibility to meet demand fluctuations in local regions. In addition, we rotate these setups across our network of manufacturing plants as needed to meet demand, which provides us with a unique



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competitive advantage. We employ proprietary resin blending technology to minimize raw material cost and optimize production efficiency, while maintaining a consistent level of product performance. Utilizing this technology has allowed us to increase our ratio of recycled resin as a percent of total resin from approximately 24% in fiscal year 2005 to approximately 58% in fiscal year 2014, resulting in significant cost savings and reduced exposure to fluctuations in raw material costs.

***Long-term customer relationships.*** We believe we have the largest and most experienced sales force in the industry, which allows us to maintain strong, long-standing relationships with key distributors, contractors and engineers. The combination of our technical expertise, product selection and customer delivery capabilities allows us to meet our customers' critical installation schedules and positions us as a strategic partner. We strive to educate the regulatory and design community while offering the distributor and contractor network a comprehensive product suite. Our products are manufactured, assembled, delivered and serviced from a network of plants and yards that are strategically positioned in close proximity to most major domestic geographic markets. Our national scale combined with our local presence, dedication to service and broad product offering has enabled us to maintain our long-standing customer relationships.

***Highly diversified across end markets, channels and geographies.*** We are strategically diversified across a broad range of end markets, distribution channels and geographies. Our products are used globally in a diverse range of end markets across non-residential construction, residential construction, agriculture and infrastructure. These end markets include storm sewer systems, agriculture, retail, stormwater retention/detention, on-site septic systems and structures. We maintain and service these end markets through strong product distribution relationships with many of the largest national and independent waterworks distributors, a network of hundreds of small to medium-sized distributors across the United States, major national retailers that carry drainage products and a broad variety of buying groups and co-ops in the United States. We serve our customers in all 50 U.S. states as well as approximately 90 other countries. Our domestic sales, which represented approximately 88% of our net sales in fiscal year 2014, are diversified across all regions of the United States. Approximately 12% of our net sales in fiscal year 2014 were generated outside of the United States.

***Experienced management team with successful operating record and significant equity ownership.*** Our management team, led by our Chief Executive Officer, Joe Chlapaty, has an average of over 23 years of industry experience. We have a long history of generating profitable growth, attractive margins and cash flow. During periods of weaker economic conditions, we believe we have benefitted from an increased market focus on our products as a cost effective alternative to traditional materials. In stronger economic cycles, we have delivered profitable growth and an ability to leverage our scale and excess production capacity to meet rapid increases in demand.

After the completion of this offering, our senior management and directors will own approximately 15.7% of our common stock on a fully-converted basis. In addition, after the completion of this offering, the convertible preferred stock held by our ESOP will account for approximately 27.4% of our common stock on a fully-converted basis. This high level of management and employee ownership ensures that incentives are closely aligned with equity holders.



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### **Our Business Strategy**

We intend to grow our net sales, improve our profitability and enhance our position as the leading provider of high performance thermoplastic corrugated pipe and related water management products by executing on the following strategies.

***Continue to drive conversion to our products.*** Our products are generally lighter, more durable, more cost effective and easier to install than comparable alternatives made with traditional materials such as concrete, steel and PVC. We intend to continue to drive conversion to our products from traditional products as contractors, engineers and municipal agencies increasingly acknowledge the superior attributes and compelling value proposition of our thermoplastic products. Expanded regulatory approvals allow for their use in new markets and geographies, and we continue to invest heavily in industry education. We believe we are the industry leader in these efforts as regulatory approvals are essential to the specification and acceptance of these product lines.

***Expand our product offering and markets served.*** Our strong market position provides us with insight into the evolving needs of our customers, which has allowed us to proactively develop and deliver comprehensive water management solutions. The strength of our overall sales and distribution platform has allowed us to acquire new Allied Products and deliver solution-based product portfolios that typically result in significantly higher net sales post-acquisition than the products generated before the addition to our product portfolio. Our ability to further develop our offering of Allied Products represents an attractive opportunity to capture additional growth and improve our overall margins. We will continue to focus on enhancing our core products and expanding our Allied Products through cross-selling opportunities in order to further penetrate untapped markets and customers. We also expect to continue to enter into selective adjacent new markets that leverage our sales and engineering capabilities, customer relationships and national distribution network and provide more water management solutions to our customers.

***Expand our presence in attractive new geographies.*** Outside of the United States, we believe thermoplastic corrugated pipe represents a small part of the overall market. We further believe there is significant opportunity to convert new geographies based on the overall performance and value of our products, similar to what continues to occur in our existing markets. To date, in order to increase our speed to market, we have expanded internationally primarily through joint ventures with best-in-class local partners. Our existing joint ventures provide us with access to markets such as Brazil, Chile, Argentina, Mexico, Peru and Colombia. Combining a local partner's customer relationships, brand recognition and local management talent, with our world-class manufacturing and process expertise, broad product portfolio and innovation, creates a strong platform with additional opportunities for international expansion. In the future, we will continue to identify new geographies to access markets through joint venture relationships with domestic partners in targeted areas.

***Capitalize on growth related to the recovery in our primary end markets.*** We believe we are well positioned to take advantage of renewed growth and recovery in the non-residential and residential construction and infrastructure markets in the United States. Additionally, we believe we have the potential to capitalize on a substantial backlog of deferred infrastructure spending in the United States as a result of upgrades and repairs that were delayed in the recent economic downturn. Spending on the replacement of aging water drainage and sewer infrastructure (estimated to cost approximately \$298 billion between 2013 and 2033, according to the American Society of Civil Engineers, or ASCE) and stricter U.S. Environmental Protection Agency, or EPA, guidelines for stormwater and wastewater management will drive additional demand for our products.

***Continue our focus on operational excellence.*** Our focus on continuously improving operating efficiencies, reducing costs and improving product quality has enabled us to improve our position as a leading low-cost provider. We constantly strive to achieve operating and cost efficiencies across all facets of our business. For example, we employ

sophisticated resin blending technology to minimize raw material costs and optimize production efficiency, while maintaining a high level of product quality and performance. We believe this and our other initiatives,

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combined with continued prudent management of our overhead, and our ability to increase our sales without the requirement of increased capital expenditures will allow us to maximize profitability as we continue to grow.

***Selectively pursue strategic acquisitions.*** By utilizing our customer relationships and sales force, we have a demonstrated ability to identify and integrate numerous strategic acquisitions. We believe our strong reputation for product growth, as well as our strong brand recognition, network of customer and distributor relationships, and large team of trained salespeople, has allowed us to become the acquirer of choice, as demonstrated by our ability to identify new technologies and product capabilities and thereafter acquire such technologies and products. The acquisitions of strategic product lines such as BaySaver, FleXstorm, Nyloplast, Inserta Tee and StormTech have strengthened our market position while enhancing long-term growth and profitability and are examples of our ability to complete and integrate acquisition opportunities. We have remained one of the strongest and best capitalized companies in the industry throughout the recent economic cycle and are well positioned to capitalize on current market dynamics to selectively acquire key products and technologies. We have strong industry relationships and maintain an active acquisition pipeline.

## **Industry Overview and Trends**

We serve a broad range of end markets across non-residential construction, residential construction, agriculture and infrastructure. We are the leading manufacturer of high performance thermoplastic corrugated pipe and a leading manufacturer of related water management products. We compete against other HDPE pipe producers, as well as pipe manufacturers selling products made from traditional materials such as concrete, corrugated steel and PVC on a national, regional and local basis. We compete primarily in the United States and Canada; however, we have also expanded internationally in Mexico, Central America and South America through our joint ventures. We believe the markets we serve in the United States represent approximately \$10.1 billion of annual revenue opportunity. In addition, we believe the increasing acceptance of thermoplastic pipe products in international markets represents an attractive growth opportunity.

## ***Core Product Categories***

### ***Pipe Market***

Demand for our products is largely driven by residential and non-residential construction, transportation and related water drainage infrastructure spending and the repair and replacement of aging stormwater management infrastructure. Freedonia estimates that demand for large diameter pipe (defined as 15" diameter or larger depending on industry standards by material type) in the United States will increase at an average of 6.2% per year from approximately 146 million feet in 2011, to 197 million feet in 2016. We compete in the storm sewer, drainage, sanitary sewer and irrigation markets, which collectively represent approximately 70% of the overall large diameter pipe market in the United States. According to Freedonia, sanitary and storm sewers, which represent approximately 50% of the total large diameter pipe market demand, are expected to continue to drive growth for the large diameter pipe market through 2016. Additionally, Freedonia estimates that the largest expected growth in the forecast period will come from the drainage market, as non-residential and residential construction continues to rebound. According to Freedonia, HDPE, the primary material in our products, is projected to become a larger portion of the overall large diameter pipe market as states and municipalities are expected to continue to adopt this product as a result of its superior attributes and approve its use in a broader range of applications.



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*Source: Freedonia*

Positive end market trends in the non-residential construction, residential construction, agricultural and infrastructure markets are also expected to drive increased demand for pipe products in Canada. Growth in fixed investment spending is expected to result in a higher number of sewer and drainage infrastructure projects. Housing starts in Canada are forecasted to grow from 185,000 in 2012 to 215,000 by 2017, according to Freedonia. We believe the large industry around forestry, minerals, petroleum and natural gas markets in Canada provide opportunity for pipe applications.

The GDP in Mexico is forecasted to expand at 3.7% annually through 2017. Construction growth in Mexico is driven by demand for housing, non-residential property and additional investment in public infrastructure. Freedonia forecasts HDPE pipe demand to grow 8% annually through 2017 in Mexico, to 50,000 metric tons, the fastest growth rate of any plastic resin.

The largest pipe markets in South America are Brazil and Chile. Other South American countries such as Argentina, Colombia, Ecuador and Peru are also forecasted to see strong growth in construction. Brazil has large infrastructure investment occurring related to the country hosting the 2014 FIFA World Cup and 2016 Summer Olympics. HDPE pipe is taking market share from concrete and PVC pipe in drainage and sewer applications in these markets. In Argentina, primary end markets for HDPE pipe are construction, natural resources and agriculture.

*Related Water Management Solutions Market*

We also offer a wide range of Allied Products to meet our customers' water management requirements across various markets. The demand for these products is largely driven by residential and non-residential construction, transportation and related water drainage infrastructure spending and the replacement of aging stormwater management infrastructure.

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### Stormwater Retention/Detention

Current EPA regulations require any development of one acre or larger to retain stormwater on site and gradually release it over time. This requirement is met by either using natural solutions, such as retention ponds, or structural solutions, which include systems constructed underground. According to the Freedonia Special Report, demand in this market is forecasted to grow 7.5% annually from 2013 to 2016. Growth of structural solutions is forecasted to grow 8.5% over this period, compared to 5.4% for natural solutions.

### On-Site Septic

According to the EPA, an estimated 20% of total U.S. housing units depend upon on-site septic systems for the treatment and disposal of household sewage. An on-site septic system allows for effluent to be leached into the soil for treatment. The market is driven by new residential construction and, to a lesser extent, the repair and replacement of existing systems. Our plastic septic chamber products perform their septic treatment functions without gravel, reducing the cost to the contractor and homeowner over traditional pipe and stone systems that are also used for these systems.

### Structures

Drainage structures are used in all major storm projects and are used to move surface-collected stormwater vertically down to pipe conveyance systems. The predominant products used today are concrete structures. We compete in this market with our Nyloplast product line, an engineered drainage structure made from PVC. Our Nyloplast product reduces construction cost and increases speed of installation compared to traditional precast concrete structures.

### Water Quality

EPA regulations also limit the amount of sediment or other pollutants in discharged water. Similar to stormwater management, these requirements are met through the use of either natural or structural solutions. Freedonia forecasts that demand for these solutions will increase 10.1% annually through 2016, with natural and structural solutions growing at nearly the same rate. We provide structural solutions for water quality through our BaySaver and FlexStorm product lines.

### Geosynthetics

We offer geosynthetic products through resale agreements with leading suppliers. Geosynthetics are used in a wide range of environmental and civil engineering applications to promote drainage, retain soils, control the flow of liquids and construct natural soil structures. Demand in this market is primarily driven by trends in non-residential and transportation construction activity. According to a December 2013 study by Freedonia on world geosynthetics demand, U.S. geosynthetic demand is forecasted to grow 6.5% annually through 2017.

### ***Core End Markets***

#### *Non-Residential Construction (51% of Domestic Net Sales in Fiscal Year 2014)*

For fiscal year 2014, our net sales in the U.S. non-residential construction market were \$480.1 million, which represented 51% of our domestic net sales. For the six months ended September 30, 2014, our net sales in the U.S. non-residential construction market were \$319.2 million, which represented 52% of our domestic net sales. Reed Construction Data is forecasting U.S. non-residential construction, consisting of commercial, institutional,

manufacturing and warehouse construction, to grow 6.6% annually from 2013 to 2016 and increase 8.2% in 2014 over 2013.

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*Residential Construction (21% of Domestic Net Sales in Fiscal Year 2014)*

For fiscal year 2014, our net sales in the U.S. residential construction market were \$194.4 million, which represented 21% of our domestic net sales. For the six months ended September 30, 2014, our net sales in the U.S. residential construction market were \$119.2 million, which represented 19% of our domestic net sales. U.S. residential new construction has begun to recover since reaching historic lows during the recent economic downturn. While new housing starts demonstrated an annual growth rate of 16% from 2010 to 2013, current levels remain substantially below the long-term average of 1.5 million starts since the U.S. Census Bureau began reporting the data in 1959. According to McGraw Hill, residential new housing is expected to increase to 1.0 million starts, or 3%, in 2014, and increase to 1.1 million starts, or 9%, in 2015. As of September 2013, the Home Improvement Research Institute projects that U.S. sales of repair, renovation and improvement products will grow at a rate of 5.4% in 2013, 6.8% in 2014 and 7.0% in 2015, driven by the improving economy, rising home prices and greater consumer confidence.

*Agriculture (19% of Domestic Net Sales in Fiscal Year 2014)*

For fiscal year 2014, our net sales in the U.S. agriculture market were \$176.4 million, which represented 19% of our domestic net sales. For the six months ended September 30, 2014, our net sales in the U.S. agriculture market were \$102.0 million, which represented 17% of our domestic net sales. U.S. and global demand for corn and soybeans, net farm income and corn use for ethanol are significant drivers of our agriculture business and are leading indicators in regards to our product demand. According to the U.S. Department of Agriculture, agricultural exports were a record \$140.9 billion in 2013 and are forecasted to increase 1% in 2014. According to the U.S. Department of Agriculture, net farm income increased to \$130.5 billion in 2013, up from \$85.0 billion in 2008. The U.S. Department of Agriculture estimates that 40% of corn production in the United States is consumed by ethanol production, with requirements not expected to decline in the near future.

*Infrastructure (9% of Domestic Net Sales in Fiscal Year 2014)*

For fiscal year 2014, our net sales in the U.S. infrastructure market were \$84.6 million, which represented 9% of our domestic net sales. For the six months ended September 30, 2014, our net sales in the U.S. infrastructure market were \$70.8 million, which represented 12% of our domestic net sales. The main drivers of our products in the infrastructure market include the construction of streets and highways, storm and sanitary sewers, airports and railroads. ASCE rated the overall U.S. infrastructure a grade of D+ in its recent 2013 report card, and estimates that \$298 billion is needed over the next 20 years to replace and upgrade the existing wastewater infrastructure in the United States. ASCE's primary concern is the need to address sanitary and combined sewer overflows. Citing the 2008 Clean Watersheds Needs Survey, the ASCE report states \$64 billion is needed to address combined sewer overflows and stormwater management over the 20-year period. There are four million miles of public roads and highways in the United States, primarily constructed over 50 years ago. The Federal Highway Administration estimates that \$170 billion is needed annually to improve the condition of the nation's roads and highways, a significant increase from the \$101 billion that is needed to just



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**Ownership and Corporate Information**

We have a long history of employee ownership as well as ownership by financial sponsors. Our current ownership is comprised of members of our management team and other non-employee stockholders, ASP ADS Investco, LLC, an affiliate of American Securities LLC, or American Securities, and our ESOP in which our employees participate. For more information regarding our ESOP, see Description of Employee Stock Ownership Plan.

The following chart illustrates our ownership and organizational structure, including stock ownership percentages on a fully-converted basis, after giving effect to this offering (assuming no exercise of the underwriters' option to purchase additional shares):

- (1) Excludes approximately 2.8 million shares of common stock issuable upon exercise of options outstanding as of September 30, 2014 at a weighted average exercise price of \$12.53 per share. After the completion of this offering, our senior management and directors will own approximately 15.7% of our common stock on a fully-converted basis. In addition, after the completion of this offering, the University of Notre Dame du Lac will own approximately 4.7% of our common stock on a fully-converted basis, subject to a lock-up agreement executed in connection with our IPO.
- (2) ASP ADS Investco, LLC is an affiliate of American Securities.
- (3) The ESOP currently holds all outstanding shares of our convertible preferred stock, which converts at the election of the ESOP into shares of our common stock as further described below under Description of Employee Stock Ownership Plan. The percentage ownership for the ESOP is on an as-converted basis.
- (4) ADS Worldwide, Inc. is our wholly-owned subsidiary through which we hold interests in the various international joint ventures through which we operate in Mexico, Central America and South America.

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**Summary of Risk Factors**

Our business is subject to a number of risks of which you should be aware and carefully consider before making an investment decision. These risks are discussed in Risk Factors, and include but are not limited to the following:

fluctuations in the price and availability of resins, our principal raw material, and our inability to pass on resin price increases to customers;

our inability to obtain adequate supplies of resins from suppliers;

disruption or volatility in general business and economic conditions in the markets in which we operate, such as non-residential and residential construction, agriculture and infrastructure markets;

our ability to convert current demand for competitive products into demand for our products;

effect of weather or seasonality;

loss of any of our significant customers;

failure to collect monies owed from customers;

exposure of our international operations to political, economic and regulatory risks;

risks associated with conducting a portion of our operations through joint ventures;

our ability to successfully expand into new geographic or product markets;

risks associated with acquisitions;

risks associated with increased fuel and energy prices;

risks associated with manufacturing process, construction defect and product liability and legal proceedings;

our current levels of indebtedness and related restrictions and limitations imposed on us;

securities or industry analysts may not publish research or may publish misleading or unfavorable research about our business; and

fulfilling our obligations incident to being a public company.

#### **Recent Developments**

On July 30, 2014, we and certain selling stockholders closed our initial public offering, or IPO, consisting of 14,500,000 shares of common stock. In addition, on August 22, 2014, an additional 600,000 shares of common stock were sold by certain selling stockholders pursuant to the underwriters' over-allotment option as part of our IPO.

On November 12, 2014, our board of directors declared certain dividends:

an initial quarterly cash dividend of \$0.04 per share of common stock, payable on December 10, 2014 to holders of record of shares of common stock as of the close of business on December 1, 2014 (including, for this purpose, holders of our convertible preferred stock on an as-converted basis); and

an annual cash dividend of \$0.0195 per share of convertible preferred stock, payable on March 31, 2015 to holders of record of shares of convertible preferred stock as of the close of business on March 15, 2015.

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**Corporate Information**

We were founded in 1966 and are a Delaware corporation. Our principal executive offices are located at 4640 Trueman Boulevard, Hilliard, Ohio 43026, and our telephone number at that address is (614) 658-0050. Our corporate website is [www.ads-pipe.com](http://www.ads-pipe.com). Information on, and which can be accessed through, our website is not part of, and is not incorporated by reference in this prospectus.

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**The Offering**

Common stock offered by the selling stockholder	10,000,000 shares (11,500,000 shares if the underwriters exercise in full their option to purchase additional shares).
Common stock outstanding immediately after this offering	52,934,649 shares. This offering will have no effect on the number of shares of common stock outstanding immediately after this offering.
Option to purchase additional shares of common stock	The underwriters have a 30-day option to purchase up to an additional 1,500,000 shares of common stock from the selling stockholder.
New York Stock Exchange symbol	WMS.
Use of proceeds	We will not receive any proceeds from the sale of shares of common stock in this offering. The selling stockholder will receive all of the net proceeds from the sale of shares of common stock in this offering. See Use of Proceeds.
Risk factors	See Risk Factors and other information included in this prospectus for a discussion of factors that you should carefully consider before deciding whether to invest in shares of our common stock.
Dividend policy	We have a history of paying dividends to our stockholders when sufficient cash is available, and we currently intend to pay dividends in the future after this offering. On November 12, 2014, our board of directors declared certain dividends, including an initial quarterly cash dividend of \$0.04 per share of common stock, payable on December 10, 2014 to holders of record of shares of common stock as of the close of business on December 1, 2014 (including, for this purpose, holders of our convertible preferred stock on an as-converted basis). Any determination to pay dividends on our capital stock in the future will be at the discretion of our board of directors, subject to applicable laws and the provisions of our amended and restated certificate of incorporation (including those relating to the payment of dividends on our convertible preferred stock), and will depend on our financial condition, results of operations, capital requirements, general business conditions and other factors that our board of directors considers relevant. In addition, the terms of our credit facilities contain restrictions on our ability to pay dividends. See Dividend Policy.

The number of shares of common stock to be outstanding immediately following this offering includes 52,934,649 shares of our common stock outstanding as of September 30, 2014, and excludes:

0.2 million shares of restricted stock outstanding as of September 30, 2014 under our 2008 Restricted Stock Plan;

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0.9 million shares of common stock issuable upon exercise of options outstanding as of September 30, 2014 at a weighted average exercise price of \$10.20 per share under our 2000 Incentive Stock Option Plan;

1.9 million shares of common stock issuable upon exercise of options outstanding as of September 30, 2014 at a weighted average exercise price of \$13.64 per share under our 2013 Stock Option Plan;

0.1 million shares of restricted stock outstanding as of September 30, 2014 under our 2014 Non-Employee Director Compensation Plan; and

0.3 million, 1.1 million, 1.4 million and 0.2 million shares of common stock reserved for future issuance as of September 30, 2014 under our 2008 Restricted Stock Plan, our 2000 Incentive Stock Option Plan, our 2013 Stock Option Plan and our 2014 Non-Employee Director Compensation Plan, respectively.

Unless otherwise indicated, all information in this prospectus assumes no exercise by the underwriters of their option to purchase additional shares.

**Table of Contents****Summary Consolidated Financial Data**

The following table presents a summary of our consolidated financial data as of, and for the periods ended on, the dates indicated. The summary consolidated financial data presented below as of March 31, 2012 have been derived from our audited consolidated financial statements which are not included in this prospectus. The summary consolidated financial data presented below as of March 31, 2013 and 2014 and for fiscal years 2012, 2013 and 2014 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. The summary consolidated financial data presented below as of September 30 2014 and for the six months ended September 30, 2013 and 2014 have been derived from our unaudited condensed consolidated financial statements included elsewhere in this prospectus.

The results indicated below and elsewhere in this prospectus are not necessarily indicative of our future performance. You should read this data in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and the related notes included elsewhere in this prospectus. Outstanding shares and per share amounts have been retrospectively amended to reflect the 4.707-for-1 stock split that became effective on July 11, 2014.

(Amounts in thousands, except per share data)	Fiscal Year Ended March 31,			Six Months Ended	
	2012	2013	2014	September 30, 2013	2014
<b>Consolidated statement of income data:</b>					
Net sales	\$ 1,013,756	\$ 1,017,041	\$ 1,069,009	\$ 626,342	\$ 693,021
Cost of goods sold	818,398	807,730	856,118	487,120	538,546
Gross profit	195,358	209,311	212,891	139,222	154,475
Selling expenses	67,625	69,451	75,024	35,843	39,008
General and administrative expenses	65,927	67,712	78,478	35,576	39,411
Gain on sale of assets/ business	(44,634)	(2,210)	(5,338)	(4,848)	
Intangibles amortization	11,387	11,295	11,412	5,722	5,279
Income from operations	95,053	63,063	53,315	66,929	70,777
Interest expense	21,837	16,095	16,141	7,967	8,953
Other miscellaneous expense, net	2,425	283	133	816	7
Income before income taxes	70,791	46,685	37,041	58,146	61,817
Income tax expense	27,064	16,894	22,575	23,308	23,757
Equity in net (income) loss of unconsolidated affiliates	(704)	(387)	1,592	345	623
Net income	44,431	30,178	12,874	34,493	37,437
Less net income attributable to the noncontrolling interest	1,171	2,019	1,750	875	806
Net income attributable to ADS	43,260	28,159	11,124	33,618	36,631
	(10,257)	(5,869)	(3,979)	(4,764)	(11,054)



Change in fair value of Redeemable Convertible Preferred Stock

Dividends paid to Redeemable Convertible Preferred Stockholders	(668)	(736)	(10,139)	(430)	(75)
Dividends paid to unvested restricted stockholders	(34)	(52)	(418)	(16)	
Net income (loss) available to common stockholders and participating securities	32,301	21,502	(3,412)	28,408	25,502
Undistributed income allocated to participating securities	(3,241)	(2,042)		(3,124)	(3,040)
Net income (loss) available to common stockholders	\$ 29,060	\$ 19,460	\$ (3,412)	\$ 25,284	\$ 22,462

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(Amounts in thousands, except per share data)	Fiscal Year Ended March 31,			Six Months Ended	
	2012	2013	2014	2013	2014
Weighted average common shares outstanding:					
Basic	46,293	46,698	47,277	47,220	49,538
Diluted	47,051	47,249	47,277	47,634	52,198
Fully Converted <sup>(1)</sup>	67,337	67,545	67,878	67,927	69,872
Net income (loss) per share:					
Basic	\$ 0.63	\$ 0.42	\$ (0.07)	\$ 0.54	\$ 0.45
Diluted	\$ 0.62	\$ 0.41	\$ (0.07)	\$ 0.53	\$ 0.45
Fully Converted <sup>(1)</sup>	\$ 0.72	\$ 0.52	\$ 0.28	\$ 0.57	\$ 0.60
Cash dividends declared per share	\$ 0.09	\$ 0.10	\$ 1.68	\$ 0.06	\$

(Amounts in thousands, except percentages)	Fiscal Year Ended March 31,			Six Months Ended	
	2012	2013	2014	2013	2014
<b>Other financial data:</b>					
Capital expenditures	\$ 26,467	\$ 40,004	\$ 40,288	\$ 21,700	\$ 15,643
Adjusted EBITDA <sup>(2)</sup>	116,873	129,759	147,009	101,109	109,663
Adjusted EBITDA margin <sup>(3)</sup>	11.5%	12.8%	13.8%	16.1%	15.8%

(Amounts in thousands)	2012	As of March 31,		As of
		2013	2014	September 30, 2014
<b>Consolidated balance sheet data:</b>				
Cash	\$ 2,082	\$ 1,361	\$ 3,931	\$ 6,581
Working capital <sup>(4)</sup>	208,268	220,276	263,907	324,371
Total assets	905,028	907,739	937,595	1,018,224
Long-term debt	370,672	349,990	454,048	397,583
Total liabilities	615,314	585,115	691,980	655,642
Total mezzanine equity <sup>(5)</sup>	557,563	608,346	642,951	109,277
Total stockholders equity	(267,849)	(285,722)	(397,336)	253,305
Total mezzanine equity and stockholders equity	289,714	322,624	245,615	362,582

(Amounts in thousands)	Fiscal Year Ended March 31,			Six Months Ended	
	2012	2013	2014	2013	2014
<b>Statement of cash flows data:</b>					
Net cash provided by operating activities	\$ 56,997	\$ 68,215	\$ 62,122	\$ 3,283	\$ 10,807
Net cash used in investing activities	(35,833)	(47,199)	(41,767)	(23,036)	(25,742)
Net cash (used in) provided by financing activities	(21,233)	(21,737)	(17,712)	20,428	17,836

(1)

Adjusted Earnings per Fully Converted Share, which is a non-GAAP measure, is a supplemental measure of financial performance that is not required by, or presented in accordance with GAAP. We calculate Adjusted earnings per fully converted share (Non-GAAP), and Weighted average fully converted common shares outstanding (Non-GAAP), by adjusting our Net income per share Basic and Weighted average common shares outstanding Basic, the most comparable GAAP measures.

To effect this adjustment, we have (1) removed the adjustment for the change in fair value of Redeemable Convertible Preferred Stock classified as mezzanine equity from the numerator of the Net income per share Basic computation, (2) added back the dividends to Redeemable Convertible Preferred Stockholders and dividends paid to unvested restricted stockholders, (3) made corresponding adjustments to the amount allocated to participating securities under the two-class earnings per share computation method, and (4) added back ESOP deferred compensation attributable to the shares of redeemable convertible preferred stock allocated to employee ESOP accounts during the applicable period, which is a non-cash charge to our earnings and not deductible for income tax purposes.

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We have also made adjustments to the Weighted average common shares outstanding Basic to assume, (1) share conversion of the Redeemable Convertible Preferred Stock to outstanding shares of common stock and (2) add shares of outstanding unvested restricted stock.

Adjusted Earnings Per Fully Converted Share (Non-GAAP) is included in this report because it is a key metric used by management and our board of directors to assess our financial performance. Adjusted Earnings Per Fully Converted Share (Non-GAAP) 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 Adjusted Earnings Per Fully Converted Share (Non-GAAP), and the corresponding Weighted Average Fully Converted Common Shares Outstanding (Non-GAAP) to our Net income per share and corresponding Weighted average common shares outstanding amounts, the most comparable GAAP measure, for each of the periods indicated.

(Amounts in thousands, except per share data)	Fiscal Year Ended			Six Months Ended	
	2012	2013	2014	September 30, 2013	September 30, 2014
Net income (loss) available to common shareholders	\$ 29,060	\$ 19,460	\$ (3,412)	\$ 25,284	\$ 22,462
Adjustments to net income available to common shareholders:					
Change in fair value of Redeemable Convertible Preferred Stock	10,257	5,869	3,979	4,764	11,054
Dividends to Redeemable Convertible Preferred Stockholders	668	736	10,139	430	75
Dividends paid to unvested restricted stockholders	34	52	418	16	
Undistributed income allocated to participating securities	3,241	2,042		3,124	3,040
Total adjustments to net income (loss) available to common shareholders	14,200	8,699	14,536	8,334	14,169
Net income attributable to ADS	43,260	28,159	11,124	33,618	36,631
Fair value of ESOP Compensation related to Redeemable Convertible Preferred Stock	4,957	7,283	7,891	5,026	5,374
Adjusted net income (Non-GAAP)	48,217	35,442	19,015	\$ 38,644	\$ 42,005
Weighted Average Common Shares Outstanding					
Basic	46,293	46,698	47,277	47,220	49,538
Unvested restricted shares	208	292	336	328	235
Redeemable Convertible Preferred shares	20,836	20,555	20,264	20,379	20,099
Total Weighted Average Fully Converted Common Shares Outstanding (Non-GAAP)	67,337	67,545	67,877	67,927	69,872

Adjusted Earnings Per Fully Converted Share (Non-GAAP)	\$ 0.72	\$ 0.52	\$ 0.28	\$ 0.57	\$ 0.60
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(2) EBITDA and Adjusted EBITDA, which are non-GAAP financial measures, have been presented in this prospectus as supplemental measures of financial performance that are not required by, or presented in accordance with generally accepted accounting principles or GAAP. We calculate EBITDA as net income attributable to ADS before interest, income taxes, depreciation and amortization. We calculate Adjusted EBITDA as EBITDA before stock based compensation expense, non-cash charges and certain other expenses.

EBITDA and Adjusted EBITDA are included in this prospectus because they are key metrics used by management and our board of directors to assess our financial performance. EBITDA and Adjusted EBITDA 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 Adjusted EBITDA to supplement GAAP measures of performance to evaluate the effectiveness of our business strategies, to make budgeting decisions and to compare our performance against that of other peer companies using similar measures.

EBITDA and Adjusted EBITDA are not GAAP measures of our financial performance or liquidity and should not be considered as alternatives to net income as a measure of financial performance or cash flows from operations as a measure of liquidity, or any other performance measure derived in accordance with GAAP and they should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. Additionally, EBITDA and Adjusted EBITDA are not intended to be measures of free cash flow for management's discretionary use, as they do not reflect certain cash requirements such as tax payments, debt service requirements, capital expenditures and certain other cash costs that may recur in the future. EBITDA and Adjusted EBITDA contain certain other limitations, including the failure to reflect our cash expenditures, cash requirements for working capital needs and cash costs to replace assets being depreciated and amortized. In evaluating Adjusted EBITDA, 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. Our presentation of Adjusted EBITDA should not be construed to imply that our future results will be unaffected by any such adjustments. Management compensates for these limitations by relying on our GAAP results in addition to using EBITDA and Adjusted EBITDA supplementally. Our measures of EBITDA and Adjusted EBITDA are not necessarily comparable to other similarly titled captions of other companies due to different methods of calculation.

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

(Amounts in thousands)	Fiscal Year Ended March 31,			Six Months Ended September 30,	
	2012	2013	2014	2013	2014
Net income attributable to ADS	\$ 43,260	\$ 28,159	\$ 11,124	\$ 33,618	\$ 36,631
Depreciation and amortization <sup>(a)</sup>	59,356	56,926	57,454	28,665	28,758
Interest expense	21,837	16,095	16,141	7,967	8,953
Income tax expense	27,064	16,894	22,575	23,308	23,757
<b>EBITDA</b>	<b>151,517</b>	<b>118,074</b>	<b>107,294</b>	<b>93,558</b>	<b>98,099</b>
Derivative fair value adjustments <sup>(b)</sup>	2,315	(4)	(53)	238	163
Foreign currency transaction losses (gains) <sup>(c)</sup>	378	1,085	845	(87)	(75)
Gain on sale of Septic Chamber business <sup>(d)</sup>	(44,634)				
Unconsolidated affiliates interest and tax <sup>(e)</sup>	915	729	204	228	413
Management fee to minority interest holder JV <sup>(f)</sup>			1,098	604	558
Special dividend compensation			22,624		
Contingent consideration remeasurement			259		
Stock based compensation <sup>(g)</sup>	1,425	2,592	5,287	1,424	4,416
ESOP deferred stock based compensation <sup>(h)</sup>	4,957	7,283	7,891	5,026	5,374
Transaction costs <sup>(i)</sup>			1,560	118	715
<b>Adjusted EBITDA</b>	<b>\$ 116,873</b>	<b>\$ 129,759</b>	<b>\$ 147,009</b>	<b>\$ 101,109</b>	<b>\$ 109,663</b>

- (a) Includes our proportionate share of depreciation and amortization expense of \$985, \$1,321 and \$1,556 related to our South American Joint Venture, our BaySaver Joint Venture and our Tigre-ADS USA Joint Venture, which amounts are included in equity in net (income) loss of unconsolidated affiliates in our consolidated statements of income for fiscal years 2012, 2013 and 2014, respectively, and \$677 and \$1,272 included in equity in net loss of unconsolidated affiliates in our condensed consolidated statements of income for the six months ended September 30, 2013 and 2014, respectively. Depreciation and amortization expense for fiscal year 2012 also includes a charge of \$3,200 related to the impairment of one of our trademarks.
- (b) Represents the non-cash gains and losses arising from changes in mark-to-market values for derivative contracts related to diesel fuel, interest rate and propylene swaps. The impact of resin physical and financial derivatives is included in cost of goods sold.
- (c) Represents the gains and losses incurred on purchases, sales and intercompany loans and dividends denominated in non-functional currencies.
- (d) Represents a gain recognized on the sale of our septic chamber business in January 2012.
- (e)

Represents our proportional share of income taxes and interest related to our South American Joint Venture, our BaySaver Joint Venture and our Tigre-ADS USA Joint Venture, which are accounted for under the equity method of accounting.

- (f) Represents management fee paid to a minority interest holder of a consolidated subsidiary.
  - (g) Represents the non-cash stock based compensation cost related to our stock options and restricted stock awards.
  - (h) Represents the non-cash stock based compensation expense attributable to the shares of convertible preferred stock allocated to employee ESOP accounts during the applicable period.
  - (i) Represents expenses recorded related to legal, accounting and other professional fees incurred in connection with our recent debt refinancing and in connection with our IPO.
- (3) Adjusted EBITDA margin for any period represents Adjusted EBITDA as a percentage of net sales for that period.
- (4) Working capital is the difference between our current assets and current liabilities. Working capital is an indication of liquidity and potential need for short-term funding.
- (5) Our mezzanine equity consists of the Redeemable Convertible Preferred Stock held by our ESOP and Redeemable Common Stock held by certain stockholders who have certain rights associated with such shares, which rights are considered to be a redemption right, which is beyond our control. See Note 16, Mezzanine Equity, within our consolidated financial statements included elsewhere in this prospectus for further information regarding the accounting treatment for our mezzanine equity. Upon the effective date of our IPO (July 25, 2014), which closed on July 30, 2014, the redemption feature of our Redeemable Common Stock was terminated. As a result, the Redeemable

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Common Stock was recorded at fair value through the effective date of the IPO and was subsequently reclassified at that fair value to permanent equity. In addition, upon the effective date of the IPO, the redemption feature of our Redeemable Convertible Preferred Stock was no longer applicable. However, if our common stock is no longer a registration-type class of security (e.g., in the event of a delisting), the option held by the Trustee, which granted it the ability to put the shares of our Redeemable Convertible Preferred Stock to us, would then become applicable. As such, the Redeemable Convertible Preferred Stock was recorded to fair value at the effective date of the IPO on July 25, 2014 and will remain in mezzanine equity without further adjustment to carrying value unless it becomes probable that the redemption feature will become applicable. See Note 6, Fair Value Measurements, within our condensed consolidated financial statements included elsewhere in this prospectus for further information regarding the accounting treatment for our mezzanine equity post-IPO.



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**RISK FACTORS**

*Investing in our common stock involves a high degree of risk. Before you make your investment decision, you should carefully consider the risks described below and the other information contained in this prospectus, including our consolidated financial statements and the related notes. If any of the following risks actually occur, our business, financial condition, results of operations and cash flows could be materially adversely affected. In these circumstances, the market price of our common stock could decline, and you may lose all or part of your investment.*

**Risks Relating to Our Business**

***Fluctuations in the price and availability of resins, our principal raw materials, and our inability to obtain adequate supplies of resins from suppliers and pass on resin price increases to customers could adversely affect our business, financial condition, results of operations and cash flows.***

The principal raw materials that we use in our high performance thermoplastic corrugated pipe and Allied Products are virgin and recycled resins. Our ability to operate profitably depends, to a large extent, on the markets for these resins. In particular, as resins are derived either directly or indirectly from crude oil derivatives and natural gas liquids, resin prices fluctuate substantially as a result of changes in crude oil and natural gas prices, changes in existing refining capabilities and the capacity of resin suppliers. The petrochemical industry historically has been cyclical and volatile. The cycles are generally characterized by periods of tight supply, followed by periods of oversupply, primarily resulting from significant capacity additions. For example, resin prices have increased since 2010 due to increased demand in the broader economy. The weighted average market cost for the types of resin that we use increased by approximately 0.9% and 6.7% for fiscal years 2013 and 2014, respectively. Unanticipated changes in and disruptions to existing refining capacities could also significantly increase resin prices, often within a short period of time, even if crude oil and natural gas prices remain low.

Our ability to offer our core products depends on our ability to obtain adequate resins, which we purchase directly from major petrochemical and chemical suppliers. We have long-standing relationships as well as supply contracts with some of these suppliers but we have no fixed-price contracts with any of our major suppliers. Prices are typically negotiated on a continuous basis. We have implemented a limited resin price hedging program which has historically covered less than 50% of our virgin resin purchases. The loss of, or substantial decrease in the availability of, raw materials from our suppliers, or the failure by our suppliers to continue to provide us with raw materials on commercially reasonable terms, or at all, could adversely affect our business, financial condition, results of operations and cash flows. In addition, supply interruptions could arise from labor disputes or weather conditions affecting supplies or shipments, transportation disruptions or other factors beyond our control. A disruption in the timely availability of raw materials from our key suppliers would result in a decrease in our revenues and profitability.

Our ability to maintain profitability heavily depends on our ability to pass through to our customers the full amount of any increase in raw material costs, which are a large portion of our overall product costs. We may be unable to do so in a timely manner, or at all, due to competition in the markets in which we operate. In addition, certain of our largest customers historically have exerted significant pressure on their outside suppliers to keep prices low because of their market share. If increases in the cost of raw materials cannot be passed on to our customers, or the duration of time associated with a pass through becomes extended, our business, financial condition, results of operations and cash flows will be adversely affected.

***Any disruption or volatility in general business and economic conditions in the markets in which we operate could have a material adverse effect on the demand for our products and services.***

The markets in which we operate are sensitive to general business and economic conditions in the United States and worldwide, including availability of credit, interest rates, fluctuation in capital and business and consumer confidence. The capital and credit markets have in recent years been experiencing significant volatility

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and disruption. These conditions, combined with price fluctuations in crude oil derivatives and natural gas liquids, declining business and consumer confidence and increased unemployment, precipitated an economic slowdown and severe recession in recent years. The difficult conditions in these markets and the overall economy affect our business in a number of ways. For example:

The slowdown and volatility of the United States economy in general is having an adverse effect on our sales that are dependent on the non-residential construction market. According to the U.S. Census Bureau, actual non-residential construction put-in-place in the United States during 2013 remained 13.5% lower than 2009 levels. Continued uncertainty about current economic conditions will continue to pose a risk to our business units that serve the non-residential construction market, as participants in this industry may postpone spending in response to tighter credit, negative financial news and/or declines in income or asset values, which could have a continued material adverse effect on the demand for our products and services.

The homebuilding industry has undergone a significant decline from its peak in 2005. While new housing starts demonstrated an annual growth rate of 16% from 2010 to 2013, current levels remain substantially below the long-term average of 1.5 million starts since the U.S. Census Bureau began reporting the data in 1959.

The mortgage markets continue to experience disruption and reduced availability of mortgages for potential homebuyers due to more restrictive standards to qualify for mortgages, including with respect to new home construction loans. The multi-year downturn in the homebuilding industry resulted in a substantial reduction in demand for our products and services in this market, which in turn had a significant adverse effect on our financial condition and results of operations during the period from 2008 to 2013, as compared to peak levels.

Our business depends to a great extent upon general activity levels in the agriculture market. Changes in corn production, soybean production, farm income, farmland value and the level of farm output in the geographic locations in which we operate are all material factors that could adversely affect the agriculture market and result in a decrease in the amount of products that our customers purchase. The nature of the agriculture market is such that a downturn in demand can occur suddenly, resulting in excess inventories, un-utilized production capacity and reduced prices for pipe products. These downturns may be prolonged and our revenue and profitability would be harmed.

Demand for our products and services depends to a significant degree on spending on infrastructure, which is inherently cyclical. Infrastructure spending is affected by a variety of factors beyond our control, including interest rates, availability and commitment of public funds for municipal spending and highway spending and general economic conditions. Our products sales may be adversely impacted by budget cuts by governments, including as a result of lower than anticipated tax revenues.

All of our markets are sensitive to changes in the broader economy. Downturns or lack of substantial improvement in the economy in any region in which we operate have adversely affected and could continue to adversely affect our business, financial condition and results of operations. While we operate in many markets, our business is particularly impacted by changes in the economies of the United States, Canada and Mexico, which represented approximately

87.5%, 4.9% and 5.9%, respectively, of our net sales for fiscal year 2014 and collectively represented approximately 98.3% of our net sales for fiscal year 2014, and which represented approximately 88.2%, 5.9%, and 4.7%, respectively, of our net sales for the six months ended September 30, 2014 and collectively represented approximately 98.8% of our net sales for the six months ended September 30, 2014.

We cannot predict the duration of current economic conditions, or the timing or strength of any future recovery of activities in our markets. Continued weakness in the market in which we operate could have a material adverse effect on our business, financial condition, results of operations and cash flows. We may have to close under-performing facilities from time to time as warranted by general economic conditions and/or weakness in the markets in which we operate. In addition to a reduction in demand for our products, these factors

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may also reduce the price we are able to charge for our products and restrict our ability to pass raw material cost increases to our customers. This, combined with an increase in excess capacity, will negatively impact our profitability, cash flows and our financial condition, generally.

***Demand for our products and services could decrease if we are unable to compete effectively, and our success depends largely on our ability to convert current demand for competitive products into demand for our products.***

We compete with both manufacturers of high performance thermoplastic corrugated pipe and manufacturers of alternative products, such as concrete, steel and PVC pipe products, on the basis of a number of considerations, including product characteristics such as durability, design, ease of installation, price on a price-to-value basis and service. In particular, we compete on a global, national and local basis with pipe products made of traditional materials which our high performance thermoplastic corrugated pipe products are designed to replace. For example, our N-12 and SaniTite HP products face competition from concrete, steel and PVC pipe products in the small- and large-diameter size segments of the market.

Our ability to successfully compete and grow depends largely on our ability to continue to convert the current demand for concrete, steel and PVC pipe products into demand for our high performance thermoplastic corrugated pipe and Allied Products. Our thermoplastic pipe typically has an installed cost advantage of approximately 20% over concrete pipe. However, depending upon certain factors such as the size of the pipe, the geography of a particular location and then-existing raw material costs, the initial cost of our thermoplastic pipe may be higher than the initial cost of alternative products such as concrete, steel and PVC pipe products. To increase our market share, we will need to increase material conversion by educating our customers about the value of our products in comparison to existing alternatives, particularly on an installed cost basis, working with government agencies to expand approvals for our products and working with civil engineering firms which may influence the specification of our products on construction projects. No assurance can be given that our efforts to increase or maintain the current rate of material conversion will be successful, and our failure to do so would have a material adverse effect on our business, financial condition, results of operations and cash flows.

We also expect that new competitors may develop over time. No assurance can be given that we will be able to respond effectively to such competitive pressures. Increased competition by existing and future competitors could result in reductions in sales, prices, volumes and gross margins that would materially adversely affect our business, financial condition, results of operations and cash flows. Furthermore, our success will depend, in part, on our ability to maintain our market share and gain market share from competitors.

Certain of our competitors have financial and other resources that are greater than ours and may be better able to withstand price competition, especially with respect to traditional products. In addition, consolidation by industry participants could result in competitors with increased market share, larger customer bases, greater diversified product offerings and greater technological and marketing expertise, which would allow them to compete more effectively against us. Moreover, our competitors may develop products that are superior to our products or may adapt more quickly to new technologies or evolving customer requirements. Technological advances by our competitors may lead to new manufacturing techniques and make it more difficult for us to compete. In many markets in which we operate there are no significant entry barriers that would prevent new competitors from entering the market, especially on the local level, or existing competitors from expanding in the market. In addition, because we do not have long-term arrangements with many of our customers, these competitive factors could cause our customers to cease purchasing our products.

In addition, our contracts with municipalities are often awarded and renewed through periodic competitive bidding. We may not be successful in obtaining or renewing these contracts on financially attractive terms or at all, which

could adversely affect our business, financial condition, results of operations and cash flows.

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### ***Our results of operations could be adversely affected by the effects of weather.***

Although weather patterns affect our operating results throughout the year, adverse weather historically has reduced construction activity in our third and fourth fiscal quarters. In contrast, our highest volume of net sales historically has occurred in our first and second fiscal quarters.

Most of our business units experience seasonal variation as a result of the dependence of our customers on suitable weather to engage in construction projects. Generally, during the winter months, construction activity declines due to inclement weather, frozen ground and shorter daylight hours. For example, during the spring of 2013 and 2014, the extremely cold weather significantly reduced the level of construction activities in the United States, thereby impacting our revenues. In addition, to the extent that hurricanes, severe storms, floods, other natural disasters or similar events occur in the geographic regions in which we operate, our results of operations may be adversely affected. For example, Hurricane Andrew in Florida in 1992 and the extensive flooding of the Mississippi River in 2011 resulted in temporary interruption in business activity in these areas. We anticipate that fluctuations of our operations results from period to period due to seasonality will continue in the future.

### ***The loss of any of our significant customers could adversely affect our business, financial condition, results of operations and cash flows.***

Our 10 largest customers in the United States generated approximately 46.7% of our domestic net sales in fiscal year 2014. We cannot guarantee that we will maintain or improve our relationships with these customers or that we will continue to supply these customers at historical levels. Because we do not have long-term arrangements with many of our customers, such customers may cease purchasing our products without notice or upon short notice to us. During the economic downturn, some of our customers reduced their operations. For example, some homebuilder customers exited or severely curtailed building activity in certain of our markets. There is no assurance that our customers will increase their activity level or return it to historic levels. A slow economic recovery could continue to have material adverse effect on our business, financial condition, results of operations and cash flows.

In addition, consolidation among customers could also result in a loss of some of our present customers to our competitors. The loss of one or more of our significant customers, a significant customer's decision to purchase our products in significantly lower quantities than they have in the past, or deterioration in our relationship with any of them could have a material adverse effect on our business, financial condition, results of operations and cash flows.

### ***The majority of our net sales are credit sales which are made primarily to customers whose ability to pay is dependent, in part, upon the economic strength of the industry and geographic areas in which they operate, and the failure to collect monies owed from customers could adversely affect our financial condition.***

The majority of our net sales volume is facilitated through the extension of credit to our customers whose ability to pay is dependent, in part, upon the economic strength of the industry in the areas where they operate. Our business units offer credit to customers, either through unsecured credit that is based solely upon the creditworthiness of the customer, or secured credit for materials sold for a specific job where the security lies in lien rights associated with the material going into the job. The type of credit offered depends both on the financial strength of the customer and the nature of the business in which the customer is involved. End users, resellers and other non-contractor customers generally purchase more on unsecured credit than secured credit. The inability of our customers to pay off their credit lines in a timely manner, or at all, would adversely affect our business, financial condition, results of operations and cash flows. Furthermore, our collections efforts with respect to non-paying or slow-paying customers could negatively impact our customer relations going forward.

Because we depend on the creditworthiness of certain of our customers, if the financial condition of our customers declines, our credit risk could increase. Significant contraction in our markets, coupled with tightened credit availability and financial institution underwriting standards, could adversely affect certain of our



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customers. Should one or more of our larger customers declare bankruptcy, it could adversely affect the collectability of our accounts receivable, bad debt reserves and net income.

***Our international operations expose us to political, economic and regulatory risks not normally faced by businesses that operate only in the United States.***

International operations are exposed to different political, economic and regulatory risks that are not faced by businesses that operate solely in the United States. Some of our operations are outside the United States, with manufacturing and distribution facilities in Canada and several Latin American countries. Our international operations are subject to risks similar to those affecting our operations in the United States in addition to a number of other risks, including:

difficulties in enforcing contractual and intellectual property rights;

impositions or increases of withholding and other taxes on remittances and other payments by subsidiaries and affiliates;

exposure to different legal standards;

fluctuations in currency exchange rates;

impositions or increases of investment and other restrictions by foreign governments;

the requirements of a wide variety of foreign laws;

political and economic instability;

terrorist acts;

war; and

difficulties in staffing and managing operations, particularly in remote locations.

***As a result of our international operations we could be adversely affected by violations of the U.S. Foreign Corrupt Practices Act and similar foreign anti-corruption laws.***

The U.S. Foreign Corrupt Practices Act, or the FCPA, and similar foreign anti-corruption laws generally prohibit companies and their intermediaries from making improper payments or providing anything of value to influence

foreign government officials for the purpose of obtaining or retaining business or obtaining an unfair advantage. Recent years have seen a substantial increase in the global enforcement of anti-corruption laws, with more frequent voluntary self-disclosures by companies, aggressive investigations and enforcement proceedings by both the U.S. Department of Justice and the U.S. Securities and Exchange Commission, or SEC, resulting in record fines and penalties, increased enforcement activity by non-U.S. regulators, and increases in criminal and civil proceedings brought against companies and individuals.

We have operations in Canada as well as existing joint ventures in Mexico, Central America and South America. Our internal policies provide for compliance with all applicable anti-corruption laws for both us and for our joint venture operations. Our continued operation and expansion outside the United States, including in developing countries, could increase the risk of such violations in the future. Despite our training and compliance programs, we cannot assure you that our internal control policies and procedures always will protect us from unauthorized reckless or criminal acts committed by our employees, agents or joint venture partners. In the event that we believe or have reason to believe that our employees, agents or joint venture partners have or may have violated applicable anti-corruption laws, including the FCPA, we may be required to investigate or have outside counsel investigate the relevant facts and circumstances, which can be expensive and require significant time and attention from senior management. Violations of these laws may result in severe criminal or civil sanctions, which could disrupt our business and result in a material adverse effect on our reputation, financial condition, results of operations and cash flows.

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### ***Conducting a portion of our operations through joint ventures exposes us to risks and uncertainties, many of which are outside of our control.***

With respect to our existing joint ventures in the United States, Mexico, Central America and South America, any differences in views among the joint venture participants may result in delayed decisions or in failures to agree on major issues. We also cannot control the actions of our joint venture partners, including any nonperformance, default or bankruptcy of our joint venture partners. As a result, we may be unable to control the quality of products produced by the joint ventures or achieve consistency of product quality as compared with our other operations. In addition to net sales and market share, this may have a material negative impact on our brand and how it is perceived thereafter. Moreover, if our partners also fail to invest in the joint venture in the manner that is anticipated or otherwise fail to meet their contractual obligations, the joint ventures may be unable to adequately perform and conduct their respective operations, requiring us to make additional investments or perform additional services to ensure the adequate performance and delivery of products and/or services to the joint ventures' customers, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

### ***We may not be able to successfully expand into new product markets.***

We may expand into new product markets based on our existing manufacturing, design and engineering capabilities and services. Our business depends in part on our ability to identify future products and product lines that complement existing products and product lines and that respond to our customers' needs. We may not be able to compete effectively unless our product selection keeps up with trends in the markets in which we compete or trends in new products. In addition, our ability to integrate new products and product lines into our distribution network could impact our ability to compete. Furthermore, the success of new products and new product lines will depend on market demand and there is a risk that new products and new product lines will not deliver expected results, which could negatively impact our future sales and results of operations.

### ***We may not be able to successfully expand into new geographic markets.***

Our expansion into new geographic markets may present competitive, distribution and regulatory challenges that differ from current ones. We may be less familiar with the target customers and may face different or additional risks, as well as increased or unexpected costs, compared to existing operations. Expansion into new geographic markets may also bring us into direct competition with companies with whom we have little or no past experience as competitors. To the extent we rely upon expansion into new geographic markets for growth and do not meet the new challenges posed by such expansion, our future sales growth could be negatively impacted, our operating costs could increase, and our business operations and financial results could be adversely affected.

### ***We may not achieve the acquisition component of our growth strategy.***

Acquisitions may continue to be an important component of our growth strategy; however, there can be no assurance that we will be able to continue to grow our business through acquisitions as we have done historically or that any businesses acquired will perform in accordance with expectations or that business judgments concerning the value, strengths and weaknesses of businesses acquired will prove to be correct. Future acquisitions may result in the incurrence of debt and contingent liabilities, an increase in interest expense and amortization expense and significant charges relative to integration costs. Our strategy could be impeded if we do not identify suitable acquisition candidates and our financial condition and results of operations will be adversely affected if we are unable to properly evaluate acquisition targets.

Acquisitions involve a number of special risks, including:

problems implementing disclosure controls and procedures for the newly acquired business;

unforeseen difficulties extending internal control over financial reporting and performing the required assessment at the newly acquired business;

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potential adverse short-term effects on operating results through increased costs or otherwise;

diversion of management's attention and failure to recruit new, and retain existing, key personnel of the acquired business;

failure to successfully implement infrastructure, logistics and systems integration;

our business growth could outpace the capability of our systems; and

the risks inherent in the systems of the acquired business and risks associated with unanticipated events or liabilities, any of which could have a material adverse effect on our business, financial condition and results of operations.

In addition, we may not be able to obtain financing necessary to complete acquisitions on attractive terms or at all.

***Increased fuel and energy prices, and our inability to obtain sufficient quantities of fuel to operate our in-house delivery fleet, could adversely affect our business, financial condition, results of operations and cash flows.***

Energy and petroleum prices have fluctuated significantly in recent years. Prices and availability of petroleum products are subject to political, economic and market factors that are outside our control. Political events in petroleum-producing regions as well as hurricanes and other weather-related events may cause the price of fuel to increase.

We consume a large amount of energy and petroleum products in our operations, including the manufacturing process and delivering a significant volume of products to our customers by our in-house fleet. While we have implemented a diesel hedging program covering approximately 50% of our in-house fleet to mitigate against higher fuel prices, our operating profit will be adversely affected if we are unable to obtain the energy and fuel we require or to fully offset the anticipated impact of higher energy and fuel prices through increased prices or surcharges to our customers or through other hedging strategies. If shortages occur in the supply of energy or necessary petroleum products and we are not able to pass along the full impact of increased energy or petroleum prices to our customers, our business, financial condition, results of operations and cash flows would be adversely affected.

***We have substantial fixed costs and, as a result, our income from operations is sensitive to changes in our net sales.***

A significant portion of our expenses are fixed costs (including personnel). For fiscal years 2012, 2013 and 2014, domestic fixed costs were 26.3%, 27.2% and 26.4%, respectively, as a percentage of domestic net sales. For the six months ended September 30, 2014, domestic fixed costs were 20.8% as a percentage of domestic net sales. Fixed costs do not fluctuate with net sales. Consequently, a percentage decline in our net sales could have a greater percentage effect on our income from operations if we do not act to reduce personnel or take other cost reduction actions. Any decline in our net sales would cause our profitability to be adversely affected. Moreover, a key element of our strategy is managing our assets, including our substantial fixed assets, more effectively, including through sales or other disposals of excess assets. Our failure to rationalize our fixed assets in the time, and within the costs, we expect could have a material adverse effect on our business, financial condition, results of operations and cash flows.

***Our business is subject to risks associated with manufacturing processes.***

We internally manufacture our own products at our facilities. While we maintain insurance covering our manufacturing and production facilities and have significant flexibility to manufacture and ship our own products from various facilities, a catastrophic loss of the use of certain of our facilities due to accident, fire, explosion,

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labor issues, weather conditions, other natural disaster or otherwise, whether short or long-term, could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Unexpected failures of our equipment and machinery may result in production delays, revenue loss and significant repair costs, injuries to our employees, and customer claims. Any interruption in production capability may limit our ability to supply enough products to customers and may require us to make large capital expenditures to remedy the situation, which could have a negative impact on our profitability and cash flows. Our business interruption insurance may not be sufficient to offset the lost revenues or increased costs that we may experience during a disruption of our operations.

***We provide product warranties that could expose us to claims, which could in turn damage our reputation and adversely affect our business, financial condition, results of operations and cash flows.***

We generally provide limited product warranties on our products against defects in materials and workmanship in normal use and service. Most of our pipe products have a warranty that is not limited in duration. The warranty period for other products such as our StormTech chambers, our Inserta Tee product line, our BaySaver product line and our FleXstorm inlet protection systems is generally one year. Estimating the required warranty reserves requires a high level of judgment. Management estimates warranty reserves, based in part upon historical warranty costs, as a proportion of sales by product line. Management also considers various relevant factors, including its stated warranty policies and procedures, as part of its evaluation of its liability. Because warranty issues may surface later in the product life cycle, management continues to review these estimates on a regular basis and considers adjustments to these estimates based on actual experience compared to historical estimates. Although management believes that our warranty reserves as of September 30, 2014 are adequate, actual results may vary from these estimates.

***The nature of our business exposes us to construction defect and product liability claims as well as other legal proceedings.***

We are exposed to construction defect and product liability claims relating to our various products if our products do not meet customer expectations. Such liabilities may arise out of the quality of raw materials we purchase from third-party suppliers, over which we do not have direct control. We also operate a large fleet of trucks and other vehicles and therefore face the risk of traffic accidents.

While we currently maintain insurance coverage to address a portion of these types of liabilities, we cannot make assurances that we will be able to obtain such insurance on acceptable terms in the future, if at all, or that any such insurance will provide adequate coverage against potential claims. Further, while we intend to seek indemnification against potential liability for products liability claims from relevant parties, we cannot guarantee that we will be able to recover under any such indemnification agreements. Product liability claims can be expensive to defend and can divert the attention of management and other personnel for significant time periods, regardless of the ultimate outcome. An unsuccessful product liability defense could be highly costly and accordingly result in a decline in revenues and profitability. In addition, even if we are successful in defending any claim relating to the products we distribute, claims of this nature could negatively impact customer confidence in us and our products.

From time to time, we are also involved in government inquiries and investigations, as well as consumer, employment, tort proceedings and other litigation. We cannot predict with certainty the outcomes of these legal proceedings and other contingencies, including potential environmental remediation and other proceedings commenced by government authorities. The outcome of some of these legal proceedings and other contingencies could require us to take actions which would adversely affect our operations or could require us to pay substantial amounts of money. Additionally, defending against these lawsuits and proceedings may involve significant expense

and diversion of management's attention and resources from other matters.



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***Because our business is working capital intensive, we rely on our ability to manage our supply purchasing and customer credit policies.***

Our operations are working capital intensive, and our inventories, accounts receivable and accounts payable are significant components of our net asset base. We manage our inventories and accounts payable through our purchasing policies and our accounts receivable through our customer credit policies. If we fail to adequately manage our supply purchasing or customer credit policies, our working capital and financial condition may be adversely affected.

***Our operations are affected by various laws and regulations in the markets in which we operate, and our failure to obtain or maintain approvals by municipalities, state departments of transportation, engineers and developers may affect our results of operations.***

Our operations are principally affected by various statutes, regulations and laws in the United States, Canada and Latin America. While we are not engaged in a regulated industry, we are subject to various laws applicable to businesses generally, including laws affecting land usage, zoning, the environment, health and safety, transportation, labor and employment practices (including pensions), competition, immigration and other matters. Additionally, approvals by municipalities, state departments of transportation, engineers and developers may affect the products our customers are allowed to use, and, consequently, failure to obtain or maintain such approvals may affect the saleability of our products. Building codes may also affect the products our customers are allowed to use, and, consequently, changes in building codes may also affect the saleability of our products. Changes in applicable regulations governing the sale of some of our products could increase our costs of doing business. In addition, changes to applicable tax laws and regulations could increase our costs of doing business. We cannot provide assurance that we will not incur material costs or liabilities in connection with regulatory requirements.

We deliver products to many of our customers through our own fleet of vehicles. The U.S. Department of Transportation, or DOT, regulates our operations in domestic interstate commerce. We are subject to safety requirements governing interstate operations prescribed by the DOT. Vehicle dimensions and driver hours of service also remain subject to both federal and state regulation. More restrictive limitations on vehicle weight and size, trailer length and configuration, or driver hours of service could increase our costs, which, if we are unable to pass these cost increases on to our customers, would reduce our gross margins and net income (loss) and increase our selling, general and administrative expenses.

We cannot predict whether future developments in law and regulations concerning our business units will affect our business, financial condition and results of operations in a negative manner. Similarly, we cannot assess whether our business units will be successful in meeting future demands of regulatory agencies in a manner which will not materially adversely affect our business, financial condition, results of operations and cash flows.

***Interruptions in the proper functioning of IT systems could disrupt operations and cause unanticipated increases in costs or decreases in revenues, or both.***

Because we use our information systems to, among other things, manage inventories and accounts receivable, make purchasing decisions and monitor our results of operations, the proper functioning of our IT systems is important to the successful operation of our business. Although our IT systems are protected through physical and software safeguards and remote processing capabilities exist, IT systems are still vulnerable to natural disasters, power losses, unauthorized access, telecommunication failures and other problems. If critical IT systems fail, or are otherwise unavailable, our ability to process orders, track credit risk, identify business opportunities, maintain proper levels of inventories, collect accounts receivable and pay expenses and otherwise manage our business units would be

adversely affected.

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Management uses information systems to support decision making and to monitor business performance. We may fail to generate accurate financial and operational reports essential for making decisions at various levels of management. Failure to adopt systematic procedures to maintain quality IT general controls could disrupt our business. In addition, if we do not maintain adequate controls such as reconciliations, segregation of duties and verification to prevent errors or incomplete information, our ability to operate our business could be limited.

Third-party service providers are responsible for managing a significant portion of our IT systems. Our business and results of operations may be adversely affected if the third-party service provider does not perform satisfactorily. Additionally, there is no guarantee that we will continue to have access to these third-party IT systems after our current license agreements expire, and, if we do not obtain licenses to use effective replacement IT systems, our financial condition and operating results could be adversely affected.

***The implementation of our technology initiatives could disrupt our operations in the near term, and our technology initiatives might not provide the anticipated benefits or might fail.***

We have made, and will continue to make, significant technology investments in each of our business units and in our administrative functions. Our technology initiatives are designed to streamline our operations to allow our associates to continue to provide high quality service to our customers and to provide our customers a better experience, while improving the quality of our internal control environment. The cost and potential problems and interruptions associated with the implementation of our technology initiatives could disrupt or reduce the efficiency of our operations in the near term. In addition, our new or upgraded technology might not provide the anticipated benefits, it might take longer than expected to realize the anticipated benefits or the technology might fail altogether.

***We may experience a failure in or breach of our operational or information security systems, or those of our third-party service providers, as a result of cyber-attacks or information security breaches.***

Information security risks have generally increased in recent years because of the proliferation of new technologies and the increased sophistication and activities of perpetrators of cyber-attacks. A failure in or breach of our operational or information security systems, or those of our third-party service providers, as a result of cyber-attacks or information security breaches could disrupt our business, result in the disclosure or misuse of confidential or proprietary information, damage our reputation, increase our costs and/or cause losses. As a result, cyber security and the continued development and enhancement of the controls and processes designed to protect our systems, computers, software, data and networks from attack, damage or unauthorized access remain a priority for us. As cyber threats continue to evolve, we may be required to expend additional significant resources to continue to enhance our information security measures and/or to investigate and remediate any information security vulnerabilities.

***If we become subject to material liabilities under our self-insured programs, our financial results may be adversely affected.***

We provide workers' compensation, automobile and product/general liability coverage through a high deductible insurance program. In addition, we provide medical coverage to some of our employees through a self-insured preferred provider organization. Though we believe that we have adequate insurance coverage in excess of self-insured retention levels, our business, financial condition, results of operations and cash flows may be adversely affected if the number and severity of insurance claims increases.

***We may see increased costs arising from health care reform.***

In March 2010, the United States government enacted comprehensive health care reform legislation which, among other things, includes guaranteed coverage requirements, eliminates pre-existing condition exclusions and annual and lifetime maximum limits, restricts the extent to which policies can be rescinded and imposes new and

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significant taxes on health insurers and health care benefits. The legislation imposes implementation effective dates which began in 2010 and extend through 2020, and many of the changes require additional guidance from government agencies or federal regulations. Therefore, due to the phased-in nature of the implementation and the lack of interpretive guidance, it is difficult to determine at this time what impact the health care reform legislation will have on our financial results. Possible adverse effects of the health reform legislation include increased costs, exposure to expanded liability and requirements for us to revise ways in which we provide healthcare and other benefits to our employees. As a result, our business, financial condition, results of operations and cash flows could be materially adversely affected.

***Our success depends upon our ability to control labor costs and to attract, train and retain highly-qualified employees and key personnel.***

To be successful, we must attract, train and retain a large number of highly qualified employees while controlling related labor costs. Our ability to control labor costs is subject to numerous external factors, including prevailing wage rates and health and other insurance costs. We compete with other businesses for these employees and invest significant resources in training and motivating them. There is no assurance that we will be able to attract or retain highly-qualified employees in the future, including, in particular, those employed by companies we acquire. None of our domestic employees are currently covered by collective bargaining or other similar labor agreements. However, if a number of our employees were to unionize, including in the wake of any future legislation that makes it easier for employees to unionize, the effect on us may be negative. Any inability by us to negotiate acceptable new contracts under any collective bargaining arrangements could cause strikes or other work stoppages, and new contracts could result in increased operating costs. If any such strikes or other work stoppages occur, or if employees become represented by a union, we could experience a disruption of our operations and higher labor costs. Labor relations matters affecting our suppliers of products and services could also adversely affect our business from time to time.

In addition, our business results of operations depend largely upon our chief executive officer and senior management team as well as our plant managers and sales personnel, including those of companies recently acquired, and their experience, knowledge of local market dynamics and specifications and long-standing customer relationships. We customarily sign executive responsibility agreements with certain key personnel who are granted restricted stock or stock options under our employee incentive compensation programs, which contain confidentiality and non-competition provisions. However, in certain jurisdictions, non-competition provisions may not be enforceable or may not be enforceable to their full extent. Our inability to retain or hire qualified plant managers or sales personnel at economically reasonable compensation levels would restrict our ability to grow our business, limit our ability to continue to successfully operate our business and result in lower operating results and profitability.

***If we are unable to protect our intellectual property rights, or we infringe on the intellectual property rights of others, our ability to compete could be negatively impacted.***

Our ability to compete effectively depends, in part, upon our ability to protect and preserve proprietary aspects of our intellectual property, which we attempt to do, both in the United States and in foreign countries, through a combination of patent, trademark, copyright and trade secret laws, as well as licensing agreements and third-party nondisclosure and assignment agreements. Because of the differences in foreign trademark, patent and other laws concerning proprietary rights, our intellectual property rights may not receive the same degree of protection in foreign countries as they would in the United States. Our failure to obtain or maintain adequate protection of our intellectual property rights for any reason could have a material adverse effect on our business, results of operations and financial condition.

We have applied for patent protection relating to certain existing and proposed products, processes and services. While we generally apply for patents in those countries where we primarily intend to make, have made, use, or sell patented products, we may not accurately predict all of the countries where patent protection will

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ultimately be desirable. If we fail to timely file a patent application in any such country, we may be precluded from doing so at a later date. Furthermore, we cannot assure you that any of our patent applications will be approved. We also cannot assure you that the patents issuing as a result of our foreign patent applications will have the same scope of coverage as our United States patents. The patents we own could be challenged, invalidated or circumvented by others and may not be of sufficient scope or strength to provide us with any meaningful protection or commercial advantage. Further, we cannot assure you that competitors will not infringe our patents, or that we will have adequate resources to enforce our patents.

We also rely on unpatented proprietary technology. It is possible that others will independently develop the same or similar technology or otherwise obtain access to our unpatented technology. To protect our trade secrets and other proprietary information, we generally require applicable employees, consultants, advisors and collaborators to enter into confidentiality agreements. We cannot assure you that these agreements will provide meaningful protection for our trade secrets, know-how or other proprietary information in the event of any unauthorized use, misappropriation or disclosure of such trade secrets, know-how or other proprietary information. If we are unable to maintain the proprietary nature of our technologies, we could be materially adversely affected.

We rely on our trademarks, trade names and brand names to distinguish our products from the products of our competitors, and have registered or applied to register many of these trademarks. We cannot assure you that our trademark applications will be approved. Third parties may also oppose our trademark applications or otherwise challenge our use of the trademarks. In the event that our trademarks are successfully challenged, we could be forced to rebrand our products, which could result in loss of brand recognition, and could require us to devote resources to advertising and marketing new brands. Further, we cannot assure you that competitors will not infringe our trademarks or that we will have adequate resources to enforce our trademarks. We also license third parties to use certain of our trademarks. In an effort to preserve our trademark rights, we enter into license agreements with these third parties which govern the use of our trademarks and which require our licensees to abide by quality control standards with respect to the goods and services that they provide under our trademarks. Although we make efforts to police the use of our trademarks by our licensees, we cannot assure you that these efforts will be sufficient to ensure that our licensees abide by the terms of their licenses. In the event that our licensees fail to do so, our trademark rights could be diluted.

Although we rely on copyright laws to protect the works of authorship (including software) created by us, we generally do not register the copyrights in any of our copyrightable works. Copyrights of United States origin must be registered before the copyright owner may bring an infringement suit in the United States. Furthermore, if a copyright of United States origin is not registered within three months of publication of the underlying work, the copyright owner is precluded from seeking statutory damages or attorneys' fees in any United States enforcement action, and is limited to seeking actual damages and lost profits. Accordingly, if one of our unregistered copyrights of United States origin is infringed by a third party, we will need to register the copyright before we can file an infringement suit in the United States, and our remedies in any such infringement suit may be limited.

The misuse of our intellectual property rights by others could adversely impact our ability to compete, cause our net sales to decrease or otherwise harm our business. If it became necessary for us to resort to litigation to protect our intellectual property rights, any proceedings could be burdensome and costly, and we may not prevail.

Also, we cannot be certain that the products that we sell do not and will not infringe issued patents or other intellectual property rights of others. Further, we are subject to legal proceedings and claims in the ordinary course of our business, including claims of alleged infringement of the patents, trademarks and other intellectual property rights of third parties by us or our customers, whom we generally indemnify in connection with their use of the products that we manufacture. These claims could divert management's attention and resources and may require us to initiate or

defend protracted and costly litigation on behalf of ourselves or our customers, regardless of the merits of the claims. Should we be found liable for infringement, we may be required to enter



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into licensing agreements (if available on acceptable terms or at all) or pay damages and cease making or selling certain products. Moreover, we may need to redesign or sell different products to avoid future infringement liability. Any of the foregoing could cause us to incur significant costs, prevent us from selling our products or negatively impact our ability to compete.

***Income tax payments may ultimately differ from amounts currently recorded by us. Future tax law changes may materially increase our prospective income tax expense.***

We are subject to income taxation in many jurisdictions in the United States as well as foreign jurisdictions. Judgment is required in determining our worldwide income tax provision and, accordingly, there are many transactions and computations for which our final income tax determination is uncertain. We are routinely audited by income tax authorities in many tax jurisdictions. Although we believe the recorded tax estimates are reasonable, the ultimate outcome from any audit (or related litigation) could be materially different from amounts reflected in our income tax provisions and accruals. Future settlements of income tax audits may have a material effect on earnings between the period of initial recognition of tax estimates in the financial statements and the point of ultimate tax audit settlement. Additionally, it is possible that future income tax legislation in any jurisdiction to which we are subject may be enacted that could have a material impact on our worldwide income tax provision beginning with the period that such legislation becomes effective.

***We could incur significant costs in complying with environmental, health and safety laws or permits or as a result of satisfying any liability or obligation imposed under such laws or permits.***

Our operations are subject to various federal, state, local and foreign environmental, health and safety laws and regulations. Among other things, these laws regulate the emission or discharge of materials into the environment, govern the use, storage, treatment, disposal and management of hazardous substances and wastes, protect the health and safety of our employees and the end users of our products, regulate the materials used in and the recycling of products and impose liability for the costs of investigating and remediating, and damages resulting from, present and past releases of hazardous substances. Violations of these laws and regulations, failure to obtain or maintain required environmental permits or non-compliance with any conditions contained in any environmental permit can result in substantial fines or penalties, injunctive relief, requirements to install pollution or other controls or equipment, civil and criminal sanctions, permit revocations and/or facility shutdowns. We could be held liable for the costs to address contamination of any real property we have ever owned, leased, operated or used, including as a disposal site. We could also incur fines, penalties, sanctions or be subject to third-party claims for property damage, personal injury or nuisance or otherwise as a result of violations of or liabilities under environmental laws in connection with releases of hazardous or other materials.

In addition, changes in, or new interpretations of, existing laws, regulations or enforcement policies, the discovery of previously unknown contamination, or the imposition of other environmental liabilities or obligations in the future, including additional investigation or other obligations with respect to any potential health hazards of our products or business activities or the imposition of new permit requirements, may lead to additional compliance or other costs that could have material adverse effect on our business, financial condition, results of operations and cash flows.

***Our failure to maintain effective disclosure controls and internal control over financial reporting could adversely affect our business, financial position and results of operations.***

We are required to evaluate the effectiveness of our disclosure controls and internal control over financial reporting on a periodic basis and publicly disclose the results of these evaluations and related matters, in accordance with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002. These reporting and other obligations place

significant additional demands on our management and administrative and operational resources, including our accounting resources, which could adversely affect our operations among other things. To comply with these requirements, we have upgraded and are continuing to upgrade our systems, including

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information technology, implemented additional financial and management controls, reporting systems and procedures. We cannot be certain that we will be successful in maintaining adequate control over our financial reporting and financial processes. Furthermore, as we grow our business, our disclosure controls and internal controls will become more complex, and we may require significantly more resources to ensure that these controls remain effective. If we are unable to continue upgrading our financial and management controls, reporting systems, information technology and procedures in a timely and effective fashion, additional management and other resources may need to be devoted to assist in compliance with the disclosure and financial reporting requirements and other rules that apply to reporting companies, which could adversely affect our business, financial position and results of operations.

We have not been required to have and have not had our independent registered public accounting firm perform an evaluation of our internal control over financial reporting as of the end of our last fiscal year in accordance with the provisions of the Sarbanes-Oxley Act of 2002. Had our independent registered public accounting firm performed an evaluation of our internal control over financial reporting in accordance with the provisions of the Sarbanes-Oxley Act of 2002, additional control deficiencies may have been identified by our independent registered public accounting firm and those control deficiencies could have also represented one or more material weaknesses.

***Future changes in financial accounting standards may significantly change our reported results of operations.***

In an exposure draft issued in August 2010 and revised in May 2013, the Financial Accounting Standards Board, or FASB, together with the International Accounting Standards Board, proposed a comprehensive set of changes in accounting for leases. The lease accounting model contemplated by these changes is a right of use model that assumes that each lease creates an asset (the lessee's right to use the leased asset) and a liability (the future rent payment obligations) which should be reflected on a lessee's balance sheet to fairly represent the lease transaction and the lessee's related financial obligations. We conduct some of our operations under leases that are accounted for as operating leases, with no related assets and liabilities on our balance sheet. The proposed changes would require that substantially all of our operating leases be recognized as assets and liabilities on our balance sheet. The effective date has not been determined. Comments on the revised exposure draft were due by September 13, 2013. Changes in lease accounting rules or their interpretation, or changes in underlying assumptions, estimates or judgments by us could significantly change our reported or expected financial performance.

***A change in our product mix could adversely affect our results of operations.***

Our results may be affected by a change in our product mix on which our gross margin depends. Our Allied Products typically provide higher gross margin than our pipe products. Changes in our product mix may result from marketing activities to existing customers and needs communicated to us from existing and prospective customers. Our outlook, budgeting and strategic planning assume a certain product mix of sales. If actual results vary from this projected product mix of sales, our financial results could be negatively impacted.

***We may be affected by global climate change or by legal, regulatory or market responses to such potential change.***

Concern over climate change, including the impact of global warming, has led to significant federal, state, and international legislative and regulatory efforts to limit greenhouse gas, or GHG, emissions. For example, in the past several years, the U.S. Congress has considered various bills that would regulate GHG emissions. While these bills have not yet received sufficient Congressional support for enactment, some form of federal climate change legislation is possible in the future. Even in the absence of such legislation, the EPA, spurred by judicial interpretation of the Clean Air Act, has begun regulating GHG emissions following its issuance of the Tailoring Rule that determines which stationary sources require permits for greenhouse emissions. EPA has issued rules



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that require monitoring and reporting of annual GHG emissions, as well as performance standards for CO2 emissions from new fossil-fuel electric utility generating units. Thus far, EPA has addressed vehicle and mobile source emissions by implementing Renewable Fuel Standard regulations and by working with manufacturers to improve fuel efficiency in new vehicles. However, EPA has been directed by President Obama to develop and issue new fuel efficiency standards for medium- and heavy-duty vehicles by March 2016, especially diesel engine emissions, and this could impose substantial costs on us. These costs include an increase in the cost of the fuel and other energy we purchase and capital costs associated with updating or replacing our internal fleet of trucks and other vehicles in order to comply with application regulations. In addition, new laws or future regulation could directly and indirectly affect our customers and suppliers (through an increase in the cost of production or their ability to produce satisfactory products) and our business (through the impact on our inventory availability, cost of sales, operations or demands for the products we sell). Until the timing, scope and extent of any future regulation becomes known, we cannot predict its effect on our cost structure or our operating results. Notwithstanding our dedication to being a responsible corporate citizen, it is reasonably possible that such legislation or regulation could impose material costs on us.

### ***Anti-terrorism measures and other disruptions to the raw material supply network could impact our operations.***

Our ability to provide efficient distribution of products to our customers is an integral component of our overall business strategy. In the aftermath of terrorist attacks in the United States, federal, state and local authorities have implemented and continue to implement various security measures that affect the raw material supply network in the United States and abroad. If security measures disrupt or impede the receipt of sufficient raw materials, we may fail to meet the needs of our customers or may incur increased expenses to do so.

## **Risks Relating to Our Indebtedness**

***We have substantial debt and may incur substantial additional debt, which could adversely affect our financial health, reduce our profitability, limit our ability to obtain financing in the future and pursue certain business opportunities and reduce the value of your investment.***

As of September 30, 2014, we had an aggregate principal amount of \$397.6 million of outstanding debt. In the six months ended September 30, 2014, we incurred \$9.0 million of interest expense.

The amount of our debt or such other obligations could have important consequences for holders of our common stock, including, but not limited to:

a substantial portion of our cash flow from operations must be dedicated to the payment of principal and interest on our indebtedness, thereby reducing the funds available to us for other purposes;

our ability to obtain additional financing for working capital, capital expenditures, acquisitions, debt service requirements or general corporate purposes and other purposes may be impaired in the future;

we are exposed to the risk of increased interest rates because a portion of our borrowings is at variable rates of interest;

we may be at a competitive disadvantage compared to our competitors with less debt or with comparable debt at more favorable interest rates and that, as a result, may be better positioned to withstand economic downturns;

our ability to refinance indebtedness may be limited or the associated costs may increase;

our ability to engage in acquisitions without raising additional equity or obtaining additional debt financing may be impaired in the future;

it may be more difficult for us to satisfy our obligations to our creditors, resulting in possible defaults on and acceleration of such indebtedness;

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we may be more vulnerable to general adverse economic and industry conditions; and

our flexibility to adjust to changing market conditions and our ability to withstand competitive pressures could be limited, or we may be prevented from making capital investments that are necessary or important to our operations in general, growth strategy and efforts to improve operating margins of our business units.

If our cash flow and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay capital expenditures, sell assets, seek to obtain additional equity capital or refinance our debt. We cannot make assurances that we will be able to refinance our debt on terms acceptable to us, or at all. In the future, our cash flow and capital resources may not be sufficient for payments of interest on and principal of our debt, and such alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations.

We cannot make assurances that we will be able to refinance any of our indebtedness, or obtain additional financing, particularly because of our high levels of debt and the debt incurrence restrictions imposed by the agreements governing our debt, as well as prevailing market conditions. We could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations. Subject to certain exceptions, our Senior Loan Facilities and our Senior Notes, which we have defined in Description of Certain Indebtedness, restrict our ability to dispose of assets and how we use the proceeds from any such dispositions. We cannot make assurances that we will be able to consummate those dispositions, or if we do, what the timing of the dispositions will be or whether the proceeds that we realize will be adequate to meet our debt service obligations, when due.

***Despite our current level of indebtedness, we may still be able to incur substantially more debt. This could further exacerbate the risks to our financial condition described above.***

We may be able to incur significant additional indebtedness in the future. Although the agreements governing our indebtedness contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of qualifications and exceptions, and the additional indebtedness incurred in compliance with these restrictions could be substantial. These restrictions also will not prevent us from incurring obligations that do not constitute indebtedness, including obligations under lease arrangements that are currently recorded as operating leases even if operating leases were to be treated as debt under GAAP. In addition, our Revolving Credit Facility provides an aggregate commitment of up to \$325.0 million. As of September 30, 2014, we had an additional \$123.2 million of availability under the Revolving Credit Facility plus \$10.0 million in indebtedness outstanding under a separate revolving credit facility with our subsidiary, ADS Mexicana, S.A. de C.V. If new debt is added to our current debt levels, the related risks that we now face could intensify. See Description of Certain Indebtedness.

***The agreements and instruments governing our debt contain restrictions and limitations that could significantly impact our ability to operate our business and adversely affect the holders of our common stock.***

The covenants contained in our Senior Loan Facilities and our Senior Notes, which we refer to collectively as our Credit Facilities, are consistent. These covenants, among other things, restrict or limit our ability to:

dispose of assets;

incur additional indebtedness (including guarantees of additional indebtedness);

prepay or amend our various debt instruments;

pay dividends and make certain payments;

redeem stock or make other distributions;

create liens on assets;

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make certain investments;

engage in certain asset sales, mergers, acquisitions, consolidations or sales of all, or substantially all, of our assets; and

engage in certain transactions with affiliates.

Our ability to comply with the covenants and restrictions contained in the Credit Facilities may be affected by economic, financial and industry conditions beyond our control. The breach of any of these covenants or restrictions could result in a default under the Credit Facilities that would permit the applicable lenders or noteholders, as the case may be, to declare all amounts outstanding thereunder to be due and payable, together with accrued and unpaid interest. If we are unable to repay indebtedness, secured parties having secured obligations, such as the lenders under the Credit Facilities, could proceed against the collateral securing the secured obligations. This could have serious consequences to our financial condition and results of operations and could cause us to become bankrupt or insolvent.

***We may have future capital needs and may not be able to obtain additional financing on acceptable terms.***

Although we believe that our current cash position and the additional committed funding available under our Credit Facilities is sufficient for our current operations, any reductions in our available borrowing capacity, or our inability to renew or replace our debt facilities, when required or when business conditions warrant, could have a material adverse effect on our business, financial condition and results of operations. The economic conditions, credit market conditions, and economic climate affecting our industry, as well as other factors, may constrain our financing abilities. Our ability to secure additional financing, if available, and to satisfy our financial obligations under indebtedness outstanding from time to time will depend upon our future operating performance, the availability of credit generally, economic conditions and financial, business and other factors, many of which are beyond our control. The market conditions and the macroeconomic conditions that affect our industry could have a material adverse effect on our ability to secure financing on favorable terms, if at all.

If financing is not available when needed, or is available on unfavorable terms, we may be unable to take advantage of business opportunities or respond to competitive pressures, any of which could have a material adverse effect on our business, financial condition and results of operations. If we raise additional funds through further issuances of equity, convertible debt securities or other securities convertible into equity, our existing stockholders could suffer significant dilution in their percentage ownership, and any new securities we issue could have rights, preferences and privileges senior to those of holders of our common stock.

***Increases in interest rates would increase the cost of servicing our debt and could reduce our profitability.***

A significant portion of our outstanding debt, including the debt under our Senior Loan Facilities, bears interest at variable rates. As a result, increases in interest rates would increase the cost of servicing our debt and could materially reduce our profitability and cash flows. Each 1.0% increase in interest rates on our variable-rate debt would increase our annual forecasted interest expense by approximately \$1.9 million based on balances as of September 30, 2014. Assuming all revolving loans were fully drawn, each 1.0% increase in interest rates would result in a \$3.0 million increase in annual cash interest expense on our Credit Facilities.

With respect to the indebtedness outstanding under our Credit Facilities that bear interest at variable rates, such variable rates are determined based upon specified pricing terms. As a result, if our leverage ratios increase, then such variable rates could also increase. See Description of Certain Indebtedness.

***We may not be able to satisfy our outstanding obligations upon a change of control.***

Under the Senior Loan Facility, a change of control (as defined therein) constitutes an event of default that permits the lenders to accelerate the maturity of borrowings under the agreement and terminate their commitments to lend. Additionally, under the Senior Notes, a change of control (as defined therein) constitutes

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an event of default that permits the noteholders to declare all of their notes to be immediately due and payable. In order to avoid events of default under each of our Credit Facilities, we may therefore have to avoid certain change of control transactions that would otherwise be beneficial to us.

### **Risks Relating to Our Common Stock and This Offering**

#### ***Our ability to make future dividend payments, if any, may be restricted.***

We have a history of paying dividends to our stockholders when sufficient cash is available, and we currently intend to pay dividends in the future after this offering. On November 12, 2014, our board of directors declared certain dividends, including an initial quarterly cash dividend of \$0.04 per share of common stock, payable on December 10, 2014 to holders of record of shares of common stock as of the close of business on December 1, 2014 (including, for this purpose, holders of our convertible preferred stock on an as-converted basis). Any determination to pay dividends on our capital stock in the future will be at the discretion of our board of directors, subject to applicable laws and the provisions of our amended and restated certificate of incorporation (including those relating to the payment of dividends on our convertible preferred stock), and will depend on our financial condition, results of operations, capital requirements, general business conditions and other factors that our board of directors considers relevant. For more information on our convertible preferred stock, see [Description of Capital Stock Preferred Stock](#). In addition, the terms of our Credit Facilities contain restrictions on our ability to pay dividends. Also, Delaware law may impose requirements that may restrict our ability to pay dividends to holders of our common stock. See [Dividend Policy](#).

#### ***The market price of our common stock may be volatile and could decline in the future.***

We cannot assure you that an active public market for our common stock will be sustained. In the absence of a public trading market, you may not be able to liquidate your investment in our common stock. In addition, the market price of our common stock may fluctuate significantly. Among the factors that could affect our stock price are:

industry or general market conditions;

domestic and international economic factors unrelated to our performance;

changes in our customers' preferences;

new regulatory pronouncements and changes in regulatory guidelines;

actual or anticipated fluctuations in our quarterly operating results;

changes in securities analysts' estimates of our financial performance or lack of research and reports by industry analysts;

action by institutional stockholders or other large stockholders (including the selling stockholder), including future sales;

speculation in the press or investment community;

investor perception of us and our industry;

changes in market valuations or earnings of similar companies;

announcements by us or our competitors of significant products, contracts, acquisitions or strategic partnerships;

developments or disputes concerning patents or proprietary rights, including increases or decreases in litigation expenses associated with intellectual property lawsuits we may initiate, or in which we may be named as defendants;

failure to complete significant sales;

any future sales of our common stock or other securities; and

additions or departures of key personnel.

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In particular, we cannot assure you that you will be able to resell your shares of our common stock at or above the price paid by you for such shares. The stock markets have experienced extreme volatility in recent years that has been unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the trading price of our common stock. In the past, following periods of volatility in the market price of a company's securities, class action litigation has often been instituted against such company. Any litigation of this type brought against us could result in substantial costs and a diversion of our management's attention and resources, which would harm our business, operating results and financial condition.

***Future sales of shares by existing stockholders, including our ESOP, could cause our stock price to decline.***

Sales of substantial amounts of our common stock in the public market, or the perception that these sales could occur, could cause the market price of our common stock to decline. Based on shares outstanding as of September 30, 2014, we have 52,934,649 outstanding shares of common stock, excluding 237,906 outstanding shares of our restricted stock, a significant portion of which are freely tradeable without restriction under the Securities Act of 1933, as amended, unless held by affiliates, as that term is defined in Rule 144 under the Securities Act. The remaining shares of common stock outstanding are restricted securities within the meaning of Rule 144 under the Securities Act. Restricted securities may be sold in the public market only if their offer and sale is registered under the Securities Act or if the offer and sale of those securities qualify for an exemption from registration, including exemptions provided by Rules 144 and 701 under the Securities Act, subject to the terms of the lock-up agreements entered into among us, Barclays Capital Inc. and Deutsche Bank Securities Inc., as the representatives of the underwriters, and certain of our stockholders. In connection with our IPO, we filed one or more registration statements on Form S-8 under the Securities Act to register the shares of common stock to be issued under our equity compensation plans and, as a result, all shares of common stock acquired upon exercise of stock options granted under our plans are also freely tradable under the Securities Act, subject to the terms of the lock-up agreements, unless purchased by our affiliates. As of September 30, 2014, there were stock options outstanding to purchase a total of approximately 2.8 million shares of our common stock. In addition, approximately 1.4 million shares of common stock are reserved for future issuance under our 2013 Stock Option Plan.

We, certain of our stockholders prior to this offering and our executive officers and directors have agreed to a lock-up, meaning that, subject to certain exceptions, neither we nor they will sell any shares of our common stock without the prior consent of Barclays Capital Inc. and Deutsche Bank Securities Inc., as the representatives of the underwriters, for 90 days after the date of this prospectus. Following the expiration of this 90-day lock-up period, approximately 20.5 million shares of our common stock will be eligible for future sale, subject to the applicable volume, manner of sale, holding period and other limitations of Rule 144. See [Shares of Common Stock Eligible for Future Sale](#) for a discussion of the shares of common stock that may be sold into the public market in the future. In addition, certain of our significant stockholders may distribute shares that they hold to their investors who themselves may then sell into the public market following the expiration of the lock-up period. Such sales may not be subject to the volume, manner of sale, holding period and other limitations of Rule 144. As resale restrictions end, the market price of our common stock could decline if the holders of those shares sell them or are perceived by the market as intending to sell them. Barclays Capital Inc. and Deutsche Bank Securities Inc., as the representatives of the underwriters, may, in their sole discretion and at any time, release all or any portion of the securities subject to lock-up agreements entered into in connection with this offering. See [Underwriting](#).

All of the shares of our convertible preferred stock held by our ESOP may be converted into our common stock at any time by action of the ESOP trustee, and will be automatically converted into our common stock upon distributions of such shares allocated to the ESOP accounts of ESOP participants upon a distribution event such as retirement or other termination of employment. Such distributed common stock will not be subject to any lock-up agreement and will be eligible for future sale, subject to the applicable volume, manner of sale, holding period and other limitations of Rule

144. As of September 30, 2014, there were approximately 26.1 million shares of convertible preferred stock held by our ESOP, which in aggregate could be converted into

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approximately 20.1 million shares of our common stock. All of these shares will be eligible for future sale, either by the ESOP trustee or by ESOP participants, subject to the limitations of Rule 144. After the completion of this offering, the convertible preferred stock held by our ESOP will account for approximately 27.4% of our common stock on a fully-converted basis. See Description of Employee Stock Ownership Plan for shares relating to distributions and diversifications during fiscal years 2012, 2013 and 2014.

In the future, we may issue additional shares of common stock or other equity or debt securities convertible into common stock in connection with a financing, acquisition, litigation settlement or employee arrangement or otherwise. Any of these issuances could result in substantial dilution to our existing stockholders and could cause the trading price of our common stock to decline.

***If securities or industry analysts do not publish research or publish misleading or unfavorable research about our business, our stock price and trading volume could decline.***

The trading market for our common stock depends in part on the research and reports that securities or industry analysts publish about us or our business. If one or more of these analysts downgrades our stock or publishes misleading or unfavorable research about our business, our stock price would likely decline. If one or more of these analysts ceases coverage of us or fails to publish reports on us regularly, demand for our stock could decrease, which could cause our stock price or trading volume to decline.

***Our directors, officers and principal stockholders have significant voting power and may take actions that may not be in the best interests of our other stockholders.***

Prior to completion of this offering, our directors, officers and principal stockholders and their affiliates collectively own approximately 69.5% of our outstanding shares of common stock. Additionally, our ESOP holds convertible preferred stock that converts into a substantial number of shares of our common stock and, prior to conversion, is entitled to vote on a one-for-one basis on any matter requiring the vote or consent of our stockholders, voting together with our common stock as a single class unless otherwise required by law. Thus, the collective voting power of our directors, officers and principal stockholders and their affiliates prior to completion of this offering is approximately 79.6%, inclusive of the outstanding shares of convertible preferred stock held by the ESOP. After this offering, assuming no exercise of the underwriters' option to purchase additional shares, our directors, officers and principal stockholders and their affiliates collectively will hold approximately 67.0% of our voting power, inclusive of the outstanding shares of convertible preferred stock held by the ESOP. As a result, these stockholders, if they act together, may be able to control our management and affairs and most matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions. This concentration of ownership may have the effect of delaying or preventing a change of control and might adversely affect the market price of our common stock. This concentration of ownership may not be in the best interests of our other stockholders.

***The trustee of our ESOP has certain limited powers to vote a large block of shares on matters presented to stockholders for approval.***

In general, the trustee of the ESOP votes the shares of stock held by the ESOP as directed by the ESOP's committee. Consequently, the trustee of the ESOP, per the ESOP committee's discretion, has the ability to vote a significant block of shares on certain matters presented to stockholders for approval. However, in the event of either a corporate matter with respect to the approval or disapproval of any corporate merger or consolidation, recapitalization, reclassification, liquidation, dissolution, sale of substantially all of the assets of a trade or business or with respect to any tender or exchange offer, or a request or invitation for tenders or exchanges, each participant in the ESOP may direct the trustee of the ESOP on how to vote the shares of stock allocated to the participant's ESOP accounts; and the trustee must vote

any unallocated stock and allocated stock for which no participant instructions were received in the same proportion as the allocated stock for which participants' voting instructions have been received is voted.



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***Fulfilling the obligations incident to being a public company, including with respect to the requirements of and related rules under the Sarbanes-Oxley Act of 2002, is expensive and time-consuming, and any delays or difficulties in satisfying these obligations could have a material adverse effect on our future results of operations and our stock price.***

We completed our IPO in fiscal year 2015. As such, we are now subject to the reporting and corporate governance requirements, the listing standards of the New York Stock Exchange, or the NYSE, and the Sarbanes-Oxley Act of 2002, that apply to issuers of listed equity, which impose certain compliance costs and obligations upon us. The changes necessitated by publicly listing our equity require a significant commitment of additional resources and management oversight, which increases our operating costs. These requirements also place significant demands on our finance and accounting staff and on our financial accounting and information systems. Other expenses associated with being a public company include increases in auditing, accounting and legal fees and expenses, investor relations expenses, increased directors' fees and director and officer liability insurance costs, registrar and transfer agent fees and listing fees, as well as other expenses. As a public company, we are required, among other things, to:

define and expand the roles and the duties of our board of directors and its committees; and

institute more comprehensive compliance, investor relations and internal audit functions.

In particular, beginning with the year ending March 31, 2016, our independent registered public accounting firm will be required to provide an attestation report on the effectiveness of our internal control over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act of 2002. If our independent registered public accounting firm is unable to provide us with an unqualified report regarding the effectiveness of our internal control over financial reporting (at such time as it is required to do so), investors could lose confidence in the reliability of our financial statements. This could result in a decrease in the value of our common stock. Failure to comply with the Sarbanes-Oxley Act of 2002 could potentially subject us to sanctions or investigations by the SEC, NYSE, or other regulatory authorities.

***Anti-takeover provisions in our charter documents and Delaware law could discourage, delay or prevent a change in control of us and may affect the trading price of our common stock.***

Our amended and restated certificate of incorporation and amended and restated bylaws include a number of provisions that may discourage, delay or prevent a change in our management or control over us that stockholders may consider favorable. For example, our amended and restated certificate of incorporation and amended and restated bylaws:

authorize the issuance of blank check preferred stock that could be issued by our board of directors to thwart a takeover attempt;

maintain a classified board of directors, as a result of which our board will continue to be divided into three classes, with each class serving for staggered three-year terms, which prevents stockholders from electing an entirely new board of directors at an annual meeting;

limit the ability of stockholders to remove directors;

provide that vacancies on our board of directors, including newly-created directorships, may be filled only by a majority vote of directors then in office;

prohibit stockholders from calling special meetings of stockholders;

prohibit stockholder action by written consent, thereby requiring all actions to be taken at a meeting of the stockholders;

do not give the holders of our common stock cumulative voting rights with respect to the election of directors, which means that the holders of a majority of our outstanding shares of common stock can elect all directors standing for election;

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establish advance notice requirements for nominations for election to our board of directors or for proposing matters that can be acted upon by stockholders at stockholder meetings;

require a super-majority stockholders vote of 75% to approve any reorganization, recapitalization, share exchange, share reclassification, consolidation, merger, conversion or sale of all or substantially all assets to which we are a party that is not approved by the affirmative vote of at least 75% of the members of our board of directors; and

require the approval of holders of at least 75% of the outstanding shares of our voting common stock to amend the bylaws and certain provisions of the certificate of incorporation.

Any provision of our amended and restated certificate of incorporation, amended and restated bylaws or DGCL that has the effect of delaying or deterring a change in control could limit the opportunity for our stockholders to receive a premium for their shares of our common stock, and could also affect the price that some investors are willing to pay for our common stock. See Description of Capital Stock Anti-Takeover Effects of our Certificate of Incorporation and Bylaws.

Our amended and restated certificate of incorporation and amended and restated bylaws may also make it difficult for stockholders to replace or remove our management. These provisions may facilitate management entrenchment that may delay, deter, render more difficult or prevent a change in our control, which may not be in the best interests of our stockholders.

***Our amended and restated certificate of incorporation provides that the Court of Chancery of the State of Delaware is the exclusive forum for substantially all disputes between us and our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers, employees or agents.***

Our amended and restated certificate of incorporation provides that the Court of Chancery of the State of Delaware is the exclusive forum for any derivative action or proceeding brought on our behalf; any action asserting a claim of breach of a fiduciary duty owed to us or our stockholders by our directors, officers, employees or agents; any action asserting a claim against us arising under the Delaware General Corporation Law, our amended and restated certificate of incorporation or our amended and restated bylaws; or any action asserting a claim against us that is governed by the internal affairs doctrine. Any person or entity purchasing or otherwise acquiring any interest in shares of our common stock shall be deemed to have notice of and to have consented to the provisions of our amended and restated certificate of incorporation described above. The choice of forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers, employees or agents, which may discourage such lawsuits against us or our directors, officers, employees or agents. If a court were to find the choice of forum provision contained in our amended and restated certificate of incorporation to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could adversely affect our business and financial condition.

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**SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS AND INFORMATION**

This prospectus includes forward-looking statements. Some of the forward-looking statements can be identified by the use of terms such as believes, expects, may, will, should, could, seeks, intends, plans, estimates, comparable terms. 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 prospectus and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our consolidated results of operations, financial condition, liquidity, prospects and growth strategies and the industries in which we operate and including, 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 and liquidity, and industry development may differ materially from those made in or suggested by the forward-looking statements contained in this prospectus. In addition, even if our consolidated results of operations, financial condition and liquidity, and industry development are consistent with the forward-looking statements contained in this prospectus, 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 the risks and uncertainties discussed in this prospectus under the headings Prospectus Summary, Risk Factors, Management's Discussion and Analysis of Financial Condition and Results of Operations, and Business. 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;

volatility in general business and economic conditions in the markets in which we operate, including without limitation, factors relating to availability of credit, interest rates, fluctuations in capital and business and consumer confidence;

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, including competition from both manufacturers of high performance thermoplastic corrugated pipe and manufacturers of products using alternative materials;

our ability to continue to convert current demand for concrete, steel and PVC pipe products into demand for our high performance thermoplastic corrugated pipe and Allied Products;

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;

our ability to achieve the acquisition component of our growth strategy;

the risk associated with manufacturing processes;

our ability to manage our assets;

the risks associated with our product warranties;

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our ability to manage our supply purchasing and customer credit policies;

the risks associated with our self-insured programs;

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 project product mix;

the risks associated with our current levels of indebtedness;

our ability to meet future capital requirements and fund our liquidity needs; and

other risks and uncertainties, including those listed under Risk Factors.

All forward-looking statements are made only as of the date of this prospectus 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.

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**USE OF PROCEEDS**

We will not receive any proceeds from the sale of shares of common stock in this offering. The selling stockholder will receive all of the net proceeds from the sale of shares of common stock in this offering.

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Our common stock has been listed on the New York Stock Exchange, or NYSE, under the symbol WMS since July 25, 2014. Prior to that time, there was no public market for our common stock. The following table sets forth for the periods indicated the high and low sales prices per share of our common stock as reported on the NYSE:

	<b>High</b>	<b>Low</b>
<b>Calendar Year 2014:</b>		
Third calendar quarter <sup>(1)</sup>	\$ 21.76	\$ 14.88
Fourth calendar quarter (through December 3, 2014)	\$ 24.26	\$ 19.79

(1) Represents the period from July 25, 2014, the date of our initial listing on the NYSE, through September 30, 2014, the end of the third calendar quarter.

A recent reported closing price for our common stock is set forth on the cover page of this prospectus. As of December 3, 2014, we had 146 holders of record of our common stock. The number of holders of record is based upon the actual number of holders registered as of such date and does not include holders of shares in street name or persons, partnerships, associates, corporations or other entities in security position listings maintained by depositories.



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**DIVIDEND POLICY**

We have a history of paying dividends to our stockholders when sufficient cash is available, and we currently intend to pay regular quarterly dividends in the future after this offering. On November 12, 2014, our board of directors declared certain dividends, including an initial quarterly cash dividend of \$0.04 per share of common stock, payable on December 10, 2014 to holders of record of shares of common stock as of the close of business on December 1, 2014 (including, for this purpose, holders of our convertible preferred stock on an as-converted basis). We anticipate that the dividends we pay will be comparable to the dividends paid during fiscal years 2012, 2013 and 2014, excluding the one-time special dividend described below. During fiscal years 2012, 2013 and 2014, we declared dividends on our common stock of approximately \$4.3 million, \$4.8 million and \$80.1 million (\$76.0 million of which related to the one-time special dividend described below), respectively. All such declared dividends were paid in quarterly installments, except with respect to fiscal year 2014, in which we also had a one-time special dividend of approximately \$108.1 million, in the aggregate, on our common stock and our convertible preferred stock that was paid on January 15, 2014.

Any determination to pay dividends on our capital stock in the future will be at the discretion of our board of directors, subject to applicable laws and the provisions of our amended and restated certificate of incorporation (including those relating to the payment of dividends on our convertible preferred stock), and will depend on our financial condition, results of operations, capital requirements, general business conditions and other factors that our board of directors considers relevant. In addition, the terms of our credit facilities contain restrictions on our ability to pay dividends.

**Table of Contents****CAPITALIZATION**

The following table sets forth our cash and capitalization on a consolidated basis as of September 30, 2014. We will not receive any proceeds from the sale of shares of common stock in this offering. The selling stockholder will receive all of the net proceeds from the sale of shares of common stock in this offering.

You should read this table in conjunction with the sections of this prospectus entitled "Consolidated Financial Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Description of Certain Indebtedness" and our consolidated financial statements and related notes included elsewhere in this prospectus.

	<b>As of September 30, 2014</b>
	<b>Actual</b>
<b>(Amounts in thousands, except per share amounts)</b>	
Cash	\$ 6,581
Long Term Debt (including current portion)	
Revolving Credit Facility	195,800
Term Loan	95,000
Senior Notes	100,000
Other debt	6,783
Total Long Term Debt (including current portion)	397,583
Mezzanine equity	
Redeemable Convertible Preferred Stock; \$0.01 par value: 47,070 authorized: 44,170 issued and 26,129 outstanding	326,623
Deferred compensation — unearned ESOP shares	(217,346)
Total mezzanine equity	109,277
Stockholders' equity:	
Common stock, \$0.01 par value per share: 1,000,000 authorized: 153,560 shares issued and 52,935 shares outstanding	12,393
Paid-in capital	675,183
Common stock in treasury, at cost	(447,674)
Accumulated other comprehensive loss	(8,483)
Retained earnings	
Total ADS stockholders' equity	231,419
Noncontrolling interest in subsidiaries	21,886
Total stockholders' equity	253,305
Total capitalization	\$ 760,165

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The following table presents selected historical consolidated financial data as of, and for the periods ended on, the dates indicated. The selected historical consolidated financial data presented below as of March 31, 2010, 2011 and 2012 and for fiscal years 2010 and 2011 have been derived from our audited consolidated financial statements which are not included in this prospectus. The selected historical consolidated financial data presented below as of March 31, 2013 and 2014 and for fiscal years 2012, 2013 and 2014 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. The selected historical consolidated financial data presented below as of September 30, 2014 and for the six months ended September 30, 2013 and 2014 have been derived from our unaudited condensed consolidated financial statements included elsewhere in this prospectus.

The results indicated below and elsewhere in this prospectus are not necessarily indicative of our future performance. You should read this data in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and the related notes included elsewhere in this prospectus. Outstanding shares and per share amounts have been retrospectively amended to reflect the 4.707-for-1 stock split that became effective on July 11, 2014.

(Amounts in thousands, except per share data)	Fiscal Year Ended March 31,					Six Months Ended September 30,	
	2010 <sup>(1)</sup>	2011	2012	2013	2014	2013	2014
<b>Consolidated statement of income data:</b>							
Net sales	\$ 751,237	\$ 863,138	\$ 1,013,756	\$ 1,017,041	\$ 1,069,009	626,342	\$ 693,021
Cost of goods sold	553,863	692,164	818,398	807,730	856,118	487,120	538,546
Gross profit	197,374	170,974	195,358	209,311	212,891	139,222	154,475
Selling expenses	58,801	63,103	67,625	69,451	75,024	35,843	39,008
General and administrative expenses	61,872	61,648	65,927	67,712	78,478	35,576	39,411
Gain on sale of assets/business			(44,634)	(2,210)	(5,338)	(4,848)	
Intangibles amortization	4,636	7,294	11,387	11,295	11,412	5,722	5,279
Income from operations	72,065	38,929	95,053	63,063	53,315	66,929	70,777
Interest expense	10,725	27,121	21,837	16,095	16,141	7,967	8,953
Other miscellaneous (income) expense, net <sup>(2)</sup>	(26,875)	(847)	2,425	283	133	816	7
Income before income taxes	88,215	12,655	70,791	46,685	37,041	58,146	61,817
Income tax expense	33,067	4,053	27,064	16,894	22,575	23,308	23,757
Equity in net (income) loss of unconsolidated affiliates	(2,404)	(736)	(704)	(387)	1,592	345	623

Net income	57,552	9,338	44,431	30,178	12,874	34,493	37,437
Less net income attributable to the noncontrolling interest	3,677	3,342	1,171	2,019	1,750	875	806
Net income attributable to ADS	53,875	5,996	43,260	28,159	11,124	33,618	36,631
Change in fair value of Redeemable Convertible Preferred Stock	(11,890)	(3,541)	(10,257)	(5,869)	(3,979)	(4,764)	(11,054)
Dividends paid to Redeemable Convertible Preferred Stockholders	(1,029)	(844)	(668)	(736)	(10,139)	(430)	(75)
Dividends paid to unvested restricted stockholders	(6)	(104)	(34)	(52)	(418)	(16)	
Net income (loss) available to common stockholders and participating securities	40,950	1,507	32,301	21,502	(3,412)	28,408	25,502
Undistributed income allocated to participating securities	(6,058)		(3,241)	(2,042)		(3,124)	(3,040)
Net income (loss) available to common stockholders	\$ 34,892	\$ 1,507	\$ 29,060	\$ 19,460	\$ (3,412)	25,284	\$ 22,462

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(Amounts in thousands, except per share data)	Fiscal Year Ended March 31,					Six Months Ended September 30,	
	2010 <sup>(1)</sup>	2011	2012	2013	2014	2013	2014
Weighted average common shares outstanding:							
Basic	49,127	47,668	46,293	46,698	47,277	47,220	49,538
Diluted	50,563	48,699	47,051	47,249	47,277	47,634	52,198
Fully Converted <sup>(3)</sup>	74,774	71,020	67,337	67,545	67,878	67,927	69,872
Net income (loss) per share:							
Basic	\$ 0.71	\$ 0.03	\$ 0.63	\$ 0.42	\$ (0.07)	\$ 0.54	\$ 0.45
Diluted	\$ 0.69	\$ 0.03	\$ 0.62	\$ 0.41	\$ (0.07)	\$ 0.53	\$ 0.45
Fully Converted <sup>(3)</sup>	\$ 0.79	\$ 0.15	\$ 0.72	\$ 0.52	\$ 0.28	\$ 0.57	\$ 0.60
Cash dividends declared per share	\$ 0.08	\$ 0.09	\$ 0.09	\$ 0.10	\$ 1.68	\$ 0.06	\$

(Amounts in thousands, except percentages)	Fiscal Year Ended March 31,					Six Months Ended September 30,	
	2010 <sup>(1)</sup>	2011	2012	2013	2014	2013	2014
Other financial data:							
Capital expenditures	\$ 23,140	\$ 30,041	\$ 26,467	\$ 40,004	\$ 40,288	\$ 21,700	\$ 15,643
Adjusted EBITDA <sup>(4)</sup>	127,228	100,780	116,873	129,759	147,009	101,109	109,663
Adjusted EBITDA margin <sup>(5)</sup>	16.9%	11.7%	11.5%	12.8%	13.8%	16.1%	15.8%

(Amounts in thousands)	As of March 31,					As of September 30,
	2010 <sup>(1)</sup>	2011 <sup>(1)</sup>	2012	2013	2014	2014
Consolidated balance sheet data:						
Cash	\$ 3,021	\$ 2,151	\$ 2,082	\$ 1,361	\$ 3,931	\$ 6,581
Working capital <sup>(6)</sup>	166,125	204,061	208,268	220,276	263,907	324,371
Total assets	794,049	866,798	905,028	907,739	937,595	1,018,224
Long-term debt	251,446	374,746	370,672	349,990	454,048	397,583
Total liabilities	457,138	618,351	615,314	585,115	691,980	655,642
Total mezzanine equity <sup>(7)</sup>	104,859	493,674	557,563	608,346	642,951	109,277
Total stockholders' equity	232,052	(245,227)	(267,849)	(285,722)	(397,336)	253,305
Total mezzanine equity and stockholders' equity	336,911	248,447	289,714	322,624	245,615	362,582

(Amounts in thousands)	Fiscal Year Ended March 31,					Six Months Ended September 30,	
	2010 <sup>(1)</sup>	2011	2012	2013	2014	2013	2014
Statement of cash flows data:							
Net cash provided by operating activities	\$ 70,343	\$ 37,233	\$ 56,997	\$ 68,215	\$ 62,122	\$ 3,283	\$ 10,807
	(47,011)	(53,237)	(35,833)	(47,199)	(41,767)	(23,036)	(25,742)

Net cash (used in) investing activities							
Net cash provided by (used in) financing activities	(30,448)	15,134	(21,233)	(21,737)	(17,712)	20,428	17,836

- (1) The presentation of our selected historical consolidated financial data as of March 31, 2010 and 2011 and for fiscal year 2010 has been adjusted to comply with the retrospective application of our inventory accounting principle change. In April 2011, the Company changed the method of valuing raw materials from the last-in, first-out ( LIFO ) method to the first-in, first-out ( FIFO ) method. The Company believes the FIFO method of inventory valuation is preferable for the raw materials valuation because FIFO provides a better matching of inventory costs of its products with the sales due to a lag in the pass-through of changes in resin costs to customers and enhances the comparability of results to our peers. As a result of this change, all prior period amounts have been retrospectively adjusted as of the beginning of the earliest period presented.
- (2) Other miscellaneous (income) expense, net for fiscal year ended March 31, 2010 includes a gain of \$25,952 from the purchase of the controlling interest of an unconsolidated affiliate.
- (3) Adjusted Earnings per Fully Converted Share, which is a non-GAAP measure, is a supplemental measure of financial performance that is not required by, or presented in accordance with GAAP. We calculate Adjusted earnings per fully converted share (Non-GAAP), and Weighted average fully converted common shares outstanding (Non-GAAP), by adjusting our Net income per share Basic and Weighted average common shares outstanding Basic, the most comparable GAAP measures.

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To effect this adjustment, we have (1) removed the adjustment for the change in fair value of Redeemable Convertible Preferred Stock classified as mezzanine equity from the numerator of the Net income per share Basic computation, (2) added back the dividends to Redeemable Convertible Preferred Stockholders and dividends paid to unvested restricted stockholders, (3) made corresponding adjustments to the amount allocated to participating securities under the two-class earnings per share computation method, and (4) added back ESOP deferred compensation attributable to the shares of redeemable convertible preferred stock allocated to employee ESOP accounts during the applicable period, which is a non-cash charge to our earnings and not deductible for income tax purposes.

We have also made adjustments to the Weighted average common shares outstanding Basic to assume, (1) share conversion of the Redeemable Convertible Preferred Stock to outstanding shares of common stock and (2) add shares of outstanding unvested restricted stock.

Adjusted Earnings Per Fully Converted Share (Non-GAAP) is included in this report because it is a key metric used by management and our board of directors to assess our financial performance. Adjusted Earnings Per Fully Converted Share (Non-GAAP) 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 Adjusted Earnings Per Fully Converted Share (Non-GAAP), and the corresponding Weighted Average Fully Converted Common Shares Outstanding (Non-GAAP) to our Net income per share and corresponding Weighted average common shares outstanding amounts, the most comparable GAAP measure, for each of the periods indicated.

(Amounts in thousands, except per share data)	Fiscal Year Ended March 31,					Six Months Ended	
	2010	2011	2012	2013	2014	2013	2014
Net income (loss) available to common shareholders	\$ 34,892	\$ 1,507	\$ 29,060	\$ 19,460	\$ (3,412)	\$ 25,284	\$ 22,462
Adjustments to net income available to common shareholders:							
Change in fair value of Redeemable Convertible Preferred Stock	11,890	3,541	10,257	5,869	3,979	4,764	11,054
Dividends to Redeemable Convertible Preferred Stockholders	1,029	844	668	736	10,139	430	75
Dividends paid to unvested restricted stockholders	6	104	34	52	418	16	
Undistributed income allocated to participating securities	6,058		3,241	2,042		3,124	3,040
Total adjustments to net income (loss) available to common shareholders	18,983	4,489	14,200	8,699	14,536	8,334	14,169
Net income attributable to ADS	53,875	5,996	43,260	28,159	11,124	33,618	36,631
Fair value of ESOP Compensation related to Redeemable Convertible Preferred Stock	5,156	4,564	4,957	7,283	7,891	5,026	5,374
Adjusted net income (Non-GAAP)	59,031	10,560	48,217	35,442	19,015	\$ 38,644	\$ 42,005

Weighted Average Common Shares Outstanding							
Basic	49,127	47,668	46,293	46,698	47,277	47,220	49,538
Unvested restricted shares	120	183	208	292	336	328	235
Redeemable Convertible Preferred shares	25,527	23,168	20,836	20,555	20,264	20,379	20,099
Total Weighted Average Fully Converted							
Common Shares Outstanding (Non-GAAP)	74,774	71,019	67,337	67,545	67,877	67,927	69,872
Adjusted Earnings Per Fully Converted Share (Non-GAAP)	\$ 0.79	\$ 0.15	\$ 0.72	\$ 0.52	\$ 0.28	\$ 0.57	\$ 0.60

(4) EBITDA and Adjusted EBITDA, which are non-GAAP financial measures, have been presented in this prospectus as supplemental measures of financial performance that are not required by, or presented in accordance with generally accepted accounting principles or GAAP. We calculate EBITDA as net income attributable to ADS before interest, income taxes, depreciation and amortization. We calculate Adjusted EBITDA as EBITDA before stock-based compensation expense, non-cash charges and certain other expenses.

EBITDA and Adjusted EBITDA are included in this prospectus because they are key metrics used by management and our board of directors to assess our financial performance. EBITDA and Adjusted EBITDA 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 Adjusted EBITDA to supplement GAAP measures of performance to evaluate the effectiveness of our business strategies, to make budgeting decisions and to compare our performance against that of other peer companies using similar measures.

EBITDA and Adjusted EBITDA are not GAAP measures of our financial performance or liquidity and should not be considered as alternatives to net income as a measure of financial performance or cash flows from operations as a measure of liquidity, or any other performance measure derived in accordance with GAAP and they should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. Additionally, EBITDA and Adjusted EBITDA are not intended to be measures of free cash flow for management's discretionary use, as they do not reflect certain cash requirements such as tax payments, debt service requirements, capital expenditures and certain other cash costs that may recur in the future. EBITDA and Adjusted EBITDA contain certain other limitations, including the failure to reflect our cash expenditures, cash requirements for working capital needs and cash costs



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to replace assets being depreciated and amortized. In evaluating Adjusted EBITDA, 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. Our presentation of Adjusted EBITDA should not be construed to imply that our future results will be unaffected by any such adjustments. Management compensates for these limitations by relying on our GAAP results in addition to using EBITDA and Adjusted EBITDA supplementally. Our measures of EBITDA and Adjusted EBITDA are not necessarily comparable to other similarly titled captions of other companies due to different methods of calculation.

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

(Amounts in thousands)	Fiscal Year Ended March 31,					Six Months Ended September 30,	
	2010	2011	2012	2013	2014	2013	2014
Net income attributable to ADS	\$ 53,875	\$ 5,996	\$ 43,260	\$ 28,159	\$ 11,124	\$ 33,618	\$ 36,631
Depreciation and amortization (a)	50,033	56,327	59,356	56,926	57,454	28,665	28,758
Interest expense	10,725	27,121	21,837	16,095	16,141	7,967	8,953
Income tax expense	33,067	4,053	27,064	16,894	22,575	23,308	23,757
<b>EBITDA</b>	<b>147,700</b>	<b>93,497</b>	<b>151,517</b>	<b>118,074</b>	<b>107,294</b>	<b>93,558</b>	<b>98,099</b>
Derivative fair value adjustments (b)	(1,665)	(1,365)	2,315	(4)	(53)	238	163
Foreign currency transaction losses (gains) (c)		332	378	1,085	845	(87)	(75)
Gain on sale of Septic Chamber business (d)			(44,634)				
Unconsolidated affiliates interest and tax (e)	166	624	915	729	204	228	413
Gain from purchase of the controlling interest of an unconsolidated affiliate (f)	(25,952)						
Management fee to minority interest holder JV (g)					1,098	604	558
Special dividend compensation					22,624		
Contingent consideration remeasurement					259		
Stock based compensation (h)	1,823	2,725	1,425	2,592	5,287	1,424	4,416
ESOP deferred stock based compensation (i)	5,156	4,564	4,957	7,283	7,891	5,026	5,374
Transaction costs (j)		403			1,560	118	715
<b>Adjusted EBITDA</b>	<b>\$ 127,228</b>	<b>\$ 100,780</b>	<b>\$ 116,873</b>	<b>\$ 129,759</b>	<b>\$ 147,009</b>	<b>\$ 101,109</b>	<b>\$ 109,663</b>

- (a) Includes our proportionate share of depreciation and amortization expense of \$233, \$552, \$985, \$1,321 and \$1,556 related to our South American Joint Venture, our BaySaver Joint Venture and our Tigre-ADS USA Joint Venture, which amounts are included in equity in net (income) loss of unconsolidated affiliates in our consolidated statements of income for fiscal years 2010, 2011, 2012, 2013 and 2014, respectively, and \$677 and \$1,272 included in equity in net loss of unconsolidated affiliates in our condensed consolidated statements of income for the six months ended September 30, 2013 and 2014, respectively. Depreciation and amortization expense for fiscal year 2012 also includes a charge of \$3,200 related to the impairment of one of our trademarks.
  - (b) Represents the non-cash gains and losses arising from changes in mark-to-market values for derivative contracts related to diesel fuel, interest rate and propylene swaps. The impact of resin physical and financial derivatives is included in cost of goods sold.
  - (c) Represents the gains and losses incurred on purchases, sales and intercompany loans and dividends denominated in non-functional currencies.
  - (d) Represents a gain recognized on the sale of our septic chamber business in January 2012.
  - (e) Represents our proportional share of income taxes and interest related to our South American Joint Venture, our BaySaver Joint Venture and our Tigre-ADS USA Joint Venture, which are accounted for under the equity method of accounting.
  - (f) Represents a gain from fair value re-measurement of investment in an unconsolidated affiliate upon acquiring the controlling interest of the affiliate.
  - (g) Represents management fee paid to a minority interest holder of a consolidated subsidiary.
  - (h) Represents the non-cash stock based compensation cost related to our stock options and restricted stock awards.
  - (i) Represents the non-cash stock based compensation expense attributable to the shares of convertible preferred stock allocated to employee ESOP accounts during the applicable period.
  - (j) Represents expenses recorded related to legal, accounting and other professional fees incurred in connection with our recent debt refinancing and in connection with our IPO.
- (5) Adjusted EBITDA margin for any period represents Adjusted EBITDA as a percentage of net sales for that period.
- (6) Working capital is the difference between our current assets and current liabilities. Working capital is an indication of liquidity and potential need for short-term funding.
- (7) Our mezzanine equity consists of the Redeemable Convertible Preferred Stock held by our ESOP and Redeemable Common Stock held by certain stockholders who have certain rights associated with such shares, which rights are considered to be a redemption right, which

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is beyond our control. See Note 16 Mezzanine Equity, within our consolidated financial statements included elsewhere in this prospectus for further information regarding the accounting treatment for our mezzanine equity. Upon the effective date of our IPO (July 25, 2014), which closed on July 30, 2014, the redemption feature of our Redeemable Common Stock was terminated. As a result, the Redeemable Common Stock was recorded at fair value through the effective date of the IPO and was subsequently reclassified at that fair value to permanent equity. In addition, upon the effective date of the IPO, the redemption feature of our Redeemable Convertible Preferred Stock was no longer applicable. However, if our common stock is no longer a registration-type class of security (e.g., in the event of a delisting), the option held by the Trustee, which granted it the ability to put the shares of our Redeemable Convertible Preferred Stock to us, would then become applicable. As such, the Redeemable Convertible Preferred Stock was recorded to fair value at the effective date of the IPO on July 25, 2014 and will remain in mezzanine equity without further adjustment to carrying value unless it becomes probable that the redemption feature will become applicable. See Note 6, Fair Value Measurements, within our condensed consolidated financial statements included elsewhere in this prospectus for further information regarding the accounting treatment for our mezzanine equity post-IPO.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

*The following discussion and analysis of the financial condition and results of our operations should be read in conjunction with the consolidated financial statements and related footnotes included elsewhere in this prospectus. 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 below. Factors that could cause or contribute to such differences include, but are not limited to, those identified below, and those discussed in the sections titled *Risk Factors* and *Special Note Regarding Forward-Looking Statements and Information* included elsewhere in this prospectus. You should read the following discussion together with the sections titled *Risk Factors*, *Selected Historical Consolidated Financial Data* and our consolidated financial statements, including the related footnotes, included elsewhere in this prospectus.*

*We consolidate all of our joint ventures for purposes of GAAP, except for our South American Joint Venture, our BaySaver Joint Venture and our Tigre-ADS USA Joint Venture.*

**Overview**

We are the leading manufacturer of high performance thermoplastic corrugated pipe, providing a comprehensive suite of water management products and superior drainage solutions for use in the construction and infrastructure marketplace. Our innovative products are used across a broad range of end markets and applications, including non-residential, residential, agriculture and infrastructure applications. We have established a leading position in many of these end markets by leveraging our national sales and distribution platform, our overall product breadth and scale and our manufacturing excellence. In North America, our national footprint combined with our strong local presence and broad product offering makes us the leader in an otherwise highly fragmented sector comprised of many smaller competitors. We believe the markets we serve in the United States represent approximately \$10.1 billion of annual revenue opportunity. In addition, we believe the increasing acceptance of thermoplastic pipe products in international markets represents an attractive growth opportunity.

Our products are generally lighter, more durable, more cost effective and easier to install than comparable alternatives made with traditional materials. Following our entrance into the non-residential construction market with the introduction of N-12 corrugated polyethylene pipe in the late 1980s, our pipe has been displacing traditional materials, such as reinforced concrete, corrugated steel and polyvinyl chloride, or PVC, across an ever expanding range of end markets. This has allowed us to consistently gain share and achieve above market growth throughout economic cycles. We expect to continue to drive conversion to our products from traditional products as contractors, civil design engineers and municipal agencies increasingly acknowledge the superior physical attributes and compelling value proposition of our thermoplastic products. In addition, we believe that overall demand for our products will benefit as the regulatory environment continues to evolve.

Our broad product line includes corrugated high density polyethylene (or HDPE) pipe, polypropylene (or PP) pipe and related water management products. Building on our core drainage businesses, we have aggressively pursued attractive ancillary product categories such as storm and septic chambers, PVC drainage structures, fittings and filters, and water quality filters and separators. We refer to these ancillary product categories as Allied Products. Given the scope of our overall sales and distribution platform, we have been able to drive growth within our Allied Products and believe there are significant growth opportunities going forward.



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**Key Factors Affecting Our Results of Operations**

***Product Demand***

There are numerous factors that influence demand for our products. Our businesses are cyclical in nature and sensitive to general economic conditions, primarily in the United States, Canada, Mexico and South America. The non-residential, residential, agricultural and infrastructure markets we serve are affected by the availability of credit, lending practices, interest rates and unemployment rates. Demand for new homes, farm income, commercial development and highway infrastructure spending have a direct impact on our financial condition and results of operations. Accordingly, the following factors may have a direct impact on our business in the markets in which our products are sold:

the strength of the economy;

the amount and type of non-residential and residential construction;

funding for infrastructure spending;

farm income and agricultural land values;

inventory of improved housing lots;

changes in raw material prices;

the availability and cost of credit;

non-residential occupancy rates;

commodity prices; and

demographic factors such as population growth and household formation.

***Product Pricing***

The price of our products is impacted by competitive pricing dynamics in our industry as well as by raw material input costs. Our industry is highly competitive and the sales prices for our products may vary based on the sales policies of our competitors. Raw material costs represent a significant portion of the cost of goods sold for our pipe products, or Pipe. We aim to increase our product selling prices in order to cover raw material price increases, but the inability to

do so could impact our profitability. Movements in raw material costs and resulting changes in the selling prices may also impact changes in period-to-period comparisons of net sales.

***Material Conversion***

Our HDPE and PP pipe and related water management product lines compete with other manufacturers of corrugated polyethylene pipe as well as manufacturers of alternative products made with traditional materials, such as concrete, steel and PVC. Our net sales are driven by market trends, including the continued increase in adoption of thermoplastic corrugated pipe products as a replacement for traditional materials. Thermoplastic corrugated pipe is generally lighter, more durable, more cost effective and easier to install than comparable products made from traditional materials. High performance thermoplastic corrugated pipe represented approximately 26% of the total storm sewer market in 2013, up from what we believe was less than 10% ten years ago and less than 1% twenty years ago. We believe this trend will continue as customers continue to acknowledge the superior attributes and compelling value proposition of our thermoplastic products and expanded regulatory approvals allow for their use in new markets and geographies. In addition, we believe that the recent introduction of PP pipe products will also help accelerate conversion given the additional applications for which our PP pipe products can be used.

We believe the adoption of HDPE and PP pipe outside of the United States and Europe is still in its early stages and represents a significant opportunity for us to continue to increase the conversion to our products from traditional products in these markets, including Canada, Mexico and South America where we operate.

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### ***Growth in Allied Products***

Our Allied Products include storm and septic chambers, PVC drainage structures, fittings and filters and water separators. These products complement our pipe product lines and allow us to offer a comprehensive water management solution to our customers and drive organic growth. Our leading market position in pipe products allows us to cross-sell Allied Products effectively. Our comprehensive offering of Allied Products also helps us increase pipe sales in certain markets. Our Allied Products typically carry higher gross margins as compared to our pipe product lines and are less sensitive to increases in resin prices since resin prices represent a smaller percentage of the cost of goods sold for Allied Products.

Our leading position in the pipe market has allowed us to increase organic growth of our Allied Products. We also expect to expand our Allied Product offerings through acquisitions. Sales of Allied Products have increased from \$138.5 million for the six months ended September 30, 2013 to \$152.0 million for the six months ended September 30, 2014. For fiscal years 2012, 2013 and 2014, we generated sales of Allied Products of \$230.7 million, \$248.6 million and \$260.2 million, respectively.

### ***Raw Material Costs***

Our raw material costs and product selling prices fluctuate with changes in the prices of resins utilized in production. Virgin and recycled resins, which are derived either directly or indirectly from crude oil derivatives and natural gas liquids, currently account for over 60% of our cost of goods sold for pipe products. Raw materials account for a significantly smaller percentage of the cost of our Allied Products. We actively manage our resin purchases and typically pass fluctuations in the cost of resin through to our customers in order to maximize our profitability. Fluctuations in the price of crude oil and natural gas prices may impact the cost of resin. For example, the weighted average market cost for the types of resin that we use increased by approximately 7.3%, 0.9% and 6.7% for fiscal years 2012, 2013 and 2014, respectively. In addition, unanticipated changes in and disruptions to existing ethylene or polyethylene capacities could also significantly increase resin prices (such as the aftermath of Hurricanes Katrina and Rita), often within a short period of time, even if crude oil and natural gas prices remain low. Our ability to pass through raw material price increases to our customers may, in some cases, lag the increase in our costs of goods sold. Sharp rises in raw material prices over a short period of time have historically occurred with a significant supply disruption (hurricanes or fires at chemical facilities), which may increase prices to levels that cannot be fully passed through to customers due to pricing of competing products made from different raw materials or the anticipated length of time the raw material pricing will stay elevated. For more information regarding risks relating to our raw material costs, see Risk Factors Risks Relating to Our Business.

We currently purchase in excess of 700 million pounds of virgin and recycled resin annually from over 450 suppliers in North America. As a high-volume buyer of resin, we are able to achieve economies of scale to negotiate favorable terms and pricing. Our purchasing strategies differ based on the material (virgin resin versus recycled material) ordered for delivery to our production locations. The price movements of the different materials also vary, resulting in the need to use a number of strategies to reduce volatility and successfully pass on cost increases to our customer through timely selling price increases when needed.

Our raw material strategies for managing our cost of goods sold include the following:

increasing the use of less price-volatile recycled HDPE resin in our pipe products in place of virgin resin;



internally processing an increasing percentage of our recycled HDPE resin in order to closely monitor quality and minimize costs (approximately 64% of our recycled HDPE resin was internally processed in fiscal year 2014);

managing a resin hedging program targeting monthly fixed price contracts that hedge approximately 50% of our anticipated virgin HDPE resin purchases on a rolling 12 month basis; and

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implementing financial hedges for propylene, with a goal of hedging a similar portion of our anticipated virgin PP resin purchases on a rolling 12 month basis.

The goal of these strategies is to reduce the volatility of raw material costs in the future.

We also consume a large amount of energy and other petroleum products in our operations, including the electricity we use in our manufacturing process as well as the diesel fuel consumed in delivering a significant volume of products to our customers through our in-house fleet. As a result, our operating profit also depends upon our ability to manage the cost of the energy and fuel we require, as well as our ability to pass through increased prices or surcharges to our customers.

### ***Seasonality***

Our operating results are impacted by seasonality. Historically, sales of our products have been higher in the first and second quarters of each fiscal year due to favorable weather and longer daylight conditions accelerating construction project activity during these periods while fourth quarter results are impacted by the timing of spring in the northern domestic regions and Canada. Seasonal variations in operating results may also be significantly impacted by inclement weather conditions, such as cold or wet weather, which can delay projects, resulting in decreased net sales for one or more quarters, but we believe that these delayed projects generally result in increased net sales during subsequent quarters.

In the non-residential, residential and infrastructure markets in the northern United States and Canada, the construction season typically begins to gain momentum in late March and lasts through November, before winter sets in, significantly slowing the construction markets. In the southern and western United States, Mexico, Central America and South America, the construction markets are less seasonal. The agricultural drainage market is concentrated in the early spring just prior to planting and in the fall just after crops are harvested prior to freezing of the ground in winter.

### ***Currency Exchange Rates***

Although we sell and manufacture our products in many countries, our sales and production costs are primarily denominated in U.S. dollars. We have wholly owned facilities in Canada and Puerto Rico and joint venture facilities in Mexico, Chile, Brazil, Argentina, Colombia and Peru. The functional currencies in the areas in which we have wholly owned facilities and joint venture facilities are the Canadian dollar, Euro, Mexican peso, Chilean peso, Brazilian real, Argentine peso and Colombian peso, respectively. We have not hedged foreign currency exposures related to transactions denominated in currencies other than U.S. dollars. From time to time, we use derivatives to reduce our exposure to currency fluctuations. In 2013, we entered into Euro-denominated forwards to hedge transactions related to the procurement of new equipment, which expired prior to March 31, 2014. Also in 2013, our South American Joint Venture entered into multiple non-deliverable forward contracts to reduce its exposure to fluctuations in the U.S. dollar relative to the Chile peso, Argentina peso, Colombia peso and Brazil real.

### ***Description of our Segments***

We operate a geographically diverse business, serving customers in approximately 90 countries. For fiscal year 2014, approximately 88% (\$935.4 million) of net sales were attributable to customers located in the United States and approximately 12% (\$133.6 million) of net sales were attributable to customers outside of the United States.

Our operations are organized into two reportable segments based on the markets we serve: Domestic and International. We generate a greater proportion of our net sales and gross profit in our Domestic segment, which

consists of all regions of the United States. We expect the percentage of total net sales and gross profit derived

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from our International segment to continue to increase in future periods as we continue to expand globally. See Note 20, Business Segments Information, to our audited consolidated financial statements included elsewhere in this prospectus.

***Domestic***

In the United States, the markets we serve were strong through 2007, but slowed significantly beginning in 2008 in tandem with the decline in general economic conditions in the United States associated with the global financial crisis. Since 2011, a modest recovery in the markets in the United States has had a favorable impact on our product sales. Our operating results have been, and will continue to be, impacted by macroeconomic trends in the United States. For the six months ended September 30, 2013 and 2014, we generated net sales attributable to our Domestic segment of \$551.7 million and \$611.1 million, respectively. For fiscal years 2012, 2013 and 2014, we generated net sales attributable to our Domestic segment of \$888.7 million, \$877.7 million, and \$935.4 million, respectively.

***International***

Our International segment manufactures and markets products in regions outside of the United States, with a growth strategy focused on our owned facilities in Canada and those markets serviced through our joint ventures in Mexico, Central America and South America. Pipe manufactured in these countries is primarily sold into the same region. Our joint venture strategy has provided us with local and regional access to new markets. The outlook for our International segment has improved. Since 2011, a modest recovery in the international markets has had a favorable impact on our product sales, which experienced year-over-year growth in each of fiscal years 2013 and 2014. For the six months ended September 30, 2013 and 2014, we generated net sales attributable to our International segment of \$74.7 million and \$81.9 million, respectively. For fiscal years 2012, 2013 and 2014, we generated net sales attributable to our International segment of \$125.1 million, \$139.3 million and \$133.6 million, respectively. Net sales of our South American Joint Venture are accounted for under the equity method and not consolidated for financial reporting purposes. These unconsolidated sales were \$57.7 million, \$64.8 million and \$61.2 million in fiscal years 2012, 2013 and 2014, respectively, and were \$33.7 million and \$30.7 million for the six months ended September 30, 2013 and 2014, respectively.

**Components of Results of Operations*****Net sales***

Net sales consist of the consideration received or receivable for the sale of products in the ordinary course of our business and is presented net of rebates and discounts. We derive our net sales from selling Pipe and Allied Products. We ship products to customers primarily by our internal fleet of trucks with a much smaller portion being shipped by third-party carriers. Net sales are recognized when delivery has occurred or services have been rendered, price to the buyer is fixed and determinable and collectability is reasonably assured. In fiscal year 2014, we served approximately 17,000 customers and no single customer generated more than 10% of our total net sales.

***Cost of goods sold***

Cost of goods sold consists of the direct cost of raw materials and labor used in the manufacture of our products as well as indirect costs such as labor, depreciation, insurance, supplies, tools, repairs and shipping and handling. Our principal products are manufactured primarily from polyethylene and polypropylene resins with chemical additives that enable the end products to better resist weathering, ultraviolet degradation and chemical exposure. For Pipe, the majority of the cost to manufacture and deliver the products are variable in nature including raw materials, processing

costs (including direct labor) and delivery costs (freight). Our fixed production costs (including facility overhead, depreciation, etc.) currently represent approximately 10% of net sales. For Allied Products, cost of goods sold varies by product line and consists of raw material/purchase costs, processing costs and delivery costs.

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### ***Selling Expenses***

Selling expenses consist of personnel costs (salaries, benefits and variable sales commissions), travel and entertainment expenses, marketing, promotion and advertising expenses, as well as bad debt provisions.

### ***General and Administrative Expenses***

General and administrative expenses consist of personnel costs (salaries, benefits and other personnel-related expenses, including stock-based compensation), recruitment and relocation expenses, accounting and legal fees, business travel expenses, rent and utilities for the administrative offices, director fees, investor relations, membership fees, office supplies, insurance and other miscellaneous expenses.

### ***Intangibles Amortization***

Intangibles amortization consists of the amortization of intangibles purchased as part of business combinations, acquired technology, patents and technology licenses, which are amortized using the straight-line method over their estimated useful lives.

### ***Interest Expense***

Interest expense consist of interest payment on our Credit Facilities, including our Senior Loan Facilities, Senior Notes and the amortizing of deferred financing costs related to debt borrowings. See Note 10 to our consolidated financial statements included elsewhere in this prospectus.

### ***Income Tax Expense***

Income tax expense consists of federal, state, local and foreign taxes based on income in multiple jurisdictions, including the United States, Canada, Mexico, Chile, Brazil and Puerto Rico. We expect our effective tax rate to decrease over time as our earnings grow reducing the impact of Schedule M items in our Domestic tax calculations.

### ***EBITDA and Adjusted EBITDA***

EBITDA and Adjusted EBITDA, including Segment EBITDA and Segment Adjusted EBITDA, which are non-GAAP financial measures, have been presented in this prospectus as supplemental measures of financial performance that are not required by, or presented in accordance with generally accepted accounting principles or GAAP. We calculate EBITDA as net income attributable to ADS before interest, income taxes, depreciation and amortization. We calculate Adjusted EBITDA as EBITDA before stock-based compensation expense, non-cash charges and certain other expenses.

EBITDA and Adjusted EBITDA are included in this prospectus because they are key metrics used by management and our board of directors to assess our financial performance. EBITDA and Adjusted EBITDA 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 Adjusted EBITDA to supplement GAAP measures of performance to evaluate the effectiveness of our business strategies, to make budgeting decisions and to compare our performance against that of other peer companies using similar measures.

EBITDA and Adjusted EBITDA are not GAAP measures of our financial performance or liquidity and should not be considered as alternatives to net income as a measure of financial performance or cash flows from operations as a

measure of liquidity, or any other performance measure derived in accordance with GAAP and they should not be construed as an inference that our future results will be unaffected by unusual or non-recurring

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items. Additionally, EBITDA and Adjusted EBITDA are not intended to be measures of free cash flow for management's discretionary use, as they do not reflect certain cash requirements such as tax payments, debt service requirements, capital expenditures and certain other cash costs that may recur in the future. EBITDA and Adjusted EBITDA contain certain other limitations, including the failure to reflect our cash expenditures, cash requirements for working capital needs and cash costs to replace assets being depreciated and amortized. In evaluating Adjusted EBITDA, 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. Our presentation of Adjusted EBITDA should not be construed to imply that our future results will be unaffected by any such adjustments. Management compensates for these limitations by relying on our GAAP results in addition to using EBITDA and Adjusted EBITDA supplementally. Our measures of EBITDA and Adjusted EBITDA are not necessarily comparable to other similarly titled captions of other companies due to different methods of calculation.

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

(Amounts in thousands)	Fiscal Year Ended March 31,			Six Months Ended September 30,	
	2012	2013	2014	2013	2014
Net income attributable to ADS	\$ 43,260	\$ 28,159	\$ 11,124	\$ 33,618	\$ 36,631
Depreciation and amortization <sup>(a)</sup>	59,356	56,926	57,454	28,665	28,758
Interest expense	21,837	16,095	16,141	7,967	8,953
Income tax expense	27,064	16,894	22,575	23,308	23,757
<b>EBITDA</b>	<b>151,517</b>	<b>118,074</b>	<b>107,294</b>	<b>93,558</b>	<b>98,099</b>
Derivative fair value adjustments <sup>(b)</sup>	2,315	(4)	(53)	238	163
Foreign currency transaction losses <sup>(c)</sup>	378	1,085	845	(87)	(75)
Gain on sale of Septic Chamber business <sup>(d)</sup>	(44,634)				
Unconsolidated affiliates interest and tax <sup>(e)</sup>	915	729	204	228	413
Management fee to minority interest holder JV <sup>(f)</sup>			1,098	604	558
Special dividend compensation			22,624		
Contingent consideration remeasurement			259		
Stock based compensation <sup>(g)</sup>	1,425	2,592	5,287	1,424	4,416
ESOP deferred stock based compensation <sup>(h)</sup>	4,957	7,283	7,891	5,026	5,374
Transaction costs <sup>(i)</sup>			1,560	118	715
<b>Adjusted EBITDA</b>	<b>\$ 116,873</b>	<b>\$ 129,759</b>	<b>\$ 147,009</b>	<b>\$ 101,109</b>	<b>\$ 109,663</b>

(a) Includes our proportionate share of depreciation and amortization expense of \$985, \$1,321 and \$1,556 related to our South American Joint Venture, our BaySaver Joint Venture and our Tigre-ADS USA Joint Venture, which amounts are included in equity in net (income) loss of unconsolidated affiliates in our consolidated statements of income for fiscal years 2012, 2013 and 2014, respectively, and \$677 and \$1,272 included in equity in net loss of unconsolidated affiliates in our condensed consolidated statements of income for the six months ended September



30, 2013 and 2014, respectively. Depreciation and amortization expense for fiscal year 2012 also includes a charge of \$3,200 related to the impairment of one of our trademarks.

- (b) Represents the non-cash gains and losses arising from changes in mark-to-market values for derivative contracts related to diesel fuel, interest rate and propylene swaps. The impact of resin physical and financial derivatives is included in cost of goods sold.
- (c) Represents the gains and losses incurred on purchases, sales and intercompany loans and dividends denominated in non-functional currencies.
- (d) Represents a gain recognized on the sale of our septic chamber business in January 2012.
- (e) Represents our proportional share of income taxes and interest related to our South American Joint Venture, our BaySaver Joint Venture and our Tigre-ADS USA Joint Venture, which are accounted for under the equity method of accounting.
- (f) Represents management fee paid to a minority interest holder of a consolidated subsidiary.
- (g) Represents the non-cash stock based compensation cost related to our stock options and restricted stock awards.
- (h) Represents the non-cash stock based compensation expense attributable to the shares of convertible preferred stock allocated to employee ESOP accounts during the applicable period.
- (i) Represents expenses recorded related to legal, accounting and other professional fees incurred in

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The following table presents a reconciliation of Segment EBITDA and Segment Adjusted EBITDA to Net income, the most comparable GAAP measure, for each of the periods indicated:

Amounts in thousands)	Fiscal Year Ended March 31,						Six Months Ended September 30,			
	2012		2013		2014		2013		2014	
	Domestic	International	Domestic	International	Domestic	International	Domestic	International	Domestic	International
Net income	\$ 37,894	\$ 5,366	\$ 18,332	\$ 9,827	\$ 6,084	\$ 5,040	\$29,675	\$ 3,943	\$ 34,054	\$ 2,577
Depreciation and amortization (a)	52,832	6,524	50,691	6,235	50,808	6,646	25,571	3,094	25,398	3,360
Interest expense	21,597	240	16,045	50	16,093	48	7,933	34	8,938	15
Income tax expense	25,855	1,209	14,787	2,107	20,594	1,981	21,895	1,413	22,741	1,016
Segment EBITDA	138,178	13,339	99,855	18,219	93,579	13,715	85,074	8,484	91,131	6,968
Derivative fair value adjustments (b)	2,315		(4)		(53)		238		163	
Foreign currency transaction losses (c)		378		1,085		845		(87)		(75)
Gain on sale of Septic Chamber business (d)	(44,634)									
Unconsolidated affiliates interest and tax (e)		915		729	8	196		228	94	319
Management fee to minority interest holder JV (f)						1,098		604		558
Special Dividend compensation expense					22,624					
Contingent consideration remeasurement					259					
Share based compensation (g)	1,425		2,592		5,287		1,424		4,416	
SOP deferred compensation (h)	4,957		7,283		7,891		5,026		5,374	
Transaction costs (i)					1,560		118		715	
Segment Adjusted EBITDA	\$ 102,241	\$ 14,632	\$ 109,726	\$ 20,033	\$ 131,155	\$ 15,854	\$91,880	\$ 9,229	\$ 101,893	\$ 7,770

(a) Includes our proportionate share of depreciation and amortization expense of \$985, \$1,321 and \$1,556 related to our South American Joint Venture, our BaySaver Joint Venture and our Tigre-ADS USA Joint Venture, which amounts are included in equity in net (income) loss of unconsolidated affiliates in our consolidated statements of income for fiscal years 2012, 2013 and 2014, respectively, and \$677 and \$1,272 included in equity in net loss of unconsolidated affiliates in our condensed consolidated statements of income for the six months ended September 30, 2013 and 2014, respectively. Depreciation and amortization expense for fiscal year 2012 also includes a charge of \$3,200 related to the impairment of one of our trademarks.

- (b) Represents the non-cash gains and losses arising from changes in mark-to-market values for derivative contracts related to diesel fuel, interest rate and propylene swaps. The impact of resin physical and financial derivatives is included in cost of goods sold.

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- (c) Represents the gains and losses incurred on purchases, sales and intercompany loans and dividends denominated in non-functional currencies.
- (d) Represents a gain recognized on the sale of our septic chamber business in January 2012.
- (e) Represents our proportional share of income taxes and interest related to our South American Joint Venture, our BaySaver Joint Venture and our Tigre-ADS USA Joint Venture, which are accounted for under the equity method of accounting.
- (f) Represents management fee paid to a minority interest holder of a consolidated subsidiary.
- (g) Represents the non-cash stock based compensation cost related to our stock options and restricted stock awards.
- (h) Represents the non-cash stock based compensation expense attributable to the shares of convertible preferred stock allocated to employee ESOP accounts during the applicable period.
- (i) Represents expenses recorded related to legal, accounting and other professional fees incurred in connection with our recent debt refinancing and in connection with our IPO.

**System-Wide Net Sales**

System-Wide Net Sales is a non-GAAP measure which equals the sum of the net sales of our Domestic and International segments plus all net sales from our unconsolidated joint ventures (our South American Joint Venture, our BaySaver Joint Venture and our Tigre-ADS USA Joint Venture). We use this metric to measure the overall performance of our business across all of our geographies and markets we serve.

Our South American Joint Venture is managed as an integral part of our International segment and our BaySaver and Tigre-ADS USA Joint Ventures are managed as an integral part of our Domestic segment. However, they are not consolidated under GAAP. System-Wide Net Sales is prepared as if our South American Joint Venture, our BaySaver Joint Venture and our Tigre-ADS USA Joint Venture were accounted for as consolidated subsidiaries for management and segment reporting purposes.

The reconciliation of our System-Wide Net Sales to net sales is as follows:

(Amounts in thousands)	Fiscal Year Ended March 31,			Six Months Ended	
	2012	2013	2014	September 30, 2013	2014
<b>Reconciliation of System-Wide Net Sales to Net Sales:</b>					
Net sales	\$ 1,013,756	\$ 1,017,041	\$ 1,069,009	\$ 626,342	\$ 693,021
Net sales associated with our unconsolidated affiliates:					
South American Joint Venture <sup>(a)</sup>	57,687	64,834	61,243	33,686	30,696
BaySaver Joint Venture <sup>(b)</sup>			5,195	1,615	5,760
Tigre-ADS USA Joint Venture <sup>(c)</sup>					7,230
<b>System-Wide Net Sales</b>	<b>\$ 1,071,443</b>	<b>\$ 1,081,875</b>	<b>\$ 1,135,447</b>	<b>\$ 661,643</b>	<b>736,707</b>

(a) On July 31, 2009, we entered into an arrangement to form our South American Joint Venture.

(b) On July 15, 2013, we entered into an arrangement to form our BaySaver Joint Venture.

(c) On April 7, 2014, we entered into an arrangement to form our Tigre-ADS USA Joint Venture.



**Table of Contents****Results of Operations*****Six Months Ended September 30, 2014 Compared With Six Months Ended September 30, 2013***

The following tables summarize certain financial information relating to our operating results that have been derived from our condensed consolidated financial statements for the six months ended September 30, 2014 and 2013. Also included is certain information relating to the operating results as a percentage of net sales. We believe this presentation is useful to investors in comparing historical results.

<b>(Amounts in thousands)</b>	<b>Six Months Ended September 30, 2013</b>	<b>% of Net Sales</b>	<b>Six Months Ended September 30, 2014</b>	<b>% of Net Sales</b>	<b>% Variance</b>
Net Sales	\$ 626,342	100.0%	\$ 693,021	100.0%	10.6%
Cost of goods sold	487,120	77.8	538,546	77.7	10.6
Gross Profit	139,222	22.2	154,475	22.3	11.0
Selling expenses	35,843	5.7	39,008	5.6	8.8
General and administrative expenses	35,576	5.7	39,411	5.7	10.8
Gain on sale of business	(4,848)	(0.8)			(100.0)
Intangible amortization	5,722	0.9	5,279	0.8	(7.8)
Income from operations	66,929	10.7	70,777	10.2	5.8
Interest expense	7,967	1.3	8,953	1.3	12.4
Other miscellaneous expenses, net	816	0.1	7	0.0	(99.2)
Income before income taxes	58,146	9.3	61,817	8.9	6.3
Income tax expense	23,308	3.7	23,757	3.4	1.9
Equity in net loss of unconsolidated affiliates	345	0.1	623	0.1	80.6
Net income	34,493	5.5	37,437	5.4	8.5
Less net income attributable to the non-controlling interests	875	0.1	806	0.1	(7.9)
Net income attributable to ADS	\$ 33,618	5.4%	36,631	5.3%	9.0
<b>Other financial data:</b>					
Adjusted EBITDA	101,109	16.1%	109,663	15.8%	8.5%
System-Wide Net Sales	661,643	105.6%	736,707	106.3%	11.3%
Adjusted Earnings Per Fully Converted Share	\$ 0.57		\$ 0.60		5.3%
<i>Net sales</i>					

**Six Months Ended September 30,**

<b>(Amounts in thousands)</b>	<b>2013</b>	<b>2014</b>
<b>Domestic</b>		
Pipe	\$ 413,206	\$ 459,179
Allied Products	138,455	151,945
Total Domestic	551,661	611,124
<b>International</b>		
Pipe	59,649	66,359
Allied Products	15,032	15,538
Total International	74,681	81,897
<b>Total Consolidated Net Sales</b>	<b>\$ 626,342</b>	<b>\$ 693,021</b>

Net sales totaled \$693.0 million for the six months ended September 30, 2014, increasing \$66.7 million, or 10.6%, over the comparable period for fiscal year 2014.

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Domestic net sales increased \$59.5 million, or 10.8%, for the six months ended September 30, 2014, as compared to prior year period. The increase in Domestic sales was due to continued strong sales growth in the non-residential (up 15.7%), infrastructure (up 22.5%), and residential markets (up 8.6%); offsetting a 5.7% decline in Agricultural sales due to less summer drainage work. The sales growth was broken down between our Pipe and Allied Products, which increased \$46.0 million and \$13.5 million, respectively, for the six months ended September 30, 2014. Domestic Pipe sales increased \$46.0 million, or 11.1%, due to continued growth in our N-12 and N-12 HP product lines offsetting lower Agricultural singlewall sales. Allied Product sales increased \$13.5 million, or 9.7%, due to strong sales volume sold primarily into the non-residential, residential and infrastructure markets. Excluding \$5.1 million in sales of Allied Product lines sold in fiscal 2014, Allied Product sales increased \$18.6 million, or 13.9%, for the six months ended September 30, 2014 as compared to prior year sales of continuing products. Pipe selling prices increased 4.3% as compared to the prior year. After the six months ended September 30, 2014, Domestic sales were broken down as follows: Non-Residential 52.2%, Infrastructure 11.6%, Residential 19.5% and Agriculture 16.7%.

International net sales increased \$7.2 million, or 9.7%, for the six months ended September 30, 2014 over the comparable fiscal year 2014 period. The growth was primarily due to increased sales in Canada and Mexico. Favorable weather conditions in Canada for the second quarter resulted in strong sales in the agricultural markets as well as fiscal year to date sales growth of Allied Products across all end markets. Improved public spending and continued positive sales momentum in the electrical conduit market were the main factors in the increased six month net sales in Mexico versus the comparable prior year period.

System-Wide Net Sales were \$736.7 million for the first six months of fiscal year 2015, an increase of \$75.1 million, or 11.3%, over System-Wide Net Sales of \$661.6 million for the first six months of fiscal year 2014. Net sales at our South American Joint Venture operation were negatively impacted by continued softness in the mining markets and an overall construction slowdown due to a declining economic environment and reduced public spending. Net sales from our Domestic joint ventures (Tigre-ADS USA and Baysaver) provided a combined increase of \$8.4 million in net sales for unconsolidated joint ventures for the six months ended September 30, 2014 as compared to the prior year. Our Tigre-ADS USA Joint Venture was formed in the first quarter of fiscal year 2015 and our Baysaver Joint Venture was formed in the second quarter of fiscal year 2014.

*Gross profit*

Gross profit for the six months ended September 30, 2014 increased \$15.3 million, or 11.0%, over the comparable prior year period.

Domestic gross profit increased \$16.6 million, or 13.5%, to \$139.4 million for the six months ended September 30, 2014 as compared to \$122.8 million during the prior year. The increase was primarily due to sales growth in our N-12 and N-12 HP Pipe product lines and Allied Product lines, which increased gross margin by \$6.9 million and \$9.7 million, respectively, for the six months ended September 30, 2014 as compared to the prior year. Raw material prices increased 5.0% due to higher virgin and non-virgin resin prices for the first six months of fiscal 2015 as compared to the prior period. Freight costs totaled 9.2% of net sales for the six months ended September 30, 2014, compared to 9.4% for the prior year period.

International gross profit decreased \$1.3 million, or 7.8%, for the first six months of fiscal year 2015 over the comparable fiscal year 2014 period. International Pipe gross profit decreased \$1.4 million, or 11.5%, primarily due to the impact of continued devaluation of the Canadian dollar versus the U.S. dollar and its impact on overall Canadian market selling prices, especially in the second quarter. Raw material prices moved higher (which are primarily purchased in U.S. dollars) and higher freight costs compared to the prior year period also contributed to the declining Pipe gross profit for the six months ended September 30, 2014. International Allied Products gross profit increased



\$0.1 million, or 3.3%, for the six months ended September 30, 2014 over the comparable prior year period.

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Gross margin as a percentage of net sales totaled 22.3% for the six months ended September 30, 2014 as compared to 22.2% for the prior year.

*Selling expenses*

Selling expenses for the six months ended S