Advanced Drainage Systems, Inc.

Kenan–Flagler Business School
ALPHA CHALLENGE
The University of North Carolina

December 5th, 2024

Team: 1

Students: Tina Abilgaziyeva, Vince Galioto, Ames Murray

Long: Advanced Drainage Systems (NYSE: WMS)

Current Price: $132 (11/24/2024) | **1Y Price Target:** $172 (31% Upside)

Advanced Drainage Systems Overview

Revolutionizing Water Solutions with High-Performance Plastics Across Diverse End Markets

Company Overview

- Leading manufacturer of innovative **water management solutions for the stormwater** and **onsite septic wastewater** industries
- Supports **material conversion to plastic** through high-performance thermoplastic pipes and water management solutions

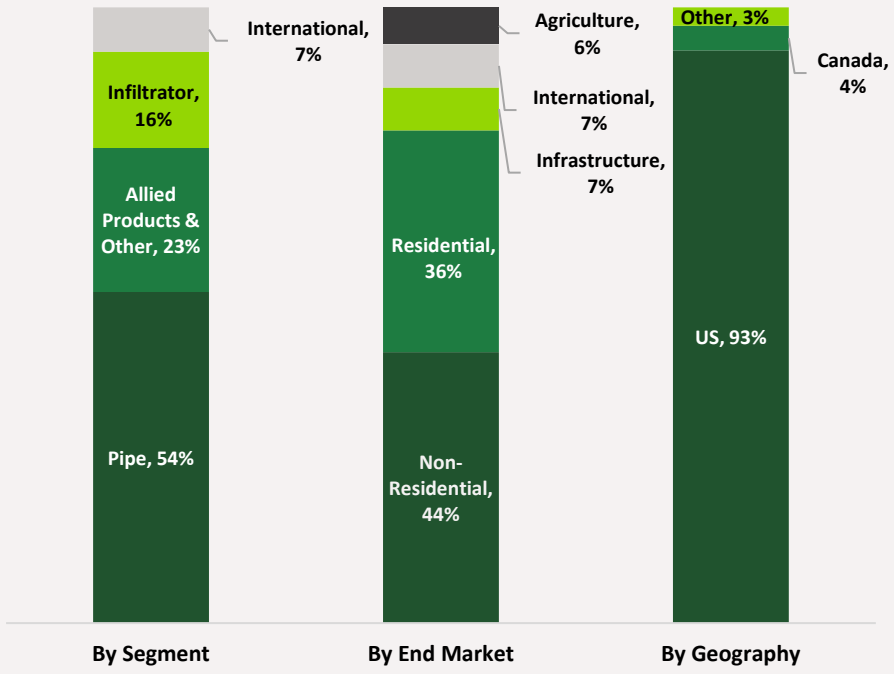
Trading and FY24 Financial Data

Current Price ($)	131.50	Revenue ($M)	2,874
Market Cap ($M)	10,080	Gross Margin	40%
EV ($M)	10,751	EBITDA ($M)	916
52W Low / High ($)	116.98-184.27	EPS ($)	6.45

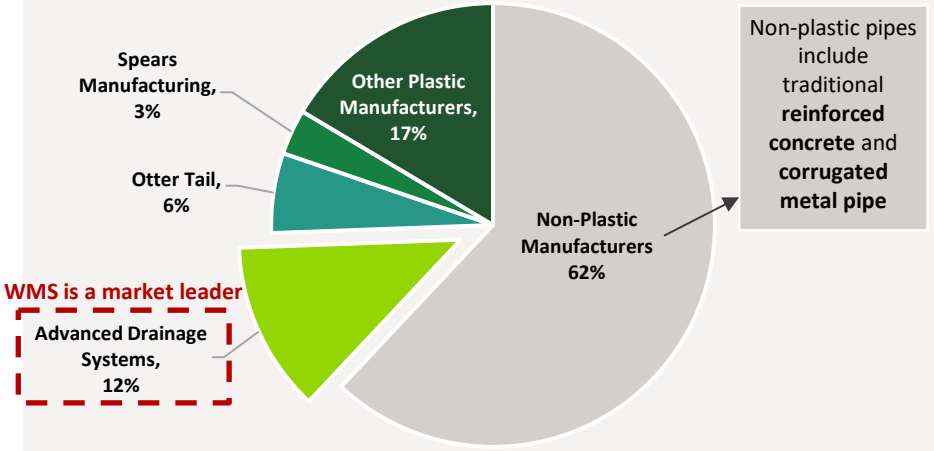
WMS is Positioned for Success

- ✓ **Regulation:** a robust regulatory team driving plastic pipe approvals and securing universal approval for Infiltrator products across the U.S. and Canada
- ✓ **Extensive distribution:** the only manufacturer of plastic pipe with a national manufacturing and distribution base
- ✓ **Operational efficiency:** operates world's largest molding machines, molds, and automation; vertically integrated
- ✓ **Economies of scale:** as a high-volume buyer of resin, WMS secures favorable terms and pricing with suppliers

Revenue Breakdown FY2024



US Market Share vs Competitors



Plastic pipes offer a stronger value proposition, driving market share gains

- ❖ **Installs 2-3x faster than concrete and other materials**
- ❖ **20% less installation cost (lighter, cheaper to transport and install)**
- ❖ **Service life of 100 years vs 45-50 for traditional materials**
- ❖ **Increasing environmental benefits as >50% of plastic supply is recycled**

Sources: FactSet, Company Filings, Investor Presentations

Advanced Drainage: Flowing Towards The Future

We Have a Chance to Invest in an Industry Leader with Secular Growth Market Exposure Trading Below the Median Peer Multiple

Investment Thesis

1. **Legacy Material Conversions, Aging Infrastructure, and Escalating Extreme Weather Events Drive Structural Growth Opportunities For WMS's Product Portfolio**
2. **Strategic Regional Presence Fuels Accelerated Growth in the Infiltrator Segment, Leveraging Migration Patterns and Targeted Incremental Sell-In Opportunities**
3. **Revenue Mix and Cost-Advantaged Materials Drive Sustainable Margin Expansion**

Why is There an Opportunity?

Consensus underestimates the company's long-term growth potential, driven by a structurally expanding market, a stronger customer value proposition, and a growing total addressable market

Sell-side estimates overly emphasize transitory challenges from non-residential market volatility and storm disruptions, including five hurricanes, failing to fully reflect WMS's strategic geographical positioning and near-term tactical opportunities

The market is overly focused on near-term margin compression from transitory cost pressures, ignoring potential expansion opportunities from structural improvements in operations

These Opportunities Underpin Our Divergence From Consensus

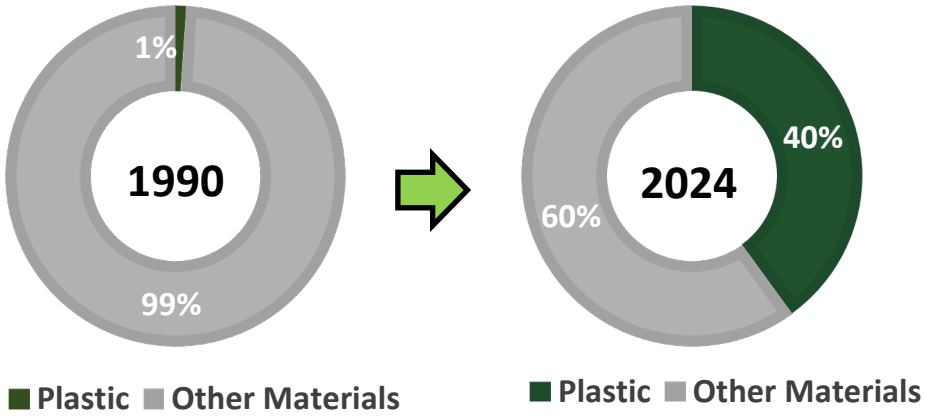
		Team Estimates		Consensus Estimates	
	FY 2024-A	FY 2026-E	Growth	FY 2026-E	Growth
Revenue	$2,874M	$3,225M	**6% CAGR**	$3,128M	**4% CAGR**
Gross Margin	39.9%	39.8%	**-10bps**	39.3%	**-60bps**
Operating Margin	25.5%	25.2%	**-30bps**	24.7%	**-80bps**
EPS	$6.45	$7.33	**7% CAGR**	$6.73	**2% CAGR**

Sources: FactSet, Internal Model Projections

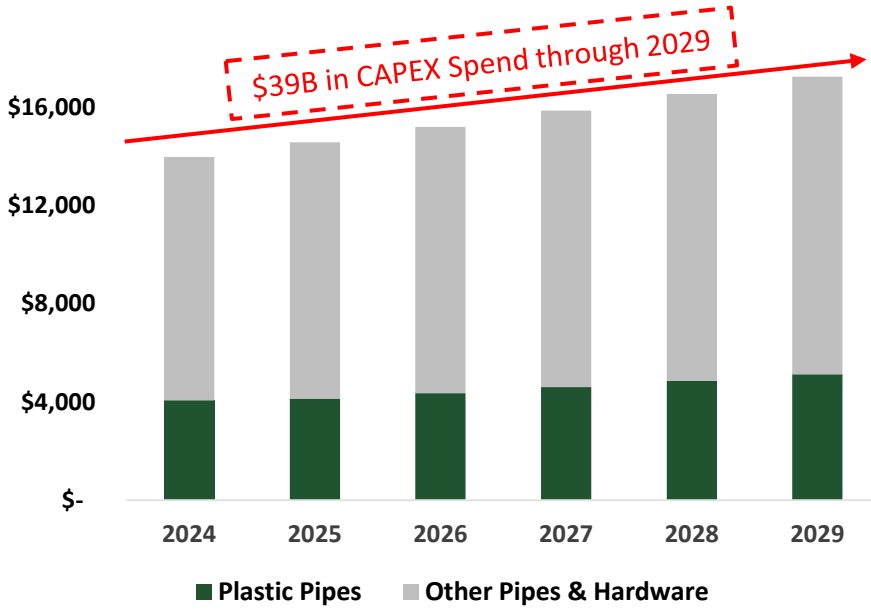
Investment Thesis #1 – Material Conversion to Plastic

Legacy Material Conversion Drives Structural Growth Opportunity

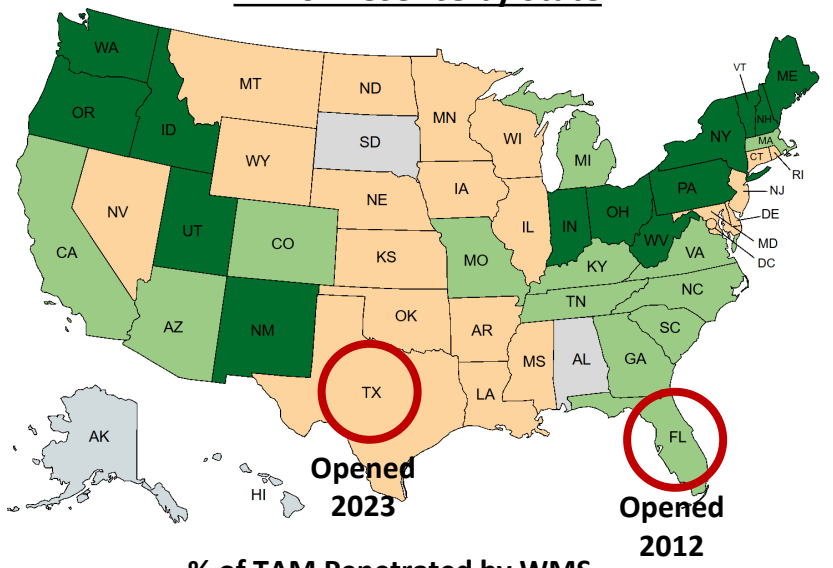
Plastic Continues to Take Share From Legacy Materials



Replacement of Aging Infrastructure Drives Demand



WMS Presence by State



After receiving State DOT approval, the potential TAM expands, positioning WMS to gain market share in priority states

Pipe: Consensus v. Estimates			
Revenue	**FY24A**	**FY25E**	**FY26E**
Estimate	$ 1,586,618	$ 1,586,618	$ 1,697,681
Consensus	1,586,618	1,565,270	1,629,900
Delta (%)	**0.0%**	**1.4%**	**4.2%**
Growth - Team	(9.8%)	0.0%	7.0%
Growth - Consensus	(9.8%)	(1.3%)	4.1%

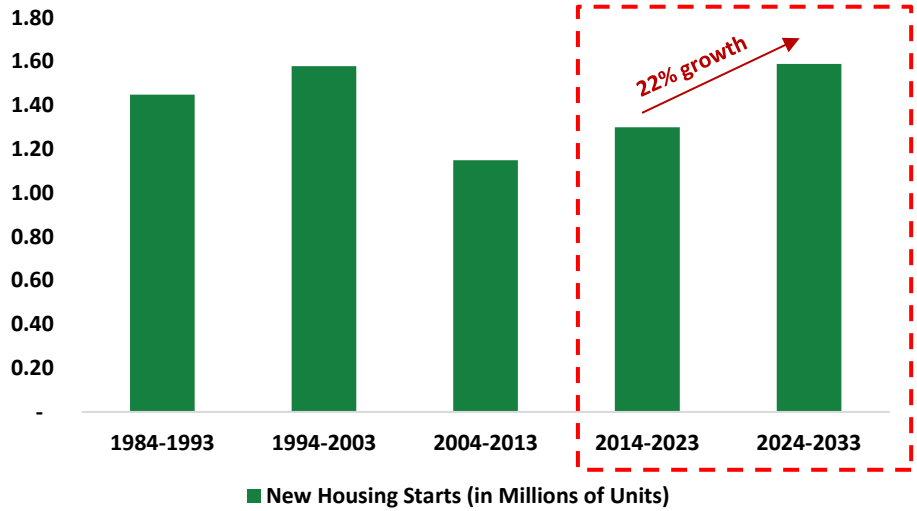
Consensus Underestimates Growth of the Pipe Segment

Sources: Bluefield Research, Stephens, Oppenheimer, 2022 Investor Presentation, Wall Street Journal, American Society of Civil Engineers, Company Video

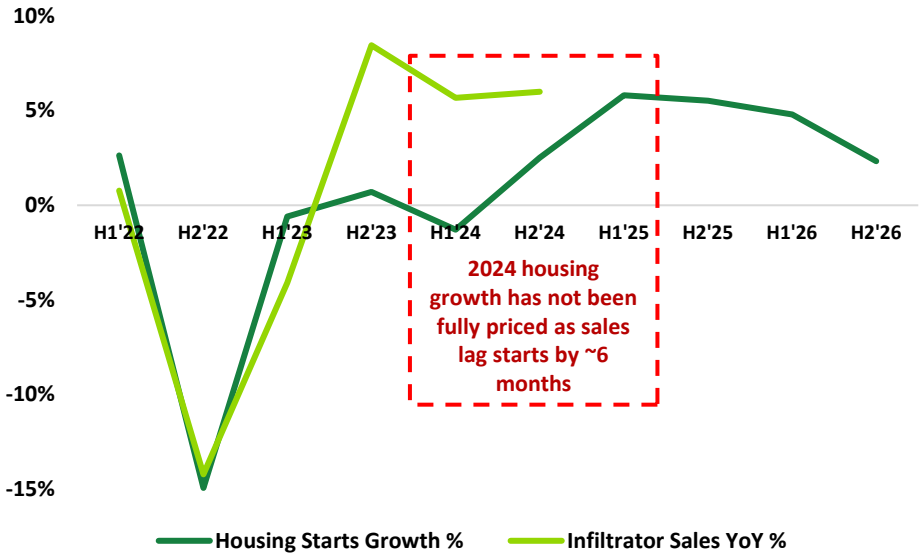
Investment Thesis #2 – Regional Strategy Fuels Growth

Strategic Regional Focus and Housing Market Momentum Drive Infiltrator's Growth

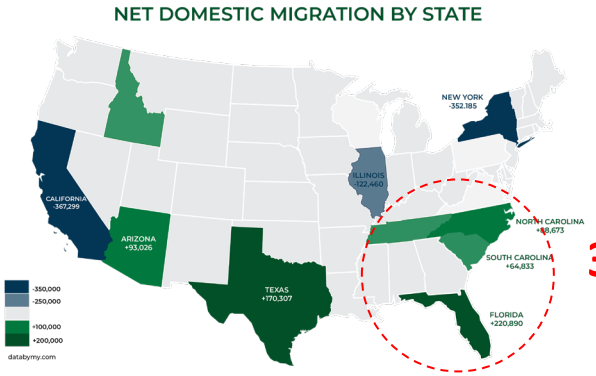
The Housing Market is Positioned for Sustained Growth



Increased Homebuilder Inventory Pre-buys will Boost Growth



WMS is Setup to Succeed in the Southeast Region



53% of WMS sales are focused on the Southeastern U.S.

33% of new single-family homes in Southeast use on-site waste-water systems

The Southeast is a hotspot for homebuilders, with more than a quarter of them located there. WMS has established strong relationships with the top 20 homebuilders.

Infiltrator primarily serves new residential construction, with its products typically installed late in the construction cycle. As a result, Infiltrator sales are more closely tied to housing completions, occurring approximately six months after a housing start.

As a Result, Our Model Projects an Estimate Above Consensus

Infiltrator: Consensus v. Estimates			
Revenue	**FY24A**	**FY25E**	**FY26E**
Estimate	$ 531,236	$ 610,921	$ 702,560
Consensus	531,236	582,833	672,167
Delta (%)	**0.0%**	**4.8%**	**4.5%**
Growth - Team	1.5%	15.0%	15.0%
Growth - Consensus	1.5%	9.7%	15.3%

Sources: FactSet, Company Filings, Investor Presentations, FRED Economic Data, Connor Investment, Internal Model Projections

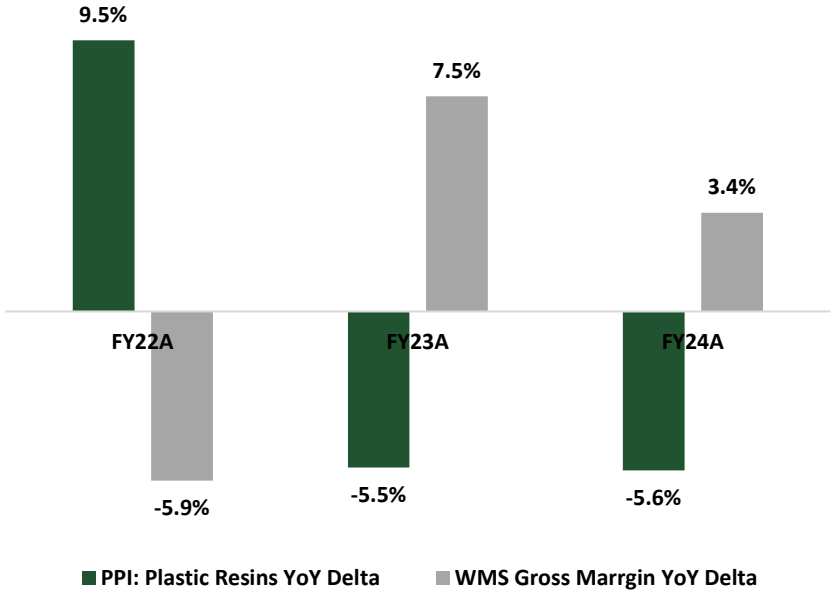
Investment Thesis #3 – Margin Expansion

Sustainable Margin Expansion Through Structural Improvements

Consensus Seems to Attribute Margins Primarily to Resin Pricing…

- Consensus underappreciates the magnitude of structural enhancements occurring within the business, viewing WMS as a primarily commoditized plastic manufacturer
- The transition toward higher-margin Infiltrator and Allied Products, with margins in the mid-50% range, is expected to drive 60bps of YoY structural gross margin expansion in FY26
- Vertically integrated recycling enhances the use of recycled plastics, which are 10%-20% cheaper than virgin materials and constitute 40% of COGS, contributing 20bps of YoY incremental margin in FY26

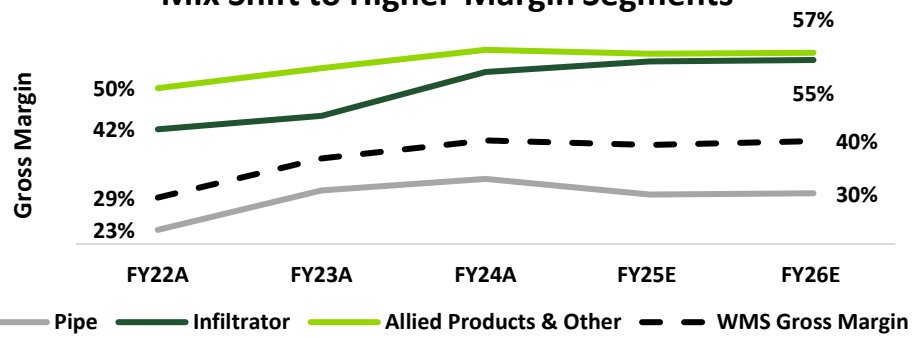
WMS Gross Margin vs. Plastic Resin Price Fluctuations



…Underestimating Structural Improvements Driving Margin Expansion

1

Mix Shift to Higher-Margin Segments



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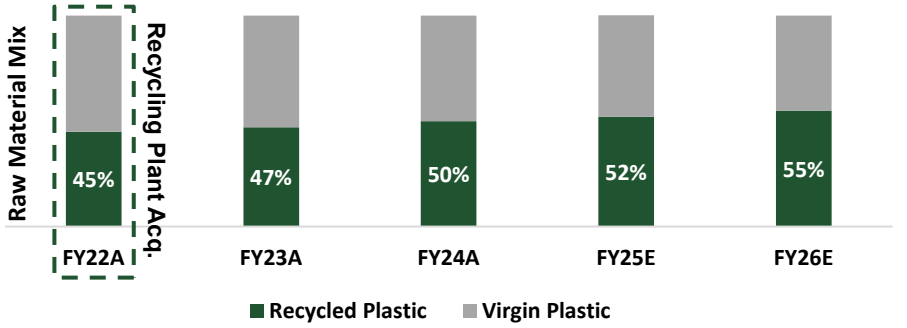
Infiltrator and Allied Product segments increasing in revenue mix from 20% to 22% and 21% to 24% by FY26, respectively

2

Recycled Plastic Use Reduces Material Costs



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Gross Margin Breakdown			
Margin Contribution Analysis	**FY24A**	**FY25E**	**FY26E**
Implied Net Price/Cost Impact		-1.5%	0.0%
Segment Mix Contribution		0.5%	0.6%
Recycled Material Contribution		0.1%	0.2%
YoY Gross Margin Delta		**-0.9%**	**0.8%**
Gross Margin	**FY24A**	**FY25E**	**FY26E**
Team Estimate	39.9%	39.0%	39.8%
Consensus Estimate	39.9%	38.8%	39.3%
Delta		**0.2%**	**0.5%**

Sources: FRED Data, IBISWorld, Statista, WMS 2022 Investor Presentation, FactSet, Internal Model Projections

Valuation Summary – Substantiating the Multiples

WMS Fundamentals Support a Multiple Re-Rating

We identified JHX and TREX as core peers due to their focus on material conversion and forward growth profiles. Our valuation uses forward multiples of 23.0x P/E and 14.5x EV/EBITDA, reflecting a slight premium to JHX and a discount to TREX, aligned with historical trading ranges

Comparable Company Valuation Multiples	Market Data				P/E		EV/EBITDA		EBITDA %	ROA	ROE	ROIC	Revenue	EPS
Company	Ticker	Stock Price	Mkt Cap ($M)	EV ($M)	2025	2026	2025	2026	5YR Avg.	5YR Avg.	5YR Avg.	5YR Avg.	FWD 2YR CAGR	FWD 2YR CAGR
Advanced Drainage Solutions (Consensus)	**WMS**	**$ 131.50**	**$ 10,080**	**$ 10,751**	**20.1x**	**18.1x**	**11.8x**	**10.9x**	**24.4%**	**8.0%**	**21.9%**	**10.3%**	**4.3%**	**2.1%**
Advanced Drainage Solutions (Team Estimates)					**17.9x**	**15.2x**	**10.7x**	**9.6x**	**24.4%** ①	**8.0%**	**21.9%** ②	**10.3%**	**5.9%** ③	**6.6%**
Material Conversion Comparables														
James Hardie Industries	JHX	35.66	14,967	15,522	21.5x	18.3x	13.7x	12.0x	26.2%	9.2%	30.4%	16.4%	3.8%	3.5%
Trex Company, Inc.	TREX	72.25	7,568	7,625	33.1x	28.9x	21.0x	18.7x	25.5%	23.1%	33.0%	31.6%	5.2%	8.5%
AZEK Co.	AZEK	50.98	7,365	7,634	35.0x	29.8x	18.7x	17.0x	18.7%	2.1%	2.8%	2.4%	6.2%	30.3%
Hayward Holdings, Inc.	HAYW	16.06	3,586	4,285	21.2x	17.9x	14.8x	13.2x	24.2%	3.9%	9.3%	4.8%	5.1%	16.5%
Latham Group, Inc.	SWIM	6.89	764	961	72.9x	40.5x	11.6x	10.4x	10.8%	(1.7%)	(4.1%)	(2.2%)	(3.0%)	(22.5%)
Median					**33.1x**	**28.9x**	**14.8x**	**13.2x**	**24.2%** ①	**3.9%**	**9.3%** ②	**4.8%**	**5.1%** ③	**8.5%**
Water Comparables														
Xylem Inc.	XYL	126.87	30,638	31,936	26.7x	23.8x	16.8x	15.3x	16.4%	4.6%	11.2%	6.6%	10.0%	12.1%
Zurn Elkay Water Solutions Corporation	ZWS	39.93	6,815	7,151	29.7x	26.7x	17.8x	16.4x	17.1%	3.4%	7.8%	4.5%	2.9%	17.5%
Watts Water Technologies, Inc.	WTS	215.17	7,089	6,996	24.1x	22.4x	15.5x	14.5x	17.2%	9.9%	15.8%	13.1%	5.4%	4.0%
Mueller Water Products, Inc.	MWA	25.18	3,961	4,100	21.2x	19.6x	13.3x	12.6x	17.9%	5.6%	12.2%	7.3%	3.4%	29.5%
Median					**25.4x**	**23.1x**	**16.2x**	**14.9x**	**17.2%** ①	**5.1%**	**11.7%** ②	**6.9%**	**4.4%** ③	**14.8%**

WMS Multiple Premium / (Discounts)	Forward P/E		Forward EV/EBITDA	
	2025	2026	2025	2026
Multiple (Discount) vs. Material Conversion Comps	(39.3%)	(37.3%)	(19.9%)	(17.0%)
Multiple (Discount) vs. Water Comps	(21.0%)	(21.7%)	(26.8%)	(26.6%)

Rationale for Multiple Re-Rating:

1. **Premium EBITDA Margins**
   24.4% vs. 17.2% for Water Comparables
2. **Strong ROA, ROE, and ROIC**
   Superior to Comparables
3. **Robust Growth Profile**
   Aligned with Material Conversion Peers

Sources: FactSet, Internal Model Projections

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Valuation Summary – Overview

2025 Base Case Price Target of $172 Indicates 31% Upside

Valuation Methodology: Price Targets Derived from Averaged P/E and EV/EBITDA Multiple Results Across Downside, Base, and Upside Case Scenarios

P/E
Based on Current Peer Trading Multiples

EV/EBITDA
Based on Current Peer Trading Multiples

Valuation Summary: 2025 Target Price

	Downside Case	Base Case	Upside Case
2026 EPS	$ 6.46	$ 7.33	$ 7.89
Forward P/E Multiple	15.0x	23.0x	25.0x
Target Price	$ 97	$ 169	$ 197
2026 EBITDA ($M)	$ 916	$ 1,003	$ 1,060
Forward EV/EBITDA Multiple	9.0x	14.5x	16.5x
Total Enterprise Value ($M)	$ 8,242	$ 14,543	$ 17,483
(-) Net Debt	770	770	770
Total Equity Value ($M)	$ 7,472	$ 13,773	$ 16,713
(÷) Shares Outstanding (M)	78	78	78
Target Price	$ 96	$ 176	$ 214
Average Target Price	$ 96	$ 172	$ 206
Upside / (Downside)	-27%	31%	56%

Forecast Assumptions

	Downside	Base	Upside
FY24-FY29 Revenue CAGR	4.2%	6.3%	7.6%
FY24-FY29 Average GM (%)	39.2%	40.2%	40.8%
FY24-FY29 EPS CAGR	8.3%	11.0%	14.0%

Base Case: Consensus v. Estimates

Revenue	FY24A	FY25E	FY26E
Estimate	$ 2,874,473	$ 2,965,989	$ 3,225,410
Consensus	2,874,473	2,941,780	3,128,130
Delta (%)	**0.0%**	**0.8%**	**3.1%**
Growth - Team		(6.4%)	3.2%	8.7%
Growth - Consensus		(6.4%)	2.3%	6.3%
Gross Margin			
Estimate		39.9%	39.0%	39.8%
Consensus		39.9%	38.8%	39.3%
Delta		**0.0%**	**0.2%**	**0.5%**
Growth - Team		9.5%	(2.2%)	2.0%
Growth - Consensus		9.5%	(2.6%)	1.3%
EPS			
Estimate	$ 6.45	$ 6.35	$ 7.33
Consensus	6.45	6.09	6.73
Delta (%)	**0.0%**	**4.3%**	**8.9%**
Growth - Team		6.1%	(1.5%)	15.4%
Growth - Consensus		6.1%	(5.6%)	10.5%

Sources: FactSet, Internal Model Projections

Risks to Valuation

While Key Valuation Risks Exist, WMS Is Strategically Positioned to Mitigate Them

Regulatory Material Conversion Delays	▪ **Risk:** Transitioning from legacy materials to plastic products is critical for WMS's growth. Failure to transition customers, regulatory restrictions, or approval delays could hinder progress. ▪ **Mitigant:** WMS's lobbying team engages regulators to promote corrugated plastic and expedite approvals. The company has a proven history of entering new markets successfully.	High
Fluctuations in Plastic Resin Prices	▪ **Risk:** A rapid and substantial increase in the cost of resin could compress profit margins if WMS cannot fully pass these costs to customers via value-based pricing. ▪ **Mitigant:** Advanced Drainage mitigates this risk through bulk purchasing discounts and increased reliance on recycled plastics, supported by its vertically integrated recycling operations, reducing margin pressure.	Moderate
Exposed to Construction Cyclicality	▪ **Risk:** A prolonged downturn in Residential and Non-Residential construction, WMS's primary markets, could significantly impact earnings. ▪ **Mitigant:** Stabilizing mortgage rates and a limited housing supply, especially in the South where WMS is focused, create a favorable environment that mitigates exposure to broader construction slowdowns.	Moderate

Sources: SEC Filing, Investor Presentations

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Questions?

ADS™
Advanced Drainage Systems, Inc.

Photo Credit: Tina Abilgaziyeva

Appendix: Investment Thesis #1 - Ageing Infrastructure

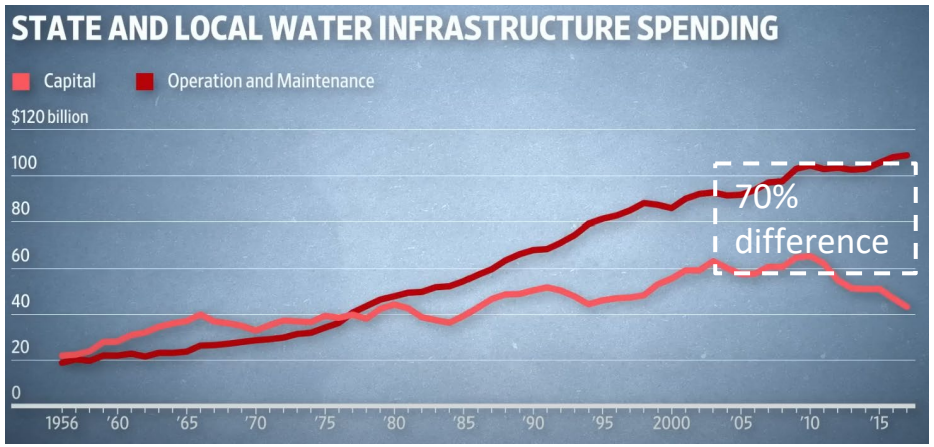
Plastic Pipes' Superior Value Proposition Make them Ideal Solution to the US Water Infrastructure Crisis

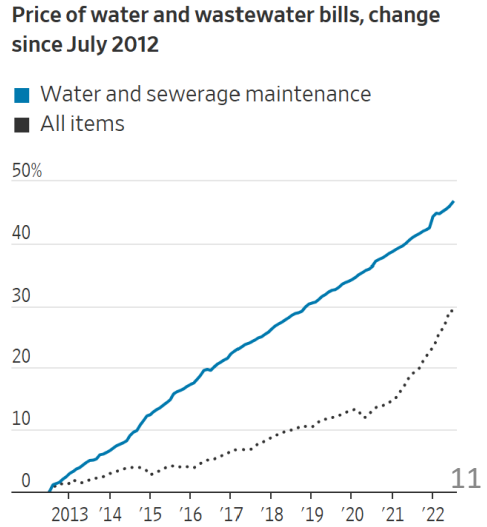
- Most of stormwater pipes, installed in the 1970s, are at or beyond their 40–50-year service life
- According the American Society of Civil Engineers (ASCE), the average US pipe is 45 years old with some pipes dating back to the 1800s
- As a result, 2/3 of the American Water Infrastructure is due for replacement
- Replacing current pipes costs roughly $1M per mile, and many states and municipalities resort to patching existing pipes. Today, replacement spending exceeds new CAPEX by 70%
- A lack of federal funds combined the increasing occurrence of water main breaks, water boil advisories, and high precipitation storms presents an opportunity for low-cost plastic pipes
- Legacy materials like cement pipes are heavier which makes them costly to transport, install, and repair
- Plastic pipes are 90% lighter and can last 100 years

HDPE & PP Value Proposition	
Installs 2-3x Faster than Concrete and Other Materials	20% less Installation Cost (lighter, cheaper to transport and install)
Service Life of 100 years v. 45-50 years for traditional materials	Increasing Enviromental Benefits as >50% of plastic supply is recycled

Plastic Pipes Offer Superior Performance at a Lower Cost and States and Utilities Rush to Replace Infrastructure

Every 2 minutes, a water main breaks in the US, >50K utilities struggle to replace pipes, results in rising water rates for consumers





Sources: 2022 Investor Presentation, Wall Street Journal, American Society of Civil Engineers

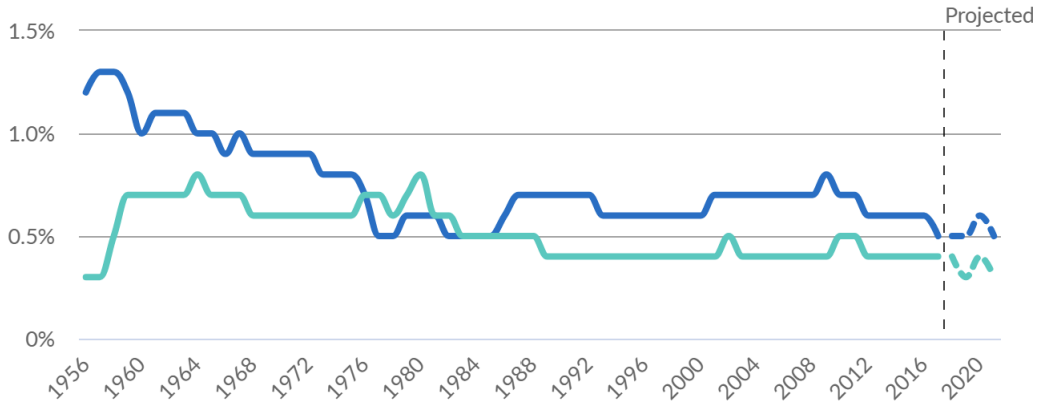
Appendix: Investment Thesis #1 Government CAPEX

Plastic Gains Share as State Departments of Transportation Approve the Use for Stormwater Infrastructure – Benefiting WMS

Figure 1

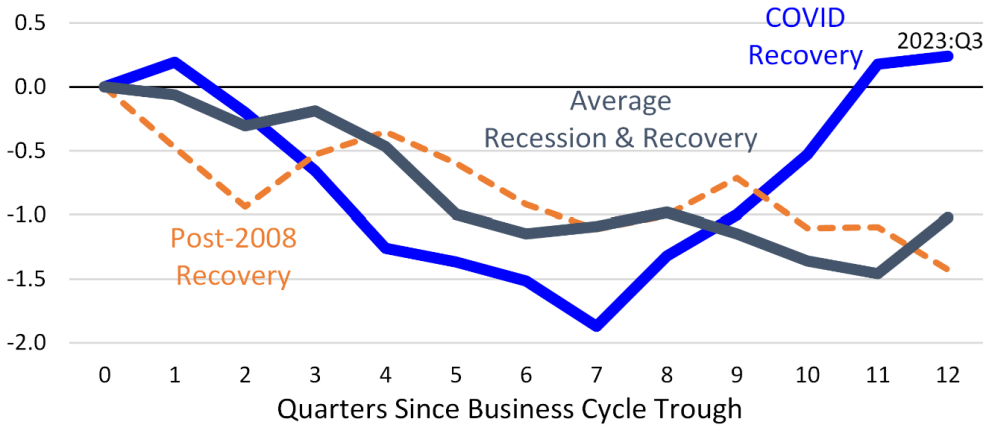
Rates of Government Infrastructure Spending Since the 1950s

Capital investments as a percentage of gross domestic product, 1956-2021



S&L Capital Investment as Share of S&L Spending Across Business Cycles

Percentage Point Change Since Business Cycle Trough

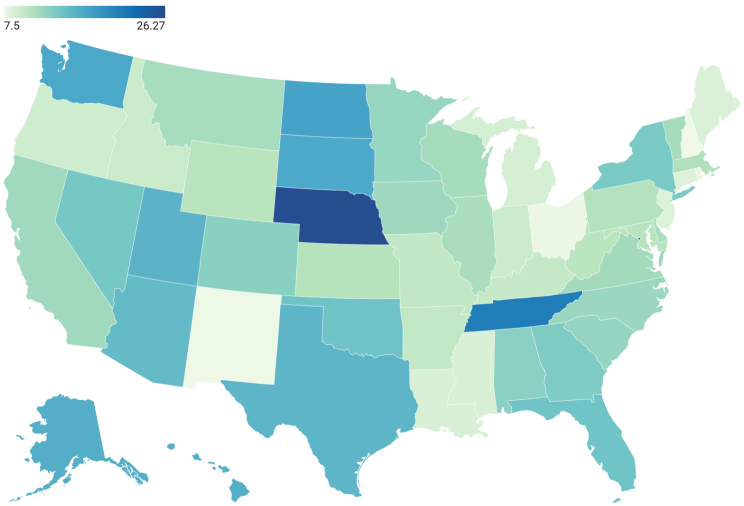


Source: Bureau of Economic Analysis; U.S. Treasury calculations.

Notes: Capital investment is gross investment in equipment and structures. Average includes NBER business cycle troughs since 1971.

Infrastructure as a percentage of 2019 state expenditures

Thirty-five states dedicated more than 10% of their total spending to transportation and utilities. Highway spending made up a large portion of states' expenditures.

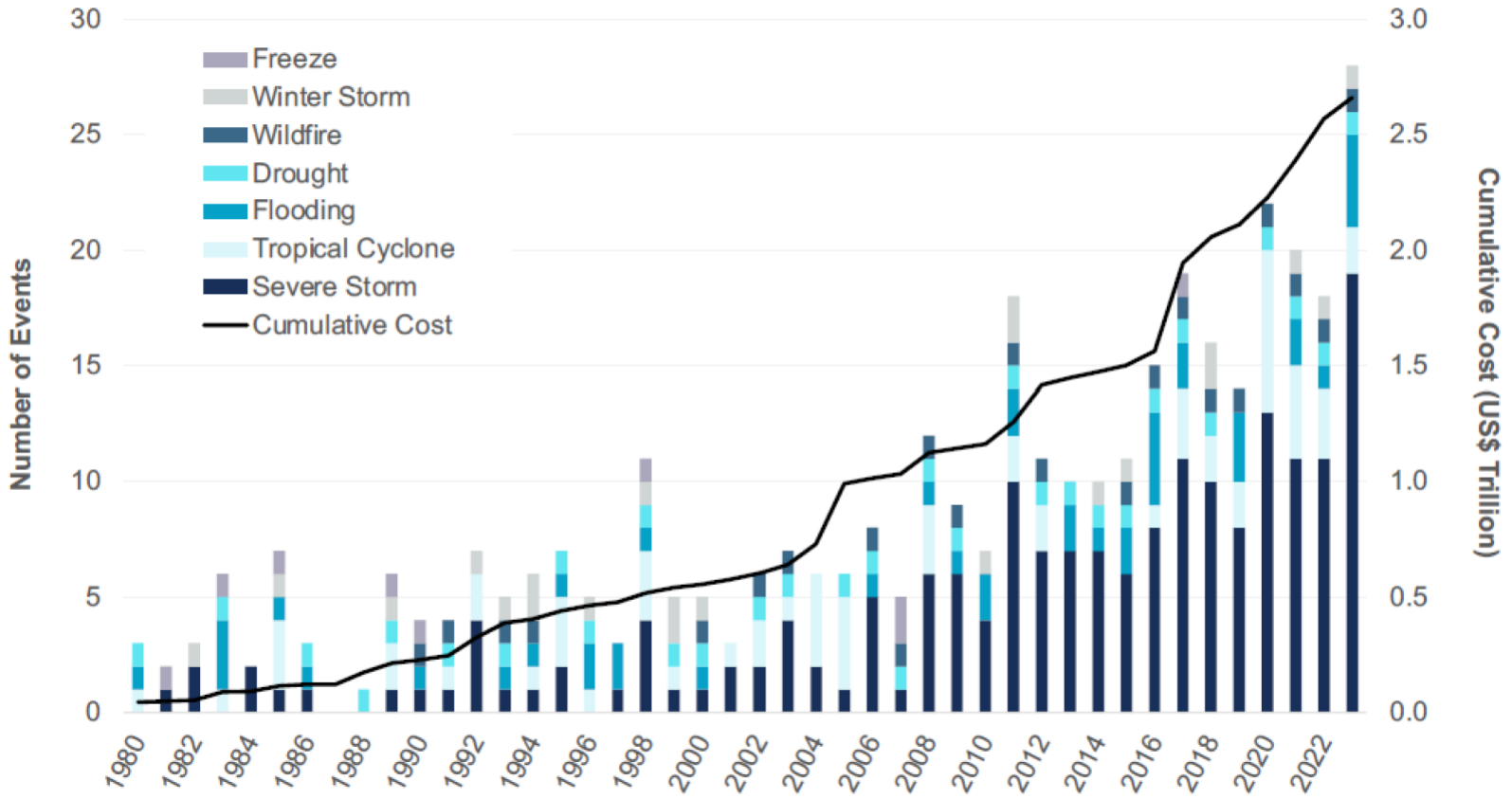


Sources: The Pew Charitable Trust, US Department of the Treasury, US News and World Report

Appendix: Investment Thesis #1 - Aging Infrastructure

Current Stormwater Infrastructure was not built to accommodate increased average precipitation and frequency of major storms

Exhibit 3. US Billion-Dollar Climate Disasters, 1980–2023



Note: Costs expressed in 2023 US$

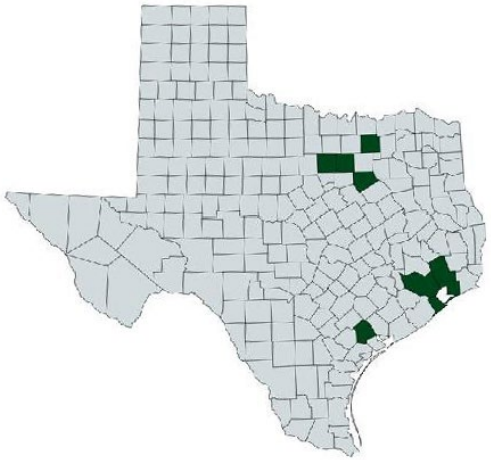
Storms now average ~22B in damages per year with Stormwater related events now accounting for >75% or $1B+ disasters. Additionally, between the 1980s and the 2020s the US counties have seen on average an 18% increase in number of extreme precipitation days

Sources: Oppenheimer Research, National Centers for Environmental Research, Bluefield Research

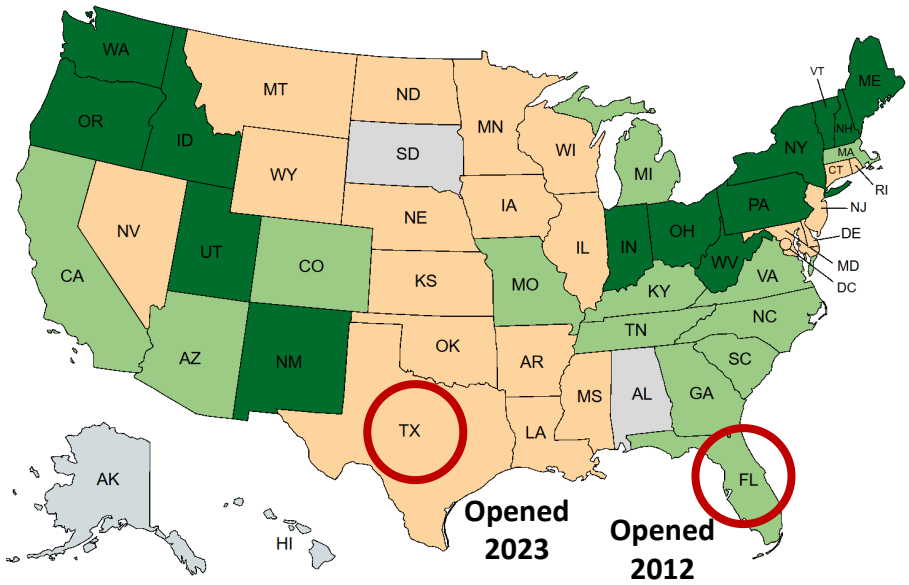
Appendix: Investment Thesis #1 Approval Process for Plastic

Plastic Gains Share as State Departments of Transportation Approve the Use for Stormwater Infrastructure – Benefiting WMS

"Many" - >60% of the population



"Some" - <50% of the population



Most Many Some Few

- Most, estimated to be approvals in counties encompassing 80-100% of a state's population
- Many, estimated to be approvals in counties encompassing 50-80% of a state's population
- Some, estimated to be approvals in counties encompassing 30-50% of a state's population
- Few, estimated to be approvals in counties encompassing 0-30% of a state's population
- Note: these estimates were derived via case studies provided by historical investor presentations (see Florida and Texas Examples)

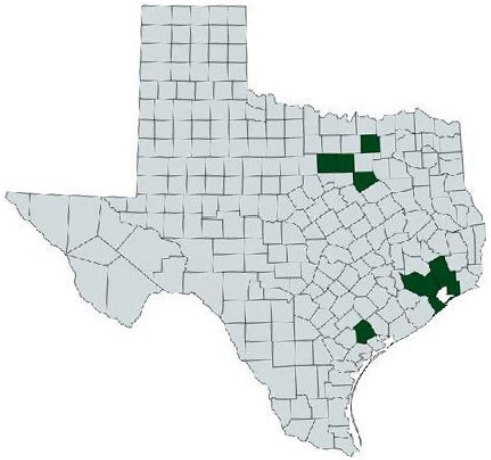
Sources: Bluefield Research, State DOT selection guides, Company Earnings Call, Company Investor Presentation, Underground Infrastructure, Company Website, Correspondence with Advanced Drainage Field Engineer

Appendix: Investment Thesis #1 Approval Process for Plastic

Plastic Gains Share as State Departments of Transportation Approve the Use for Stormwater Infrastructure – Benefiting WMS

Florida & Texas Case Studies

Since winning approval in 2012, WMS now has business in Florida counties encompassing >60% of the population

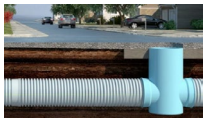


Since winning approval in 2023, WMS already grown its Texas presence to counties with ~50% of the population

Approval Process for HDPE and PP pipe

1. State DOT approves plastic pipes for State infrastructure

2. 
Contractors incorporate plastic for state projects

3. 
Counties and Municipalities begin approvals for local projects

4. 
Contractors incorporate plastic for non-infrastructure projects

- Private contractors follow State Departments of Transportation (DOT) guidelines when sourcing pipes
- From 1990 to 2022, states in the Midwest and Northeast gradually approved the use of plastic pipes for stormwater management
- This resulted in plastic growing from 1% share in 1990 to 38% share in 2022
- When a DOT approves the use of plastic, like Florida did in 2014, Plastic captures more market share as contractors are attracted to the superior value proposition.
- As a result, WMS saw Florida sales spike by 20% once other localities followed the DOT and private contractors began sourcing plastic
- In 2023, Texas approved the use of plastic pipes and WMS has begun to growth in new orders in the state

Sources: Bluefield Research, State DOT selection guides, Company Earnings Call, Company Investor Presentation, Underground Infrastructure, Company Website, Correspondence with Advanced Drainage Field Engineer

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Appendix: Investment Thesis #1 Approval Process for Plastic

Example of State Pipe Material Selection Guide

[redacted] PIPE MATERIAL SELECTION GUIDE

	RCP (REINFORCED CONCRETE) AASHTO M170								CSP (CORRUGATED STEEL) AASHTO M36 2 2/3 X 1/2 CORRUGATION								CAAP (CORRUGATED ALUMINUM) AASHTO M196 2 2/3 x 1/2 CORRUGATION								HDPE AASHTO M294			PP ASTM F2881, ASTM F2764, OR AASHTO M330			PVC–ASTM F949 AASHTO M304		
	CLASS II		CLASS III		CLASS IV		CLASS V		SIZE	MIN.	MAXIMUM						SIZE	MIN.	MAXIMUM						SIZE	MIN.	MAX	SIZE	MIN.	MAX	SIZE	MIN.	MAX
	MIN.	MAX.	MIN.	MAX.	MIN.	MAX.	MIN.	MAX.			(Ga)	16	14	12	10	8			(Ga)	16	14	12	10	8								
FILL TABLES	2.0'	10.0'	2.0'	20.0'	1.0'	30.0'	1.0'	40.0'	12"	1.0'		204'	256'				12"	1.0'		123'	155'	218'	281'	344'	12"	2.0'	20'	12"	1.0'	20'	12"	2.0'	30'
	(FOR FILLS >40' & <80' USE LRFD DIRECT DESIGN METHOD. NOTE: DIRECT DESIGN METHOD RCP PIPES MUST HAVE A MINIMUM DIAMETER OF 36".)								15"	1.0'		162'	204'				15"	1.0'		98'	123'	174'	224'	275	15"	2.0'	20'	15"	1.0'	20'	15"	2.0'	30'
	WHEN FILL HEIGHTS (NOT INCLUDING THE PAVEMENT STRUCTURE AND CURB) FOR RCP RUNNING PARALLEL TO AND UNDER CURB AND GUTTER, EXPRESSWAY GUTTER, SHOULDER BERM GUTTER AND ADJACENT TO MEDIAN BARRIER ARE 1' OR LESS, SPECIFY CLASS IV RCP.								18"	1.0'		135'	169'	239'			18"	1.0'		81'	102'	144'	187'	228'	18"	2.0'	20'	18"	1.0'	20'	18"	2.0'	30'
									24"	1.0'		100'	126'	178'			24"	1.0'		60'	76'	108'	139'	171'	24"	2.0'	20'	24"	1.0'	20'	24"	2.0'	30'
									30"	1.0'		79'	100'	142'			30"	1.0'			60'	85'	111'	136'	30"	2.0'	17'	30"	1.0'	20'	30"	2.0'	30'
	WHEN THE FILL HEIGHTS (FROM TOP OF PIPE TO SUBGRADE) FOR RCP RUNNING UNDER/ACROSS THE PAVEMENT ARE 1' OR LESS, SPECIFY CLASS V RCP.								36"	1.0'		65'	83'	117'	152'		36"	1.0'		50'	71'	92'	113'		36"	2.0'	17'	36"	1.0'	20'	36"	2.0'	30'
									42"	1.0'		55'	70'	100'	130'	160'	42"	1.0'			60'	78'	96'		42"	2.0'	17'	42"	1.0'	20'			
	SPECIFY A SINGLE CLASS OF RCP IN A SINGLE RUN OF PIPE.								48"	1.0'		48'	61'	87'	113'	139'	48"	1.0'			52'	68'	84'		48"	2.0'	17'	48"	1.0'	20'			
									54"	1.0'			54'	77'	100'	123'	54"	1.0'			46'	50'	74'		54"	2.0'	17'	54"	NA	NA			
									60"	1.0'				69'	90'	111'	60"	1.0'				50'	62'		60"	2.0'	17'	60"	1.0'	20'			
									66"	1.0'					81'	100'	66"	1.0'					51'									
									72"	1.0'					74'	91'	72"	1.0'					41'									
									78"	1.0'						81'																
									84"	1.0'						69'																
OPEN END CROSS PIPES	INTERSTATE		CAN BE USED		USE ONLY IF PIPE SLOPE IS GREATER THAN 10%				USE ONLY IF PIPE SLOPE IS GREATER THAN 10%								DO NOT USE															
	PRIMARY		CAN BE USED		CAN BE USED				CAN BE USED								USE ONLY IF TRAFFIC <15000 ADT & <200 DUALS & <100 TTST															
	SECONDARY		CAN BE USED		CAN BE USED				CAN BE USED								CAN BE USED															
STORM DRAIN SYSTEMS	INTERSTATE		CAN BE USED		USE ONLY AT SYSTEM INLETS & SYSTEM OUTLET IF PIPE SLOPE IS GREATER THAN 10%				USE ONLY AT SYSTEM INLETS & SYSTEM OUTLET IF PIPE SLOPE IS GREATER THAN 10%								DO NOT USE															
	PRIMARY		CAN BE USED		USE ONLY AT SYSTEM INLETS & SYSTEM OUTLET IF PIPE SLOPE IS GREATER THAN 10%				USE ONLY AT SYSTEM INLETS & SYSTEM OUTLET IF PIPE SLOPE IS GREATER THAN 10%								USE ONLY IF TRAFFIC <15000 ADT & <200 DUALS & <100 TTST															
	SECONDARY		CAN BE USED		USE ONLY AT SYSTEM INLETS & SYSTEM OUTLET IF PIPE SLOPE IS GREATER THAN 10%				USE ONLY AT SYSTEM INLETS & SYSTEM OUTLET IF PIPE SLOPE IS GREATER THAN 10%								CAN BE USED															
TRANSVERSE MEDIAN PIPES	INTERSTATE		CAN BE USED		USE ONLY IF PIPE SLOPE IS GREATER THAN 10%				USE ONLY IF PIPE SLOPE IS GREATER THAN 10%								DO NOT USE															
	PRIMARY		CAN BE USED		CAN BE USED				CAN BE USED								USE ONLY IF TRAFFIC <15000 ADT & <200 DUALS & <100 TTST															
	SECONDARY		CAN BE USED		CAN BE USED				CAN BE USED								CAN BE USED															
SLOPE DRAINS	INTERSTATE		DO NOT USE		CAN BE USED				CAN BE USED								CAN BE USED															
	PRIMARY		DO NOT USE		CAN BE USED				CAN BE USED								CAN BE USED															
	SECONDARY		DO NOT USE		CAN BE USED				CAN BE USED								CAN BE USED															
SIDE DRAINS	INTERSTATE		CAN BE USED		CAN BE USED				CAN BE USED								CAN BE USED															
	PRIMARY		CAN BE USED		CAN BE USED				CAN BE USED								CAN BE USED															
	SECONDARY		CAN BE USED		CAN BE USED				CAN BE USED								CAN BE USED															

NOTES

1– RCP IS NOT ALLOWED FOR GRADES >10%
2– FOR COUNTIES LISTED IN ARTICLE 310–4 OF THE STANDARD SPECIFICATIONS CSP IS NOT ALLOWED IN OTHER COUNTIES CSP REQUIRES AN ACCEPTABLE COATING IN ACCORDANCE WITH 1032–4.
3– FOR DIFFERENT CORRUGATIONS AND ARCH PIPES REFER TO ROADWAY DESIGN MANUAL AND MANUFACTURERS SPECIFICATION.
4– MINIMUM FILL HEIGHT IS MEASURED FROM TOP OF PIPE TO SUBGRADE.
5– WHERE SITE CONDITIONS ALLOW: INCREASE PIPE DIAMETER OF OPEN END CROSS PIPES AND SECTIONS OF STORM SEWER SYSTEMS ACTING AS OPEN END CROSS PIPES, A MINIMUM OF ONE SIZE FOR FUTURE REHABILITATION. THIS IS IN ADDITION TO UPSIZING TO COMPENSATE FOR BURYING INVERTS FOR WILDLIFE PASSAGE.
6– FOR PIPE RUNS WITH GREATER THAN 12' VERTICAL DROP TO DOWNSTREAM STRUCTURE, PROVIDE A MEANS TO REDUCE RISK OF UNINTENDED ENTRY INTO UPSTREAM END OF PIPE.
7– FILL HEIGHTS SHOWN WERE CALCULATED USING AASHTO LRFD BRIDGE DESIGN SPECIFICATIONS. JUSTIFY FILL HEIGHT OR DESIGN DEVIATIONS WITH STRUCTURAL DESIGN BASED ON AASHTO LRFD BRIDGE DESIGN OR ASTM STANDARDS. SUBMIT DESIGN SEALED BY AN NC PE FOR REVIEW & APPROVAL BY NCDOT.

INSTALLATION OF ALL PIPE TYPES IS SUBJECT TO THE INSTALLATION METHODS FOUND IN THE STANDARD DRAWINGS, STANDARD SPECIFICATIONS, HYDRAULICS GUIDELINES, AND CONTRACT DOCUMENTS; ACCOUNTING FOR SITE CONDITIONS SUCH AS SOIL PROPERTIES.

ALL PIPES TYPES ARE SUBJECT TO THE MAXIMUM AND MINIMUM FILL HEIGHT REQUIREMENTS AS FOUND IN CHAPTER 5 OF THE ROADWAY DESIGN MANUAL. THE APPROPRIATE CLASS OF PIPE FOR RCP AND GAUGE THICKNESS FOR CSP/CAAP SHOULD BE SELECTED BASED ON FILL HEIGHT.

SITE SPECIFIC CONDITIONS MAY LIMIT A PARTICULAR MATERIAL BEYOND WHAT IS IDENTIFIED IN THE TABLE. THESE CONDITIONS INCLUDE, BUT ARE NOT LIMITED TO, ABRASION, ENVIRONMENTAL, SOIL RESISTIVITY AND PH, HIGH GROUND WATER AND SPECIAL LOADING CONDITIONS. THE HYDRAULIC DESIGN ENGINEER WILL DETERMINE IF ADDITIONAL RESTRICTIONS ARE NECESSARY.

DEFINITIONS

SIDE DRAINS– STORM DRAIN PIPES RUNNING PARALLEL TO THE ROADWAY TO INCLUDE PIPES IN THE MEDIANS, OUTSIDE DITCHES, DRIVEWAYS AND UNDER SHOULDER BERM GUTTER ALONG OUTSIDE SHOULDERS GREATER THAN 4' WIDE. MAY OR MAY NOT BE OPEN ENDED. 1' MINIMUM COVER FOR ALL SIDE DRAIN PIPE IN ACCORDANCE WITH STANDARD SPECIFICATIONS.

STORM DRAIN SYSTEMS– LATERAL DRAIN PIPE UNDER CURB AND GUTTER, EXPRESSWAY GUTTER AND SHOULDER BERM GUTTER (WITH SHOULDERS 4' WIDE OR LESS) THAT CONNECT DRAINAGE STRUCTURES AND IS NOT OPEN ENDED. ALSO INCLUDES CROSS DRAIN CONNECTING TWO OR MORE SYSTEMS OR SYSTEM OUTLETS. ONLY PIPE WITH SMOOTH WALL INSIDE WALLS WILL BE ALLOWED FOR STORM DRAIN SYSTEMS.

TRANSVERSE MEDIAN PIPES– SHALLOW CROSS DRAIN PIPE THAT COLLECTS DRAINAGE IN A MEDIAN DITCH OR CURB SECTION AND DEPOSITS IT OUTSIDE DITCHES OR NATURAL DRAINAGE CHANNELS. MAY OR MAY NOT BE OPEN ENDED.

ALTERNATE PIPE– PIPE IN WHICH MATERIAL IS UNSPECIFIED ON THE DRAINAGE SUMMARY SHEET AND DRAINAGE PLANS.

HDPE– HIGH DENSITY POLYETHYLENE

PP– POLYPROPYLENE

Printed 2024 08 02
Revised 2024 08 02

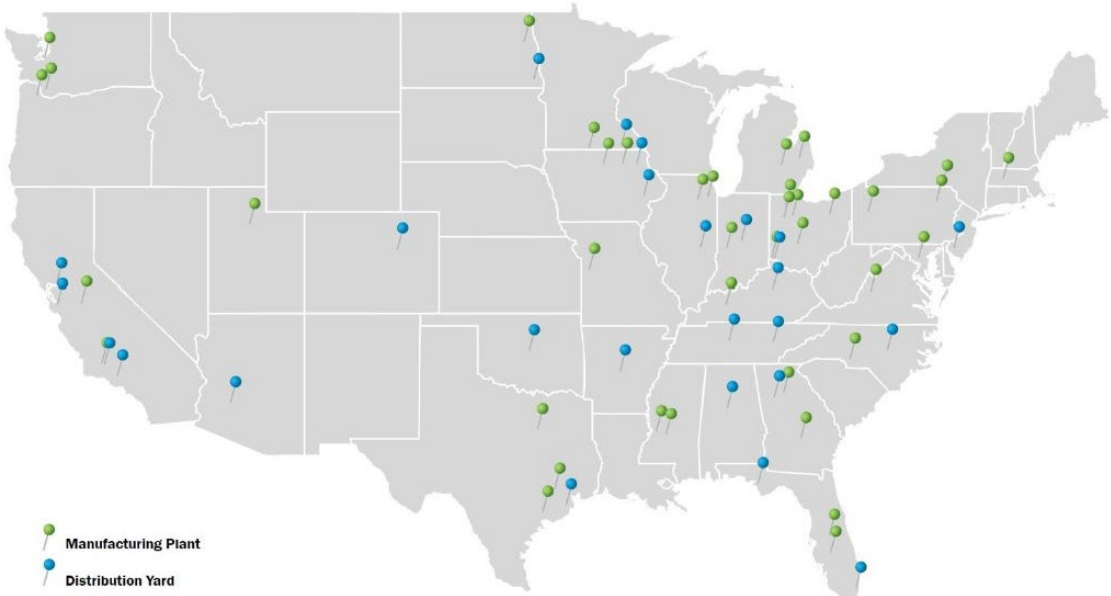
[redacted] Material Selection Guide 2024 08 02 revision

Sources: State Department of Transportation

Investment Thesis #1 – WMS has National Scale

WMS's Position as the Largest National Producer of Plastic Pipe Combined with its Vertical Integration Makes it the Primary Winner

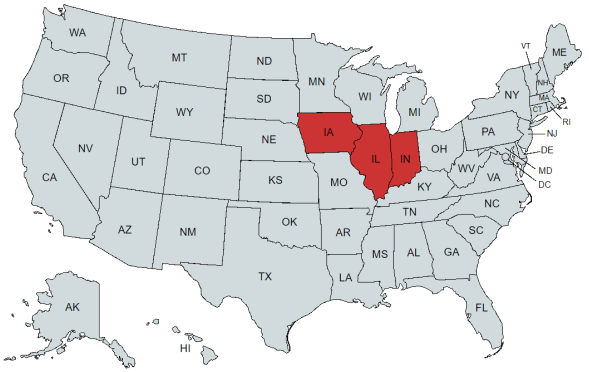
WMS National Footprint



59 plants, 29 distribution facilities, and 650+ truck fleet*

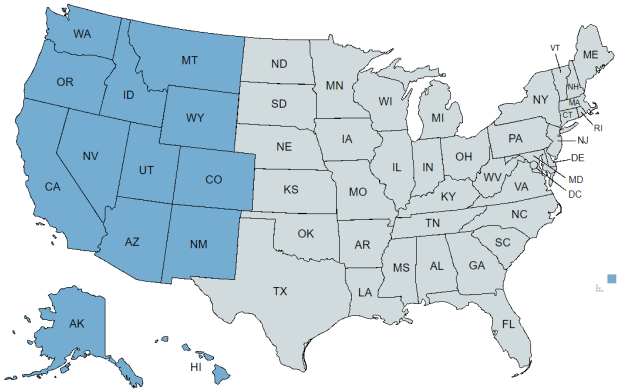
- WMS is the largest manufacturer of plastic pipe with a national manufacturing and distribution base
- Distribution centers and truck fleet allow for a distribution radius of ~300 miles from each distribution center
- WMS has advanced manufacturing with 190 patents and R&D that ensures its pipes are superior quality
- The company has an advanced molding facility in Winchester KY with the world's largest compression molding machine
- WMS's status as a high-volume resin buyer gives it economies of scale and favorable pricing
- The company also sources >50% of its resins from recycled material which provides additional cost savings

Competitor (Fratco) Footprint



-Fratco Presence

Competitor (Pacific Corrugated) Footprint



-Pacific Corrugated Presence

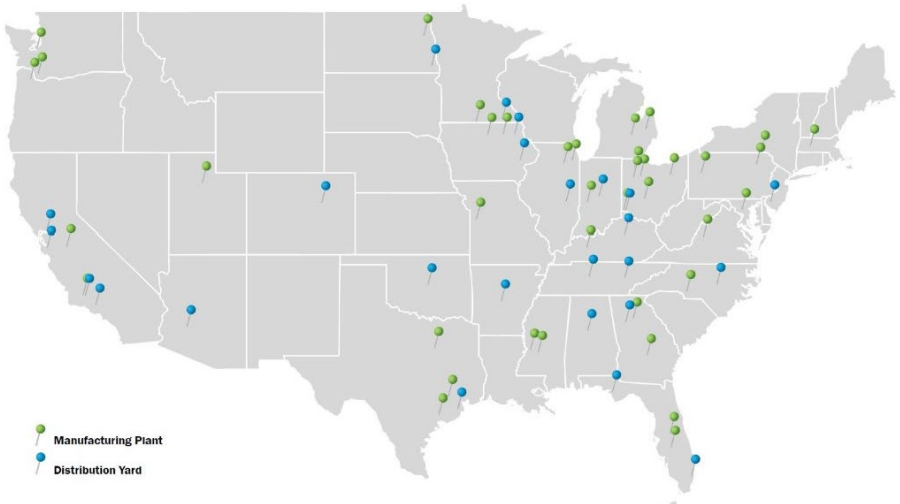
Note: Our map only shows WMS's US footprint. The company also has 5 plants and 12 distribution facilities internationally

Sources: Company 10-K, Company IR presentation. Fratco Company Website, Pacific Corrugated Website

Investment Thesis #1 – WMS has National Scale

WMS's Next Largest Competitor, JM Eagle, Has a Smaller Distribution Footprint With Less Coverage of Key Markets

WMS National Footprint



JM Eagle Distribution Footprint

WMS	JM Eagle
29 US Distribution Facilities in 18 states	21 US Distribution Facilities in 15 US states
2 Facilities in Florida	No Distribution Facilities in Florida
3 Distribution Facilities in Texas	1 Distribution Facility in Texas
4 Facilities in California	6 Facilities in California

Sources: Company 10-K, Company IR presentation. JM Eagle Website

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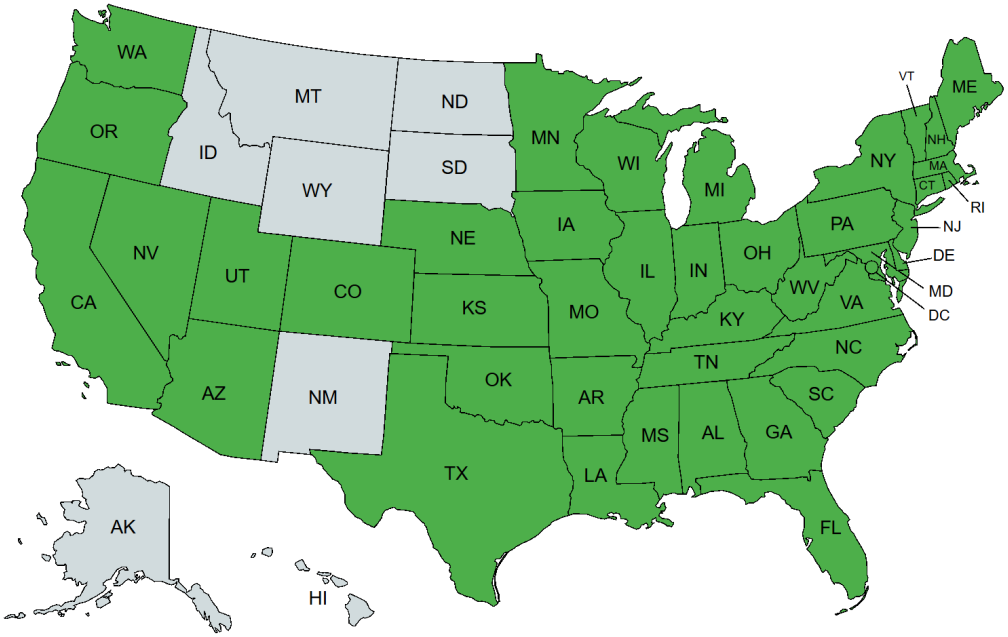
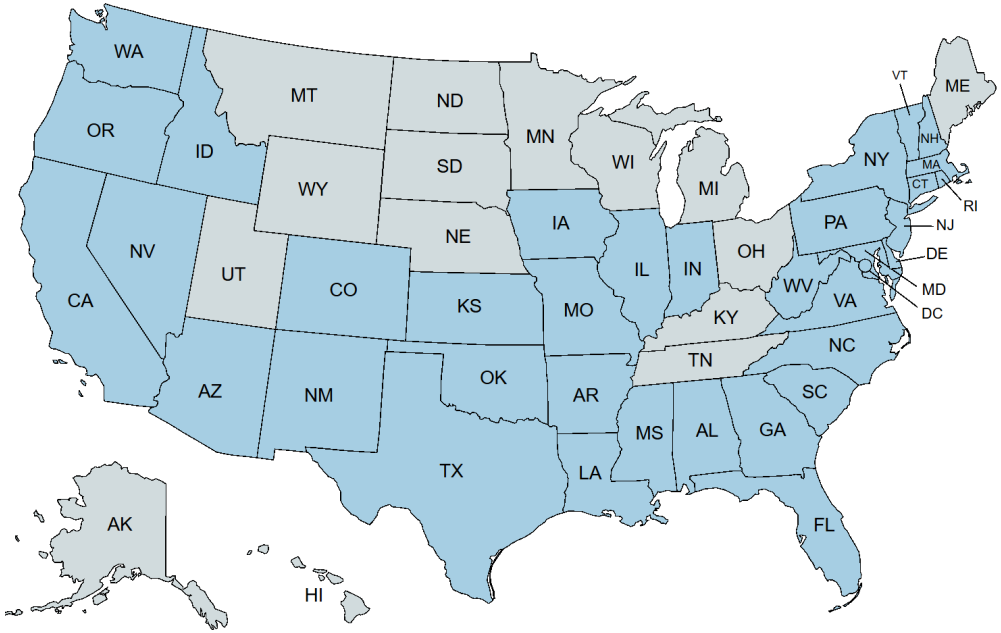
Investment Thesis #1 – WMS has national scale

WMS's Next Largest Competitor, JM Eagle, Has a Smaller Distribution Footprint With Less Coverage of Key Markets

WMS National Footprint



JM Eagle Distribution Footprint



Within WMS's Shipping Coverage

Within JM Eagle's Shipping Coverage

Note: Estimated Map Coverage Generated Using Company Website Data, Record Distribution Centers, and Effective 300 Shipping Radius

Sources: Company 10-K, Company IR presentation. JM Eagle Website, Team Generated

Investment Thesis #1 – WMS has national scale

WMS's position as the largest national producer of plastic pipe combined with its vertical integration makes it the primary winner

	Manufacturing Plants	Distribution Centers	Total
United States	51	29	80
Canada	5	4	9
Mexico [1]	4	2	6
South America [2]	4	5	9
Other [3]	—	1	1
Total	**64**	**41**	**105**

Sources: Company 10-K, Company IR presentation. JM Eagle Website

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Investment Thesis #1 – WMS has national scale

WMS's Fleet of 650+ Delivery Trucks Coupled with Their Distribution Base Gives Them an Effective Shipping Radius of ~300 Miles

Sources: Company 10-K, Company IR presentation. Site Visit

Investment Thesis #1 – Implied Plastic Pipe Share Capture

Consensus Estimates Currently Imply Declining CapEx Share Capture

Implied Consensus Pipe Segment	Mar-24A	Mar-25E	Mar-26E
U.S. Total Investment in Stormwater Infrastructure	$ 14,514,554	$ 14,590,298	$ 15,217,680
Allocation for Stormwater Pipe Infrastructure	70.0%	70.0%	70.0%
Total Investment in U.S. Stormwater Pipe Systems	**$ 10,160,188**	**$ 10,213,208**	**$ 10,652,376**
Market Share of Plastic Stormwater Pipes (HDPE & PP)	40.0%	40.2%	40.4%
Investment Allocation in Plastic Stormwater Pipes	**$ 4,064,075**	**$ 4,105,710**	**$ 4,303,560**
Consensus Implied WMS Market Capture in Plastic Pipe	40.5%	38.1%	37.9%
WMS Plastic Pipe Revenue	**$ 1,586,618**	**$ 1,565,270**	**$ 1,629,900**
Implied Market Share			
Team - Implied WMS Market Capture in Plastic Pipe Sector		38.6%	39.4%
Consensus - Implied WMS Market Capture in Plastic Pipe Sector		38.1%	37.9%
Delta		**0.5%**	**1.6%**

Sources: Bluefield Research, Internal Model Projections, FactSet

Investment Thesis #2 – Implied Infiltrator Share Capture

Strategic Regional Presence Fuels Accelerated Infiltrator Share Capture vs. Consensus

Implied Consensus Infiltrator Segment

	Mar-24A	Mar-25E	Mar-26E
Total U.S. Septic System Market	$ 5,300,000	$ 5,618,000	$ 5,955,080
Percentage of Septic Market Comprising Plastic Systems	43.0%	43.3%	43.5%
U.S. Market for Plastic Septic Systems	**$ 2,279,000**	**$ 2,429,785**	**$ 2,590,460**
Consensus Implied WMS Market Capture in Plastic Septic	23.3%	24.0%	25.9%
WMS Infiltrator Revenue	**$ 531,236**	**$ 582,833**	**$ 672,167**
Implied Market Share			
Team - Implied WMS Market Capture in Plastic Pipe Sector		25.1%	27.1%
Consensus - Implied WMS Market Capture in Plastic Pipe Sector		24.0%	25.9%
Delta		**1.2%**	**1.2%**

Sources: Bluefield Research, Internal Model Projections, FactSet

Investment Thesis #2 – Homebuilder Partners

Residential Homebuilder Programs

Focusing on building partnerships with the top homebuilders – estimated 30% of market opportunity is with the top 20 homebuilders

In 2019, began allocating key sales and engineering talent to focus on this segment

Driving the ADS value proposition

- Footprint in key geographies
- Delivery and service model
- Product depth and breadth
- Technical support
- National distribution partnerships
- Future investments to support growth and customer demand

National programs with 7 of the top 20 homebuilders

Local relationships with the 13 other top 20 builders

Sources: Investor Presentations

Appendix: Investment Thesis #3 – Margin Expansion

Vertically Integrated Recycling Process Drives a More Resilient Margin Profile

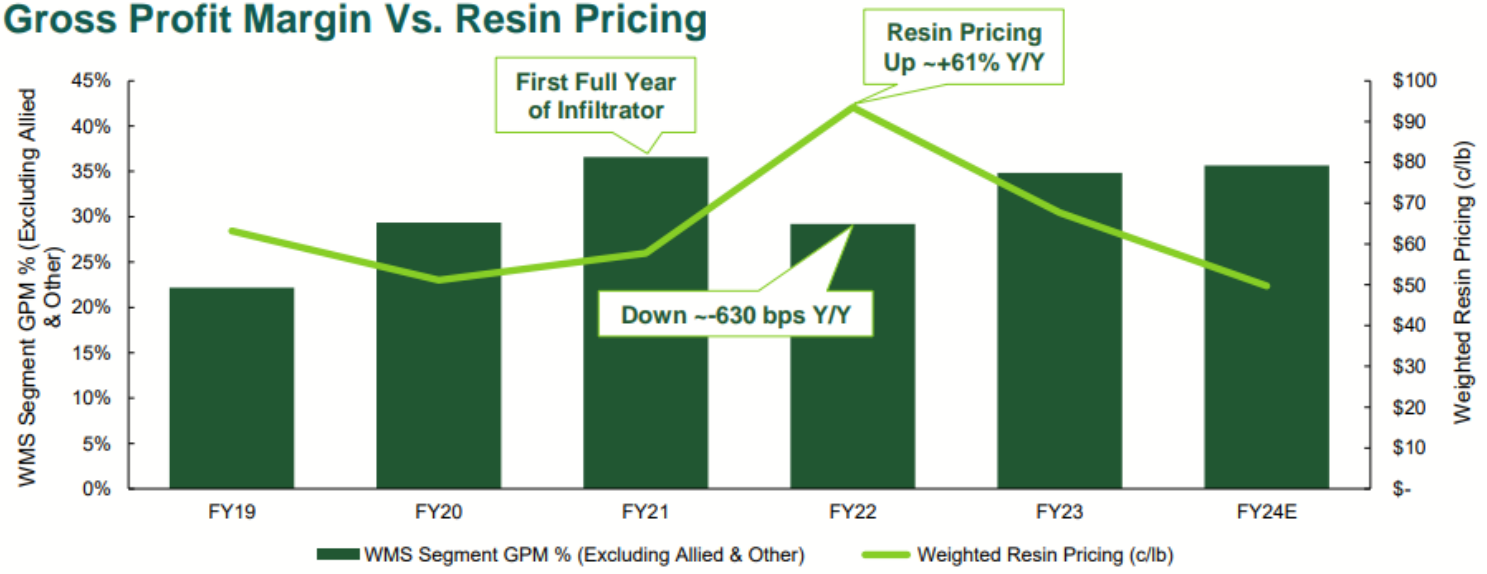
Financials: Unique and Attractive Operating Process

23

KEY Idea: **Vertically integrated recycling process drives a more resilient margin profile**

- **Vertically integrated recycling process:** With resins making >40% of COGS, WMS benefits from favorable pricing from its vertically integrated plastic recycling process and scale advantages.
- **Insulated from resin pricing swings:** Although not immune, due to better pricing from in-house recycling, WMS's gross margins are better insulated from dramatic swings in resin pricing. Despite WMS's margins facing meaningful pressure in FY22 from rapid resin inflation, we note margins down ~-630 bps y/y proved more resilient vs. what our analysis suggests (down ~-895 bps; based on resin pricing up ~+61% y/y).

Gross Profit Margin Vs. Resin Pricing



KeyBanc Capital Markets

Note: Weighted Resin Prices reflect 70% high-density polyethylene pricing and 30% polypropylene pricing
Source: Chemical Market Analytics, KBCM estimates, Company reports

July 23, 2023

Sources: KeyBanc Capital Markets

Appendix: Investment Thesis #3 – Margin Expansion

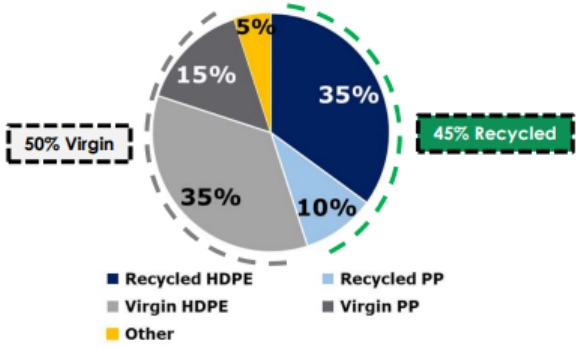
Recycled Materials Offer Cost Advantages Compared to Virgin

2 Margin Lift From Increasing Use of Recycled Materials

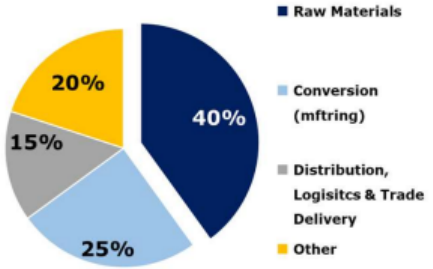
Material Mix Over Time

Recycled materials are 10% to 20% cheaper vs. virgin.

Detailed Material Mix Today



COGS Mix



A Over the ten years from 2005 to 2015, WMS substantially increased their mix of recycled materials from 24% to 58% and maintained that mix for four years.

B COVID-related supply-chain disruptions drove recycled resin prices higher than virgin resins, and the company purposely shifted to more virgin purchasing. Products made of 100% virgin materials also saw greater growth.

C Over time, we expect the company to increase the use of recycled materials and return to a mid-50% mix.

Rough math suggests a 1% shift to recycled materials from virgin resins results in ~$1 million lower COGS

Sources: FactSet Research Systems, Company Documents, Stephens Inc.

Sources: Stephens Inc.

Appendix: Investment Thesis #3 – Margin Expansion

Jet Polymer Acquisition Accelerates Recycling Capabilities

Advanced Drainage Systems Announces Acquisition of Jet Polymer Recycling

12/06/2021

Download

HILLIARD, Ohio--(BUSINESS WIRE)-- Advanced Drainage Systems, Inc. (NYSE: WMS) ("ADS" or the "Company"), a leading provider of innovative water management solutions in the stormwater and on-site septic wastewater industries, announced today the acquisition of Jet Polymer Recycling ("Jet"), a privately-owned recycling company located in the southeastern region of the United States.

"We are excited to welcome Jet to ADS," said Scott Barbour, President and CEO of ADS. "This acquisition advances our strategic priority to expand the ADS Recycling capabilities to support future growth, while also underpinning ADS' commitment to environmental sustainability. Through this transaction, we secure high-quality recycled plastic to leverage in the fast growing on-site septic wastewater business, as well as a platform to obtain additional high-density polyethylene in the southern region of the United States, which remains a key growth area for both ADS and Infiltrator."

Headquartered in Fort Payne, Alabama, Jet Polymer has three plastic recycling locations in Alabama and Georgia. Jet Polymer is currently the largest supplier of recycled polypropylene plastic for Infiltrator Water Technologies, a subsidiary of Advanced Drainage Systems.

About Advanced Drainage Systems

Advanced Drainage Systems is a leading provider of innovative water management solutions in the stormwater and on-site septic wastewater industries, providing superior drainage solutions for use in the construction and agriculture marketplace. For over 50 years, the Company has been manufacturing a variety of innovative and environmentally friendly alternatives to traditional materials. Its innovative products are used across a broad range of end markets and applications, including non-residential, residential, infrastructure and agriculture applications. The Company has established a leading position in many of these end markets by leveraging its national sales and distribution platform, overall product breadth and scale and manufacturing excellence. Founded in 1966, the Company operates a global network of approximately 60 manufacturing plants and 30 distribution centers. To learn more about ADS, please visit the Company's website at www.adspipe.com.

Sources: WMS Investor Relations

Appendix: Investment Thesis #3 – Value Based Pricing

Corrugated Plastic Pipe is Not a Commoditized Product Like PVC

Corrugated Plastic Pipe

1. Corrugation refers to the ridges along the length of the pipe
2. These ridges give the pipe additional strength and flexibility
3. Corrugated Pipes also vary based on Wall and Perforation. For example, double walled has two layers separated by a layer of insulation which increases the strength needed for stormwater applications
4. Perforations or “holes” can be added to allow water to naturally seep into the surrounding soil for drainage purposes
5. These differentiations require a more advanced manufacturing process with more value added than a commodity

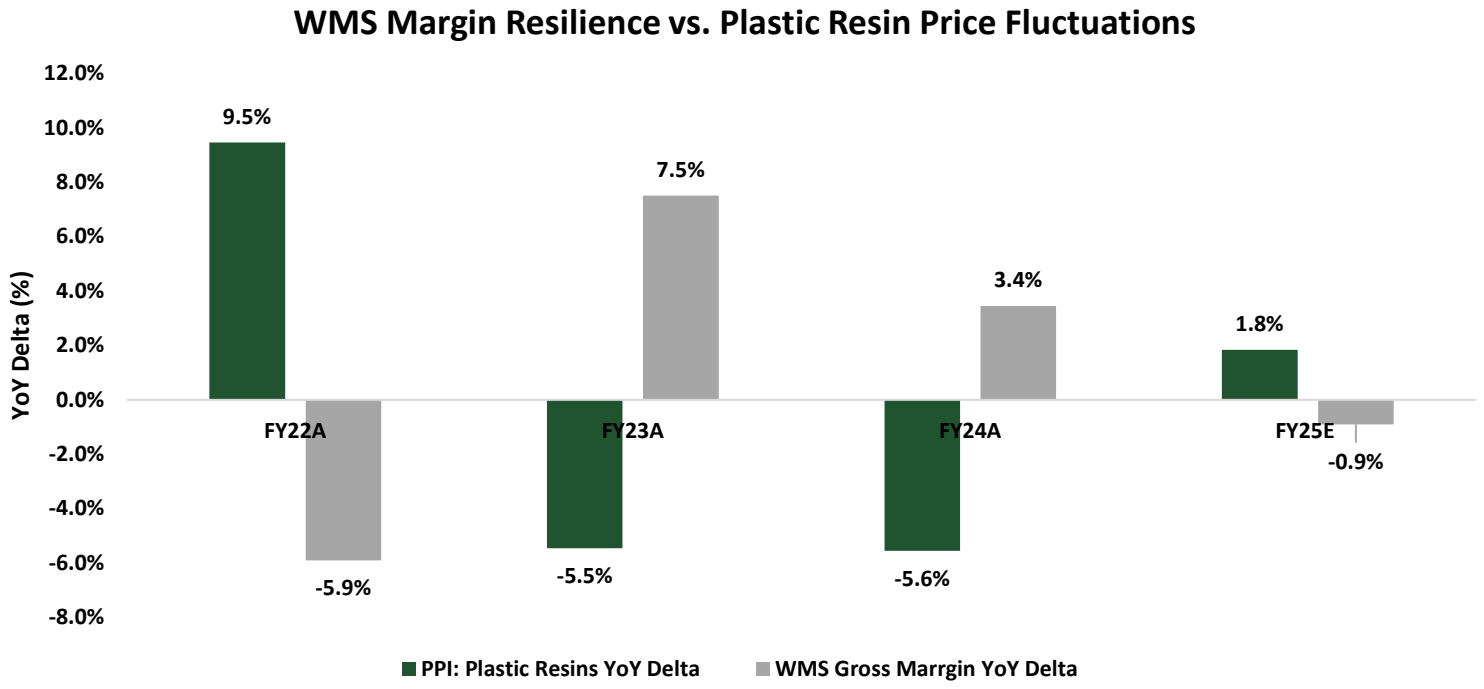
PVC Pipe

1. PVC pipe is standardized with no differentiation
2. These pipes are less flexible than corrugated pipe which makes them less ideal for stormwater management applications
3. The manufacturing process is relatively simple: (Prep, Mix, Extrude, Cool, Size, and Cut)
4. PVC manufacturers add little value beyond the molding and cutting of PVC resins
5. The lack of differentiation and advanced manufacturing makes PVC pipe a commoditized product

Sources: Dulet Piping Solutions, Western AG PVC Pipe Manufacturer, Drainage Advice, Self Generated

Appendix: Investment Thesis #3 – Value Based Pricing

Corrugated Plastic Pipe is Not a Commoditized Product Like PVC



Value-Based Pricing Mitigates Margin Compression During Resin Inflation and Enables Incremental Margin Capture in Deflation, Underscoring WMS's Pricing Power

Sources: Internal Model Projections

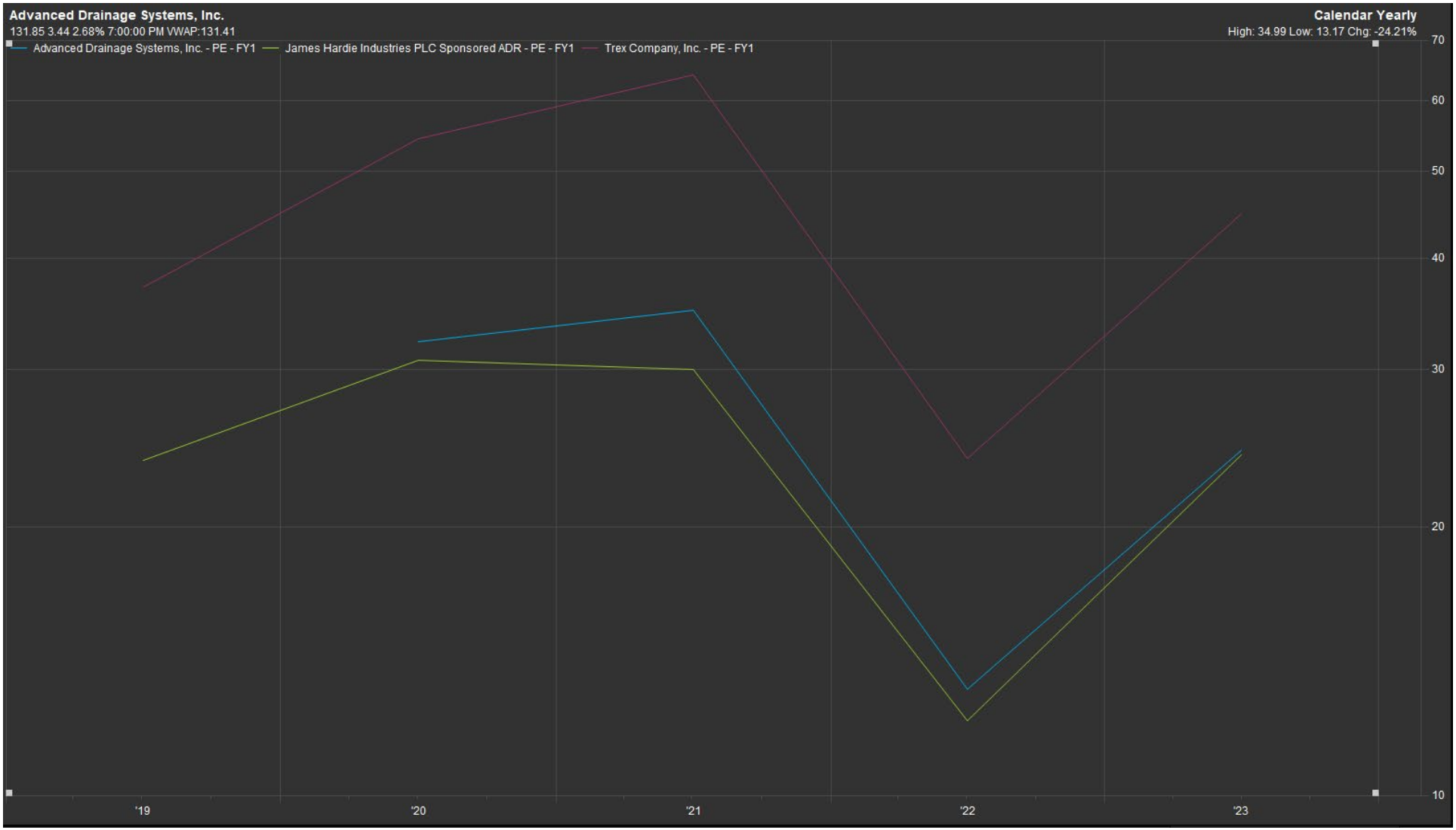
Valuation Comparable Descriptions

Comparable Company Descriptions		
Material Conversion Comparables	**Ticker**	
James Hardie Industries	JHX	JHX manufactures fiber cement siding and backer board, offering durable, low-maintenance alternatives to traditional cement structures.
Trex Company, Inc.	TREX	Trex manufactures wood-alternative decking and railing, replacing traditional wood structures with products that resist rotting, warping, and splintering.
AZEK Co.	AZEK	AZEK Co., Inc. manufactures outdoor living products, focusing on the use of recycled plastic and wood to replace virgin materials.
Hayward Holdings, Inc.	HAYW	Hayward Holdings, Inc. designs, manufactures, and markets a wide range of pool equipment and automation systems, using industrial thermoplastic in its products.
Latham Group, Inc.	SWIM	Latham Group, Inc. designs, manufactures, and markets in-ground residential swimming pools using advanced engineered plastics.
Water Comparables	**Ticker**	
Xylem Inc.	XYL	Xylem, Inc. manufactures engineered water technologies, with its Water Infrastructure segment focused on the transportation, treatment, and testing of water.
Zurn Elkay Water Solutions Corporation	ZWS	Zurn Elkay Water Solutions Corp. engages in the design, procurement, manufacture, and sale of product focused water solutions.
Watts Water Technologies, Inc.	WTS	Watts Water Technologies, Inc. manufactures products for water conservation, safety, and flow control, offering solutions in flow control and drainage.
Mueller Water Products, Inc.	MWA	Mueller Water Products, Inc. engages in the manufacture and sale of products used in the transmission, distribution, and measurement of water.

Sources: FactSet, SEC Filings

Valuation Comparable - P/E FY1 Trading History

WMS Historically Trades at a Forward Premium to JHX and Discount to TREX

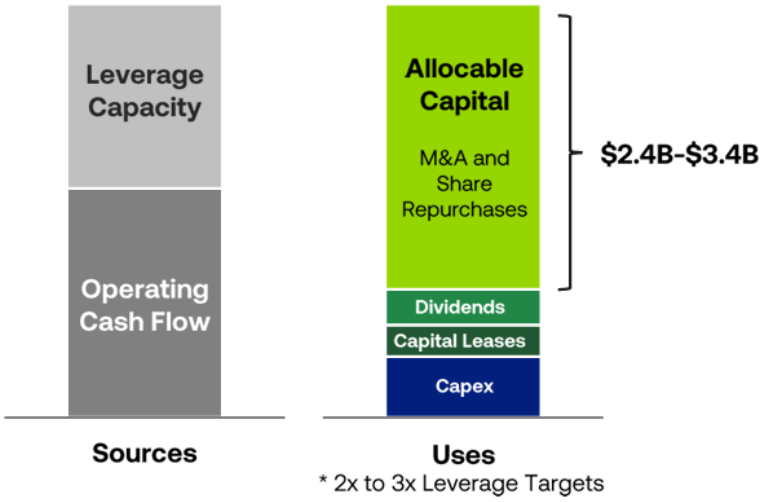


Sources: FactSet

Capital Allocation

$2.4B to $3.4B of Allocable Capital FY23 – FY25

FY23 – FY25 Capital Allocation



Deployment Priorities

1. **Capital Expenditures**
   - Investing in strategic growth, productivity, and automation initiatives
   - Growth / Capacity Expansion
   - Recycling and Material Science Capabilities
   - Safety Initiatives
2. **Strategic Acquisitions**
   - ROIC > WACC
   - Significant synergy opportunities
3. **Share Buybacks**
   - Opportunistic
   - Ladder/threshold disciplined execution
   - $292M buyback completed in early FY22
   - $1B buyback plan announced in FY22
4. **Dividend Growth**
   - Use current and forecasted financial performance to dictate future increases

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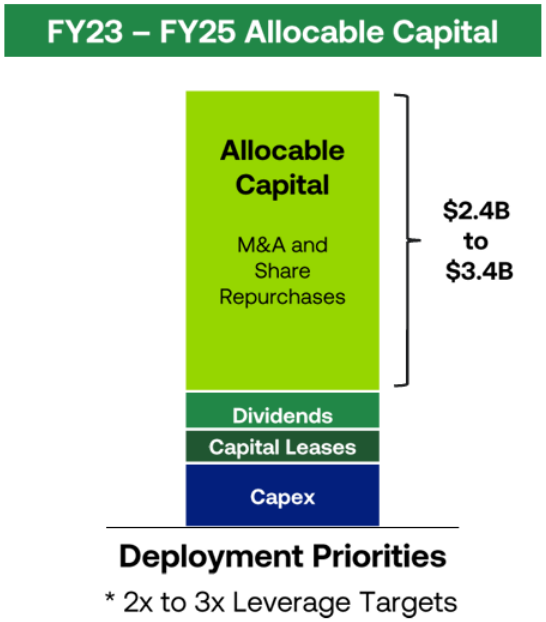
Sources: Investor Presentations

Capital Allocation, contd.

Balanced and Disciplined Capital Allocation Strategy



CAPITAL EXPENDITURES

- $400M to $500M spend planned for the next 3 years

SHARE REPURCHASES

- $292M program executed in FY22
- $1B program announced in February 2022

ALLOCABLE CAPITAL

- Significant allocable capital remains and provides management with significant flexibility to optimize shareholder value

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Sources: Investor Presentations

M&A Strategy

Focused Acquisition Strategy

Dedicated Resources	Widening Aperture	Disciplined Process

Increased Corporate Development function capabilities over the last 2 years

Grown internal capabilities and resources

- Proactive approach to M&A and target identification
- Effective and cost-efficient mix of internal and external resources to manage integration and synergy capture
- Nimble when opportunities develop
- Portfolio of knowledge and perspective on likely targets

Continue to maintain a robust M&A Funnel

- Multiple sources of 'Target' identification beyond Corporate Development team (Sales & Marketing, Supply Chain, Advisors, etc.)

Primary emphasis on Capture, Convey, Store and Treat components of ADS' core stormwater business

- North American focus
- Geographic expansion considered if attractive opportunities arise
- Will explore opportunities to expand on themes of water, sustainability and conversion

Well-defined measures of attractiveness and relatedness guide disciplined pursuit of M&A

- Quantitative and qualitative metrics for prioritization of deal flow
- Strong ability to extract significant synergies
- Target ROIC > WACC by year 3

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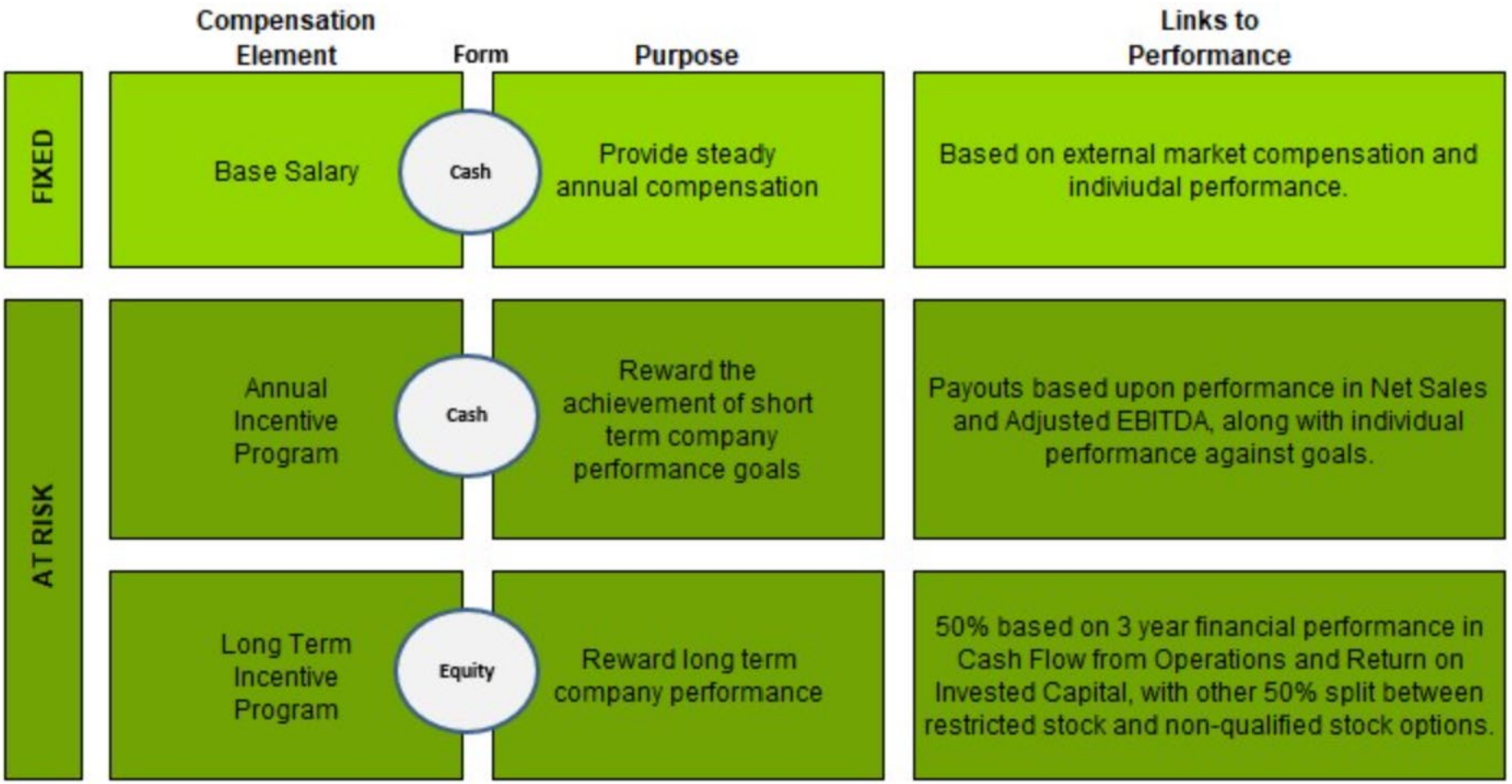
Sources: Investor Presentations

Key Management Overview

Name/Title	Years at WMS/Industry	Experience
D. Scott Barbour / CEO	7 / 7	Joined in 2017; Former Product Engineer with 27+ years at Colt Industries and Emerson Electric
Scott Cotrill / CFO	9 / 9	Joined in 2015; Previously worked for other building materials companies like Jeld-Wen
Darin Harvey / SVP Supply Chian	6 / 6	Joined in 2018; Previous experience managing supply chains for oil & gas equipment
Brian King / SVP Product & Marketing	4 / 11	Joined in 2020; Previous experience with other building materials companies like Owen's Corning
Craig Taylor / SVP IWT	4 / 20	Joined in 2020; 25+ years of experience at Stanley Black and Decker and United Technologies
Thomas Waun / SVP Product Dev. and Material Science	2 / 2	Joined in 2022; 30 years of management experience at Emerson Electric and IBM

Sources: 10-K

Management Incentives



Named Executive Officer	Annual Salary March 31, 2022	Annual Salary March 31, 2023	Annual Salary Increase ($)	Annual Salary Increase (%)
D. Scott Barbour	$900,000	$930,000	$30,000	3%
Scott A. Cottrill	$550,000	$565,000	$15,000	3%
Roy E. Moore, Jr.	$510,000	$535,000	$25,000	5%
Darin S. Harvey	$425,000	$438,000	$13,000	3%
Kevin C. Talley	$415,000	$428,000	$13,000	3%

Sources: 2023 Proxy Statement

Management Incentives Continued

Our established targets enhance the alignment of our pay-for-performance and stockholder alignment principles. The annual incentive targets for fiscal year 2023 as a percentage of salary are as follows:

Named Executive Officer	Target Incentive Opportunity (% of Base Salary)
D. Scott Barbour	118%
Scott A. Cottrill	85%
Roy E. Moore, Jr.	70%
Darin S. Harvey	70%
Kevin C. Talley	70%

Business Performance Levels in Annual Incentive Plan – Messrs. Barbour, Cottrill, Harvey & Talley

As reflected in the table below, threshold, target, and maximum performance levels were established based on the Committee's assessment of performance targets that appropriately drive and reward achievement of growth versus our prior year performance levels. The performance levels established for the non-individual metrics in the Plan for fiscal 2023 were as follows:

- **Target performance levels**, which earn a 100% payout, reflect a 16% improvement versus fiscal year 2022 actual results for Adjusted EBITDA and 21% for Net Sales.
- **Threshold performance levels**, which earn a 50% payout, reflect a 8% improvement over fiscal year 2022 actual results for Adjusted EBITDA and Net Sales.
- **Maximum performance levels**, which earn a 200% payout, reflect a 23% improvement versus fiscal year 2022 actual results for Adjusted EBITDA and 29% for Net Sales.

		Business Performance Levels – FY23 (000's)		
Business Performance Measures	**Measure Weighting**	**Threshold**	**Target**	**Max**
Adjusted EBITDA	60%	$730,000	$820,105	$870,000
Net Sales	20%	$2,985,000	$3,200,194	$3,400,000
	Payout %'s	***50%***	***100%***	***200%***

Business Performance Levels in Annual Incentive Plan – Mr. Moore

As reflected in the table below, threshold, target, and maximum performance levels were established for the Infiltrator Adjusted EBITDA metric based on national housing statistics provided by the U.S. Census Bureau and U.S. Department of Housing and Urban Development. While this relational incentive feature is unique to Infiltrator, the Committee believes this plan design, in place at the time of the acquisition, continues to reflect a key value driver for purposes of establishing annual cash incentive opportunity for Mr. Moore.

		Business Performance Levels – FY23 (000's)		
Business Performance Measures	**Measure Weighting**	**Threshold**	**Target**	**Max**
Infiltrator EBITDA	70%			
Market Outcome 0% - 5%		$207,500	$233,000	$247,000
Market Outcome 5% - 12%		$218,000	$245,000	$260,000
Market Outcome > 12%		$225,250	$253,000	$268,200
ADS Adjusted EBITDA	10%	$730,000	$820,105	$870,000
	Payout %'s	***50%***	***100%***	***200%***

Sources: 2023 Proxy Statement

Kenan–Flagler Business School
ALPHA CHALLENGE
The University of North Carolina

Income Statement

Advanced Drainage Systems - Income Statement

($ in thousands)	FY20 Mar-20A	FY21 Mar-21A	FY22 Mar-22A	FY23 Mar-23A	FY24 Mar-24A	FY25 Mar-25E	FY26 Mar-26E	FY27 Mar-27E	FY28 Mar-28E	FY29 Mar-29E
Net sales	$ 1,673,805	$ 1,982,780	$ 2,769,315	$ 3,071,121	$ 2,874,473	$ 2,965,989	$ 3,225,410	$ 3,466,980	$ 3,687,782	$ 3,900,514
Cost of goods sold	(1,357,326)	(1,292,698)	(1,968,931)	(1,952,713)	(1,728,524)	(1,810,030)	(1,942,940)	(2,072,291)	(2,183,647)	(2,291,058)
Gross profit	**316,479**	**690,082**	**800,384**	**1,118,408**	**1,145,949**	**1,155,959**	**1,282,470**	**1,394,689**	**1,504,135**	**1,609,456**
Selling, general and administrative	(349,480)	(267,574)	(321,094)	(339,504)	(370,714)	(385,579)	(419,303)	(422,972)	(446,222)	(468,062)
Loss / gain on disposal of assets or businesses	(5,338)	(4,275)	(3,398)	(4,397)	8,365	-	-	-	-	-
Intangible amortization	(57,010)	(73,708)	(63,974)	(55,197)	(51,469)	(51,550)	(50,905)	(49,420)	(47,191)	(44,499)
Income from operations	**(95,349)**	**344,525**	**411,918**	**719,310**	**732,131**	**718,830**	**812,262**	**922,298**	**1,010,723**	**1,096,895**
Interest expense	(82,711)	(35,658)	(33,550)	(70,182)	(88,862)	(87,945)	(87,191)	(72,798)	(46,641)	(34,508)
Interest income and other, net	(1,554)	3,404	5,143	7,972	23,484	14,705	16,517	22,568	21,735	23,616
Income before income taxes	**(179,614)**	**312,271**	**383,511**	**657,100**	**666,753**	**645,591**	**741,588**	**872,067**	**985,816**	**1,086,004**
Income tax expense	(14,092)	(86,382)	(110,071)	(150,589)	(158,998)	(148,486)	(170,565)	(200,576)	(226,738)	(249,781)
Equity in net income of unconsolidated affiliates	1,909	201	1,586	4,842	5,536	-	-	-	-	-
Net income	**(191,797)**	**226,090**	**275,026**	**511,353**	**513,291**	**497,105**	**571,022**	**671,492**	**759,078**	**836,223**
Net income attributable to noncontrolling interest	(1,377)	(1,860)	(3,695)	(4,267)	(3,376)	(3,376)	(3,376)	(3,376)	(3,376)	(3,376)
Net income attributable to ADS	**$ (193,174)**	**$ 224,230**	**$ 271,331**	**$ 507,086**	**$ 509,915**	**$ 493,729**	**$ 567,646**	**$ 668,116**	**$ 755,702**	**$ 832,847**
GAAP Basic Earnings per Share	**$ (3.21)**	**$ 2.64**	**$ 3.22**	**$ 6.16**	**$ 6.52**	**$ 6.42**	**$ 7.40**	**$ 8.75**	**$ 9.93**	**$ 10.98**
Basic Weighted Average Shares	63,820	70,155	71,276	82,315	78,252	76,962	76,659	76,373	76,103	75,846
GAAP Diluted Earnings per Share	**$ (3.21)**	**$ 2.59**	**$ 3.15**	**$ 6.08**	**$ 6.45**	**$ 6.35**	**$ 7.33**	**$ 8.66**	**$ 9.83**	**$ 10.87**
Diluted Weighted Average Shares	63,820	71,566	72,911	83,336	79,017	77,727	77,424	77,138	76,868	76,611
Adjusted Diluted Earnings per Share	**$ (3.03)**	**$ 3.13**	**$ 3.72**	**$ 6.16**	**$ 6.39**	**$ 6.35**	**$ 7.33**	**$ 8.66**	**$ 9.83**	**$ 10.87**
Diluted Weighted Average Shares	63,820	71,566	72,911	83,336	79,017	77,727	77,424	77,138	76,868	76,611
Dividend per Share	**$ 0.36**	**$ 0.36**	**$ 0.44**	**$ 0.48**	**$ 0.56**	**$ 0.64**	**$ 0.72**	**$ 0.80**	**$ 0.88**	**$ 0.96**
Model Assumptions										
Sales Growth		18.5%	39.7%	10.9%	(6.4%)	3.2%	8.7%	7.5%	6.4%	5.8%
Selling, general and administrative as a % of Sales	20.9%	13.5%	11.6%	11.1%	12.9%	13.0%	13.0%	12.2%	12.1%	12.0%
Total Operating Expenses as a % of Sales	24.3%	17.2%	13.9%	12.9%	14.7%	14.7%	14.6%	13.6%	13.4%	13.1%
Depreciation & Amortization Expense as a % of Sales	4.1%	3.6%	2.8%	2.9%	3.6%	5.8%	5.4%	5.1%	4.7%	4.4%
Interest income and other, net	(0.1%)	0.2%	0.2%	0.3%	0.8%	0.5%	0.5%	0.7%	0.6%	0.6%
Intangible amortization as a % Total D&A	45.6%	50.6%	45.1%	38.0%	33.2%	30.2%	29.2%	28.2%	27.2%	26.2%
Effective tax rate	(7.8%)	27.7%	28.7%	22.9%	23.8%	23.0%	23.0%	23.0%	23.0%	23.0%
Key Performance Metrics										
Gross Margin	18.9%	34.8%	28.9%	36.4%	39.9%	39.0%	39.8%	40.2%	40.8%	41.3%
Adjusted EBITDA margin	21.6%	28.6%	24.4%	29.4%	32.1%	30.9%	34.2%	35.0%	35.0%	35.2%
EBITDA margin	1.8%	24.9%	20.2%	28.6%	31.9%	30.5%	33.8%	34.7%	34.8%	35.0%
EBIT margin	(5.7%)	17.6%	15.1%	23.8%	26.5%	24.7%	27.9%	29.3%	29.8%	30.4%
Pre-Tax Margin	(10.7%)	15.7%	13.8%	21.4%	23.2%	21.8%	23.0%	25.2%	26.7%	27.8%
Adjusted Net margin	(11.5%)	11.3%	9.8%	16.7%	17.6%	16.6%	17.6%	19.3%	20.5%	21.4%
Net Margin	(11.5%)	11.3%	9.8%	16.5%	17.7%	16.6%	17.6%	19.3%	20.5%	21.4%
ROIC	(13.4%)	9.6%	11.6%	23.2%	20.7%	18.5%	18.8%	20.1%	21.3%	20.6%
ROE	(26.5%)	20.0%	21.4%	49.1%	45.5%	35.2%	32.2%	29.4%	26.3%	23.5%
ROA	(11.2%)	7.7%	9.0%	18.0%	16.3%	14.4%	15.1%	16.4%	17.5%	17.2%

Sources: Internal Model Projections

Kenan–Flagler Business School
ALPHA CHALLENGE
The University of North Carolina

Balance Sheet

Advanced Drainage Systems - Balance Sheet										
	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29
($ in thousands)	Mar-20A	Mar-21A	Mar-22A	Mar-23A	Mar-24A	Mar-25E	Mar-26E	Mar-27E	Mar-28E	Mar-29E
Assets										
Cash and cash equivalents	$ 174,233	$ 195,009	$ 20,125	$ 217,128	$ 490,163	$ 550,560	$ 902,711	$ 965,988	$ 1,180,820	$ 1,830,619
Accounts receivable	200,028	236,191	341,753	306,945	323,576	333,424	360,377	384,994	406,987	427,793
Inventories	282,398	300,961	494,324	463,994	464,200	476,670	510,341	542,898	570,575	597,072
Other Current Assets	9,552	10,817	15,696	29,422	22,028	22,028	22,028	22,028	22,028	22,028
Total current assets	666,211	742,978	871,898	1,017,489	1,299,967	1,382,682	1,795,457	1,915,907	2,180,410	2,877,512
Net Property, Plant & Equipment	513,000	542,527	673,966	783,812	930,158	1,111,163	1,222,896	1,322,233	1,411,098	1,485,925
Intangible assets, net	1,164,202	1,092,258	1,041,678	1,027,820	969,835	918,285	867,381	817,961	770,770	726,271
Other Assets	47,589	60,639	93,628	109,045	114,083	114,083	114,083	114,083	114,083	114,083
Total Assets	**$ 2,391,002**	**$ 2,438,402**	**$ 2,681,170**	**$ 2,938,166**	**$ 3,314,043**	**$ 3,526,213**	**$ 3,999,817**	**$ 4,170,184**	**$ 4,476,361**	**$ 5,203,791**
Liabilities & Shareholders' Equity										
Accounts payable	$ 106,710	$ 171,098	$ 224,986	$ 210,111	$ 254,401	231,082	249,381	267,402	283,267	298,770
Current portion of long-term debt	7,955	7,000	19,451	14,693	11,870	11,870	11,870	11,870	11,870	11,870
Other Current Liabilities	123,548	140,172	146,804	153,998	173,351	173,351	173,351	173,351	173,351	173,351
Total current liabilities	238,213	318,270	391,241	378,802	439,622	416,303	434,602	452,623	468,488	483,991
Long-term debt	1,089,368	782,220	908,705	1,269,391	1,259,522	1,247,652	1,237,679	830,243	479,120	478,371
Lease Obligations	61,674	55,357	52,425	69,337	100,732	100,732	100,732	100,732	100,732	100,732
Other long-term liabilities	217,165	219,129	223,754	225,776	233,468	233,468	233,468	233,468	233,468	233,468
Total Liabilities	1,606,420	1,374,976	1,576,125	1,943,306	2,033,344	1,998,155	2,006,481	1,617,066	1,281,808	1,296,562
Redeemable common stock	269,529	240,944	195,384	153,220	108,584	108,584	108,584	108,584	108,584	108,584
Common stock	11,555	11,578	11,612	11,647	11,679	11,679	11,679	11,679	11,679	11,679
Treasury stock	(10,461)	(10,959)	(318,691)	(920,999)	(1,140,578)	(1,340,578)	(1,390,578)	(1,440,578)	(1,490,578)	(1,540,578)
Additional paid-in capital	827,573	918,587	1,065,628	1,134,864	1,219,834	1,219,834	1,219,834	1,219,834	1,219,834	1,219,834
Retained earnings	(267,619)	(75,202)	158,876	626,215	1,092,208	1,539,568	2,054,845	2,664,627	3,356,062	4,118,738
Other	(45,995)	(21,522)	(7,764)	(10,087)	(11,028)	(11,028)	(11,028)	(11,028)	(11,028)	(11,028)
Total Shareholders' Equity	784,582	1,063,426	1,105,045	994,860	1,280,699	1,528,059	1,993,336	2,553,118	3,194,553	3,907,229
Total Liabilities and Equity	**$ 2,391,002**	**$ 2,438,402**	**$ 2,681,170**	**$ 2,938,166**	**$ 3,314,043**	**$ 3,526,213**	**$ 3,999,817**	**$ 4,170,184**	**$ 4,476,361**	**$ 5,203,791**
Check	*Balances*	*Balances*	*Balances*	*Balances*	*Balances*	*Balances*	*Balances*	*Balances*	*Balances*	*Balances*
Model Assumptions										
Days Sales Outstanding (DSO)	42 Days	40 Days	38 Days	39 Days	40 Days	41 Days	41 Days	41 Days	40 Days	40 Days
Days Inventory Outstanding (DIO)	80 Days	78 Days	71 Days	87 Days	95 Days	96 Days	96 Days	96 Days	95 Days	95 Days
Days Payable Outstanding (DPO)	29 Days	37 Days	32 Days	40 Days	48 Days	47 Days	47 Days	47 Days	47 Days	48 Days
Cash Conversion	93 Days	81 Days	77 Days	85 Days	88 Days	91 Days	90 Days	89 Days	88 Days	88 Days
Accounts receivable, net	200,028	236,191	341,753	306,945	323,576	333,424	360,377	384,994	406,987	427,793
Inventories, net	282,398	300,961	494,324	463,994	464,200	476,670	510,341	542,898	570,575	597,072
Accounts payable	(106,710)	(171,098)	(224,986)	(210,111)	(254,401)	(231,082)	(249,381)	(267,402)	(283,267)	(298,770)
Working Capital	375,716	366,054	611,091	560,828	533,375	579,012	621,338	660,489	694,295	726,094
Working Capital as a % of Sales	22.4%	18.5%	22.1%	18.3%	18.6%	19.5%	19.3%	19.1%	18.8%	18.6%
CAPEX as % of PY Sales		4.7%	7.5%	6.0%	6.0%	8.7%	7.9%	7.0%	6.2%	5.4%
CAPEX as % of PY PP&E, net		15.4%	27.5%	24.8%	23.5%	26.9%	21.1%	18.4%	16.3%	14.2%
D&A as % of PY PP&E, net		28.4%	26.1%	21.5%	19.8%	18.3%	15.7%	14.3%	13.1%	12.0%
Repurchase Amount	-	-	292,000	575,027	207,308	200,000	50,000	50,000	50,000	50,000
Repurchase Price Assumption				$94	$115	155	165	175	185	195
Shares Repurchase (M)				6,100	1,800	1,290	303	286	270	256
Key Performance Metrics										
Current ratio	2.8x	2.3x	2.2x	2.7x	3.0x	3.3x	4.1x	4.2x	4.7x	5.9x
Quick ratio	1.6x	1.4x	1.0x	1.5x	1.9x	2.1x	2.9x	3.0x	3.4x	4.7x
Cash ratio	0.7x	0.6x	0.1x	0.6x	1.1x	1.3x	2.1x	2.1x	2.5x	3.8x

Sources: Internal Model Projections

Kenan–Flagler Business School
ALPHA CHALLENGE
The University of North Carolina

Statement of Cash Flows

Advanced Drainage Systems - Cash Flow Statement										
	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29
($ in thousands)	Mar-20A	Mar-21A	Mar-22A	Mar-23A	Mar-24A	Mar-25E	Mar-26E	Mar-27E	Mar-28E	Mar-29E
Operating Activities										
Net income	$ (191,797)	$ 226,090	$ 275,026	$ 511,353	$ 513,291	$ 497,105	$ 571,022	$ 671,492	$ 759,078	$ 836,223
Depreciation	67,930	71,878	77,834	89,952	103,434	118,995	123,268	125,663	126,135	125,173
Amortization	57,010	73,708	63,974	55,197	51,469	51,550	50,905	49,420	47,191	44,499
Other Non-Cash Charges	319,131	59,828	99,292	17,930	23,574	-	-	-	-	-
Changes in Working Capital	53,915	20,712	(241,238)	33,378	26,160	(45,637)	(42,326)	(39,151)	(33,806)	(31,800)
Cash Flow from Operating Activities	**$ 306,189**	**$ 452,216**	**$ 274,888**	**$ 707,810**	**$ 717,928**	**$ 622,012**	**$ 702,869**	**$ 807,424**	**$ 898,598**	**$ 974,095**
Investing Activities										
Capital Expenditures	$ (67,677)	$ (78,757)	$ (149,083)	$ (166,913)	$ (183,812)	$ (250,000)	$ (235,000)	$ (225,000)	$ (215,000)	$ (200,000)
Acquisitions	(1,089,322)	-	(49,309)	(48,010)	-	(50,000)	-	-	-	-
Sale of Fixed Assets & Businesses	-	-	-	-	27,498	-	-	-	-	-
Other	6,529	883	(441)	446	650	-	-	-	-	-
Cash Flow from Investing Activities	**$ (1,150,470)**	**$ (77,874)**	**$ (198,833)**	**$ (214,477)**	**$ (155,664)**	**$ (300,000)**	**$ (235,000)**	**$ (225,000)**	**$ (215,000)**	**$ (200,000)**
Free Cash Flow	**$ 238,512**	**$ 373,459**	**$ 125,805**	**$ 540,897**	**$ 534,116**	**$ 372,012**	**$ 467,869**	**$ 582,424**	**$ 683,598**	**$ 774,095**
Financing Activities										
Common Dividends	$ (92,127)	$ (32,155)	$ (38,494)	$ (39,612)	$ (43,995)	$ (49,745)	$ (55,745)	$ (61,710)	$ (67,644)	$ (73,547)
Sale of Common & Preferred Stock	301,811	7,553	4,574	5,700	6,454	-	-	-	-	-
Repurchase of Common Stock	-	-	(292,000)	(575,027)	(207,308)	(200,000)	(50,000)	(50,000)	(50,000)	(50,000)
Issuance/Reduction of Debt, Net	802,125	(328,491)	88,101	346,907	(26,883)	(11,870)	(9,973)	(407,436)	(351,123)	(749)
Other	(237)	(1,490)	(13,249)	(34,246)	(12,611)	-	-	-	-	-
Cash Flow from Financing Activities	**$ 1,011,572**	**$ (354,583)**	**$ (251,068)**	**$ (296,278)**	**$ (284,343)**	**$ (261,615)**	**$ (115,718)**	**$ (519,146)**	**$ (468,767)**	**$ (124,296)**
Cash, cash equivalents and restricted cash, beginning of period	8,891	174,233	195,009	20,125	217,128	490,163	550,560	902,711	965,988	1,180,820
Effect of foreign exchange rate changes on cash and equivalents	(1,949)	1,017	129	(52)	799	-	-	-	-	-
Net Change in Cash	165,342	20,776	(174,884)	197,003	278,720	60,397	352,151	63,277	214,832	649,800
Less: Restricted Cash	-	-	-	-	(5,685)	-	-	-	-	-
Cash and cash equivalents, end of period	**$ 174,233**	**$ 195,009**	**$ 20,125**	**$ 217,128**	**$ 490,163**	**$ 550,560**	**$ 902,711**	**$ 965,988**	**$ 1,180,820**	**$ 1,830,619**
Check	*Reconciles*	*Reconciles*	*Reconciles*	*Reconciles*	*Reconciles*	*Reconciles*	*Reconciles*	*Reconciles*	*Reconciles*	*Reconciles*
Free Cash Flow Breakdown										
EBIT	$ (94,994)	$ 348,130	$ 418,647	$ 732,124	$ 761,151	$ 733,535	$ 828,779	$ 944,866	$ 1,032,457	$ 1,120,512
(+) Taxes	7,453	(96,302)	(120,155)	(167,782)	(181,509)	(168,713)	(190,619)	(217,319)	(237,465)	(257,718)
NOPAT	(87,541)	251,828	298,492	564,342	579,642	564,822	638,160	727,547	794,992	862,794
(+) Depreciation and Amortization	124,940	145,586	141,808	145,149	154,903	170,544	174,172	175,082	173,326	169,672
(+) Change in Working Capital	53,915	20,712	(241,238)	33,378	26,160	(45,637)	(42,326)	(39,151)	(33,806)	(31,800)
(+) Other Non-Cash Charges	319,131	59,828	99,292	17,930	23,574	-	-	-	-	-
(+) Capital Expenditures	(67,677)	(78,757)	(149,083)	(166,913)	(183,812)	(250,000)	(235,000)	(225,000)	(215,000)	(200,000)
Unlevered Free Cash Flow	**$ 342,768**	**$ 399,197**	**$ 149,271**	**$ 593,886**	**$ 600,467**	**$ 439,729**	**$ 535,006**	**$ 638,478**	**$ 719,512**	**$ 800,667**
(+) Net Borrowings	802,125	(328,491)	88,101	346,907	(26,883)	(11,870)	(9,973)	(407,436)	(351,123)	(749)
Levered Free Cash Flow	**$ 1,144,893**	**$ 70,706**	**$ 237,372**	**$ 940,793**	**$ 573,584**	**$ 427,859**	**$ 525,033**	**$ 231,042**	**$ 368,389**	**$ 799,918**
FCFF / Sales	20.5%	20.1%	5.4%	19.3%	20.9%	14.8%	16.6%	18.4%	19.5%	20.5%
FCFE / Sales	68.4%	3.6%	8.6%	30.6%	20.0%	14.4%	16.3%	6.7%	10.0%	20.5%

Sources: Internal Model Projections

Kenan–Flagler Business School
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The University of North Carolina

Revenue Build

Advanced Drainage Systems - Revenue Build

($ in thousands)	FY20 Mar-20A	FY21 Mar-21A	FY22 Mar-22A	FY23 Mar-23A	FY24 Mar-24A	FY25 Mar-25E	FY26 Mar-26E	FY27 Mar-27E	FY28 Mar-28E	FY29 Mar-29E
Consolidated Segment Results										
Pipe	$ 954,633	$ 1,059,200	$ 1,555,248	$ 1,758,961	$ 1,586,618	$ 1,586,618	$ 1,697,681	$ 1,792,751	$ 1,886,871	$ 1,981,214
Infiltrator	211,005	397,813	551,906	523,643	531,236	610,921	702,560	786,867	857,685	917,723
International	148,581	164,858	224,742	239,068	222,002	226,442	230,971	235,590	240,302	245,108
Allied Products & Other	403,273	442,447	569,352	700,319	684,329	698,112	763,957	824,666	886,829	950,983
Intersegment Eliminations	(43,687)	(81,538)	(131,933)	(150,870)	(149,712)	(156,105)	(169,758)	(172,894)	(183,905)	(194,514)
Total Consolidated Sales	**$ 1,673,805**	**$ 1,982,780**	**$ 2,769,315**	**$ 3,071,121**	**$ 2,874,473**	**$ 2,965,989**	**$ 3,225,410**	**$ 3,466,980**	**$ 3,687,782**	**$ 3,900,514**
% of Consolidated Net Sales										
Pipe	57.0%	53.4%	56.2%	57.3%	55.2%	53.5%	52.6%	51.7%	51.2%	50.8%
Infiltrator	12.6%	20.1%	19.9%	17.1%	18.5%	20.6%	21.8%	22.7%	23.3%	23.5%
International	8.9%	8.3%	8.1%	7.8%	7.7%	7.6%	7.2%	6.8%	6.5%	6.3%
Allied Products & Other	24.1%	22.3%	20.6%	22.8%	23.8%	23.5%	23.7%	23.8%	24.0%	24.4%
Intersegment Eliminations	(2.6%)	(4.1%)	(4.8%)	(4.9%)	(5.2%)	(5.3%)	(5.3%)	(5.0%)	(5.0%)	(5.0%)
YoY Growth %										
Pipe		11.0%	46.8%	13.1%	(9.8%)	0.0%	7.0%	5.6%	5.3%	5.0%
Infiltrator		88.5%	38.7%	(5.1%)	1.5%	15.0%	15.0%	12.0%	9.0%	7.0%
International		11.0%	36.3%	6.4%	(7.1%)	2.0%	2.0%	2.0%	2.0%	2.0%
Allied Products & Other		9.7%	28.7%	23.0%	(2.3%)	2.0%	9.4%	7.9%	7.5%	7.2%
Total Consolidated		**18.5%**	**39.7%**	**10.9%**	**(6.4%)**	**3.2%**	**8.7%**	**7.5%**	**6.4%**	**5.8%**
Pipe Segment Build										
U.S. Total Investment in Stormwater Infrastructure					$ 14,514,554	$ 14,590,298	$ 15,217,680	$ 15,872,041	$ 16,554,538	$ 17,266,383
Allocation for Stormwater Pipe Infrastructure					70.0%	70.0%	70.0%	70.0%	70.0%	70.0%
Total Investment in U.S. Stormwater Pipe Systems					**$ 10,160,188**	**$ 10,213,208**	**$ 10,652,376**	**$ 11,110,428**	**$ 11,588,177**	**$ 12,086,468**
Market Share of Plastic Stormwater Pipes (HDPE & PP)					40.0%	40.2%	40.4%	40.6%	40.8%	41.0%
Investment Allocation in Plastic Stormwater Pipes					**$ 4,064,075**	**$ 4,105,710**	**$ 4,303,560**	**$ 4,510,834**	**$ 4,727,976**	**$ 4,955,452**
WMS Market Capture in Plastic Pipe Sector					39.0%	38.6%	39.4%	39.7%	39.9%	40.0%
WMS Plastic Pipe Revenue					**$ 1,586,618**	**$ 1,586,618**	**$ 1,697,681**	**$ 1,792,751**	**$ 1,886,871**	**$ 1,981,214**
Infiltrator Segment Build										
Total U.S. Septic System Market					$ 5,300,000	$ 5,618,000	$ 5,955,080	$ 6,312,385	$ 6,691,128	$ 7,092,596
Percentage of Septic Market Comprising Plastic Systems					43.0%	43.3%	43.5%	43.8%	44.0%	44.3%
U.S. Market for Plastic Septic Systems					**$ 2,279,000**	**$ 2,429,785**	**$ 2,590,460**	**$ 2,761,668**	**$ 2,944,096**	**$ 3,138,474**
WMS Market Capture in Plastic Septic Systems					23.3%	25.1%	27.1%	28.5%	29.1%	29.2%
WMS Infiltrator Revenue					**$ 531,236**	**$ 610,921**	**$ 702,560**	**$ 786,867**	**$ 857,685**	**$ 917,723**
Allied Products & Other Segment Build										
Allied Products & Other	$ 403,273	$ 442,447	$ 569,352	$ 700,319	$ 684,329	$ 698,112	$ 763,957	$ 824,666	$ 886,829	$ 950,983
Pipe	954,633	1,059,200	1,555,248	1,758,961	1,586,618	1,586,618	1,697,681	1,792,751	1,886,871	1,981,214
Allied Products & Other as a % of Pipe	**42.2%**	**41.8%**	**36.6%**	**39.8%**	**43.1%**	**44.0%**	**45.0%**	**46.0%**	**47.0%**	**48.0%**

Sources: Internal Model Projections

Kenan–Flagler Business School
ALPHA CHALLENGE
The University of North Carolina

Margin Analysis

Advanced Drainage Systems - Margin Analysis

($ in thousands)	FY20 Mar-20A	FY21 Mar-21A	FY22 Mar-22A	FY23 Mar-23A	FY24 Mar-24A	FY25 Mar-25E	FY26 Mar-26E	FY27 Mar-27E	FY28 Mar-28E	FY29 Mar-29E
Consolidated Gross Margin Build										
Pipe	$ 954,633	$ 1,059,200	$ 1,555,248	$ 1,758,961	$ 1,586,618	$ 1,586,618	$ 1,697,681	$ 1,792,751	$ 1,886,871	$ 1,981,214
Infiltrator	211,005	397,813	551,906	523,643	531,236	610,921	702,560	786,867	857,685	917,723
International	148,581	164,858	224,742	239,068	222,002	226,442	230,971	235,590	240,302	245,108
Allied Products & Other	403,273	442,447	569,352	700,319	684,329	698,112	763,957	824,666	886,829	950,983
Intersegment Eliminations	(43,687)	(81,538)	(131,933)	(150,870)	(149,712)	(156,105)	(169,758)	(172,894)	(183,905)	(194,514)
Total Consolidated Revenue	**$ 1,673,805**	**$ 1,982,780**	**$ 2,769,315**	**$ 3,071,121**	**$ 2,874,473**	**$ 2,965,989**	**$ 3,225,410**	**$ 3,466,980**	**$ 3,687,782**	**$ 3,900,514**
Pipe	$ 239,531	$ 322,846	$ 353,182	$ 532,551	$ 515,444	$ 468,052	$ 504,211	$ 534,240	$ 564,174	$ 594,364
Infiltrator	98,245	191,163	231,825	233,580	281,677	336,007	388,515	435,924	476,015	510,254
International	36,999	49,921	58,822	61,681	62,578	64,536	65,827	67,143	68,486	69,856
Allied Products & Other	201,206	225,052	284,091	376,299	391,766	394,433	433,163	468,410	504,606	542,060
Intersegment Eliminations	(1,895)	(503)	(28)	924	(4,557)	-	-	-	-	-
Total Segment Adjusted Gross Profit	**$ 574,086**	**$ 788,479**	**$ 927,892**	**$ 1,205,035**	**$ 1,246,908**	**$ 1,263,028**	**$ 1,391,717**	**$ 1,505,717**	**$ 1,613,281**	**$ 1,716,534**
(-) Depreciation and amortization	(62,225)	(66,408)	(71,705)	(84,048)	(96,251)	(102,362)	(104,539)	(106,320)	(104,438)	(102,370)
(-) ESOP and stock-based compensation expense	(14,319)	(31,792)	(36,622)	(2,579)	(4,708)	(4,708)	(4,708)	(4,708)	(4,708)	(4,708)
(-) ESOP acceleration compensation	(168,610)	-	(19,181)	-	-	-	-	-	-	-
(-) Other	(12,453)	(197)	-	-	-	-	-	-	-	-
Consolidated GAAP Gross Profit	**$ 316,479**	**$ 690,082**	**$ 800,384**	**$ 1,118,408**	**$ 1,145,949**	**$ 1,155,959**	**$ 1,282,470**	**$ 1,394,689**	**$ 1,504,135**	**$ 1,609,456**
Pipe Gross Margin	25.1%	30.5%	22.7%	30.3%	32.5%	29.5%	29.7%	29.8%	29.9%	30.0%
Infiltrator Gross Margin	46.6%	48.1%	42.0%	44.6%	53.0%	55.0%	55.3%	55.4%	55.5%	55.6%
International Gross Margin	24.9%	30.3%	26.2%	25.8%	28.2%	28.5%	28.5%	28.5%	28.5%	28.5%
Allied Products & Other Gross Margin	49.9%	50.9%	49.9%	53.7%	57.2%	56.5%	56.7%	56.8%	56.9%	57.0%
Total Segment Adjusted Gross Margin	**34.3%**	**39.8%**	**33.5%**	**39.2%**	**43.4%**	**42.6%**	**43.1%**	**43.4%**	**43.7%**	**44.0%**
Consolidated GAAP Gross Margin	**18.9%**	**34.8%**	**28.9%**	**36.4%**	**39.9%**	**39.0%**	**39.8%**	**40.2%**	**40.8%**	**41.3%**
Consolidated Adjusted EBITDA Build										
Consolidated Net income	$ (191,797)	$ 226,090	$ 275,026	$ 511,353	$ 513,291	$ 497,105	$ 571,022	$ 671,492	$ 759,078	$ 836,223
(+) Interest expense	82,711	35,658	33,550	70,182	88,862	87,945	87,191	72,798	46,641	34,508
(+) Income tax expense	14,092	86,382	110,071	150,589	158,998	148,486	170,565	200,576	226,738	249,781
EBIT	**$ (94,994)**	**$ 348,130**	**$ 418,647**	**$ 732,124**	**$ 761,151**	**$ 733,535**	**$ 828,779**	**$ 944,866**	**$ 1,032,457**	**$ 1,120,512**
(+) Depreciation & Amortization Expense	124,940	145,586	141,808	145,149	154,903	170,544	174,172	175,082	173,326	169,672
EBITDA	**$ 29,946**	**$ 493,716**	**$ 560,455**	**$ 877,273**	**$ 916,054**	**$ 904,080**	**$ 1,002,951**	**$ 1,119,948**	**$ 1,205,783**	**$ 1,290,184**
(+) (Gain) loss on disposal of assets and costs from exits		4,275	3,398	4,397	(8,365)	-	-	-	-	-
(+) Stock-based compensation expense		65,434	24,158	21,659	31,986	28,000	29,000	30,000	31,000	32,000
(+) Transaction costs		1,415	3,539	3,903	3,444	-	-	-	-	-
(+) Interest income		-	(52)	(9,782)	(22,047)	(14,705)	(16,517)	(22,568)	(21,735)	(23,616)
(+) Other adjustments		2,115	84,544	6,512	1,875	-	-	-	-	-
Adjusted EBITDA	**$ 361,868**	**$ 566,955**	**$ 676,042**	**$ 903,962**	**$ 922,947**	**$ 917,375**	**$ 1,015,434**	**$ 1,127,380**	**$ 1,215,048**	**$ 1,298,568**
EBIT Margin	(5.7%)	17.6%	15.1%	23.8%	26.5%	24.7%	27.9%	29.3%	29.8%	30.4%
EBITDA Margin	1.8%	24.9%	20.2%	28.6%	31.9%	30.5%	33.8%	34.7%	34.8%	35.0%
Adjusted EBITDA Margin	21.6%	28.6%	24.4%	29.4%	32.1%	30.9%	34.2%	35.0%	35.0%	35.2%
Consolidated Adjusted Net Income Build										
Net income attributable to common shareow ners	$ (193,174)	$ 224,230	$ 271,331	$ 507,086	$ 509,915	$ 493,729	$ 567,646	$ 668,116	$ 755,702	$ 832,847
(+) Adjustments to Net Income	-	-	-	6,667	(4,741)	-	-	-	-	-
Adjusted Net Income	**$ (193,174)**	**$ 224,230**	**$ 271,331**	**$ 513,753**	**$ 505,174**	**$ 493,729**	**$ 567,646**	**$ 668,116**	**$ 755,702**	**$ 832,847**
GAAP Net Margin	(11.5%)	11.3%	9.8%	16.5%	17.7%	16.6%	17.6%	19.3%	20.5%	21.4%
Adjusted Net Margin	(11.5%)	11.3%	9.8%	16.7%	17.6%	16.6%	17.6%	19.3%	20.5%	21.4%

Sources: Internal Model Projections

Kenan–Flagler Business School
ALPHA CHALLENGE
The University of North Carolina

Debt Schedule

Advanced Drainage Systems - Debt Schedule

($ in thousands)	FY20 Mar-20A	FY21 Mar-21A	FY22 Mar-22A	FY23 Mar-23A	FY24 Mar-24A	FY25 Mar-25E	FY26 Mar-26E	FY27 Mar-27E	FY28 Mar-28E	FY29 Mar-29E
Debt Scheduale										
Term Loan Facility, beg.	$ -	$ 648,250	$ 441,250	$ 434,250	$ 427,250	$ 420,250	$ 408,380	$ 398,407	$ 340,971	$ -
(+) Draw dow n, net	648,250	-	-	-	-					
(–) Repayment, net	-	(207,000)	(7,000)	(7,000)	(7,000)	(11,870)	(9,973)	(57,436)	(340,971)	
Term Loan Facility, end	$ 648,250	$ 441,250	$ 434,250	$ 427,250	$ 420,250	$ 408,380	$ 398,407	$ 340,971	$ -	$ -
(+) 5.0% Senior Notes due 2027	350,000	350,000	350,000	350,000	350,000	350,000	350,000	-	-	-
(+) 6.375% Senior Notes due 2030	-	-	-	500,000	500,000	500,000	500,000	500,000	500,000	500,000
(+) Revolving Credit Facility	100,000	-	114,300	-	-	-	-	-	-	-
(+) 1.6% Equipment financing	1,492	-	31,254	18,638	10,901	10,901	10,901	10,901	749	-
Total Debt	**$ 1,099,742**	**$ 791,250**	**$ 929,804**	**$ 1,295,888**	**$ 1,281,151**	**$ 1,269,281**	**$ 1,259,308**	**$ 851,872**	**$ 500,749**	**$ 500,000**
(-) Unamortized debt issuance costs	(2,419)	(2,030)	(1,648)	(11,804)	(9,759)	(9,759)	(9,759)	(9,759)	(9,759)	(9,759)
(-) Current portion of long-term debt	(7,955)	(7,000)	(19,451)	(14,693)	(11,870)	(11,870)	(11,870)	(11,870)	(11,870)	(11,870)
Total Long-term debt	**$ 1,089,368**	**$ 782,220**	**$ 908,705**	**$ 1,269,391**	**$ 1,259,522**	**$ 1,247,652**	**$ 1,237,679**	**$ 830,243**	**$ 479,120**	**$ 478,371**
Schedule of Long-term Debt Maturities - Per SEC Filings						11,870	9,973	407,436	351,123	749
Consolidated Debt Outstanding										
Long-term debt	$ 1,089,368	$ 782,220	$ 908,705	$ 1,269,391	$ 1,259,522	$ 1,247,652	$ 1,237,679	$ 830,243	$ 479,120	$ 478,371
Current portion of long-term debt	7,955	7,000	19,451	14,693	11,870	11,870	11,870	11,870	11,870	11,870
(-) Cash and cash equivalents	(174,233)	(195,009)	(20,125)	(217,128)	(490,163)	(550,560)	(902,711)	(965,988)	(1,180,820)	(1,830,619)
Net Debt	**$ 923,090**	**$ 594,211**	**$ 908,031**	**$ 1,066,956**	**$ 781,229**	**$ 708,962**	**$ 346,838**	**$ (123,875)**	**$ (689,830)**	**$ (1,340,378)**
Interest Expense, net										
Average Debt Balance		$ 945,496	$ 860,527	$ 1,112,846	$ 1,288,520	$ 1,275,216	$ 1,264,295	$ 1,055,590	$ 676,311	$ 500,375
Interest Expense, net		35,658	33,550	70,182	88,862	87,945	87,191	72,798	46,641	34,508
Effective Interest Rate		**3.8%**	**3.9%**	**6.3%**	**6.9%**	**6.9%**	**6.9%**	**6.9%**	**6.9%**	**6.9%**
Summary Credit Metrics										
Interest Expense	82,711	35,658	33,550	70,182	88,862	87,945	87,191	72,798	46,641	34,508
EBIT	(94,994)	348,130	418,647	732,124	761,151	733,535	828,779	944,866	1,032,457	1,120,512
EBITDA	29,946	493,716	560,455	877,273	916,054	904,080	1,002,951	1,119,948	1,205,783	1,290,184
CAPEX	67,677	78,757	149,083	166,913	183,812	250,000	235,000	225,000	215,000	200,000
LTM Coverage Ratios										
EBIT / total interest expense	(1.1x)	9.8x	12.5x	10.4x	8.6x	8.3x	9.5x	13.0x	22.1x	32.5x
EBITDA / total interest expense	0.4x	13.8x	16.7x	12.5x	10.3x	10.3x	11.5x	15.4x	25.9x	37.4x
(EBITDA – capex) / total interest expense	(0.5x)	11.6x	12.3x	10.1x	8.2x	7.4x	8.8x	12.3x	21.2x	31.6x
Total Debt / EBITDA	36.4x	1.6x	1.6x	1.4x	1.4x	1.4x	1.2x	0.7x	0.4x	0.4x
Net Debt / EBITDA	30.8x	1.2x	1.6x	1.2x	0.9x	0.8x	0.3x	(0.1x)	(0.6x)	(1.0x)

Sources: Internal Model Projections

Kenan–Flagler Business School
ALPHA CHALLENGE
The University of North Carolina

Scenario Analysis: Base Case

Advanced Drainage Systems - Scenario Analysis	Base Case					
	FY24	FY25	FY26	FY27	FY28	FY29
($ in millions)	Mar-24A	Mar-25E	Mar-26E	Mar-27E	Mar-28E	Mar-29E
Pipe	$ 1,586,618	$ 1,586,618	$ 1,697,681	$ 1,792,751	$ 1,886,871	$ 1,981,214
Growth		0.0%	7.0%	5.6%	5.3%	5.0%
Infiltrator	531,236	610,921	702,560	786,867	857,685	917,723
Growth		15.0%	15.0%	12.0%	9.0%	7.0%
International	222,002	226,442	230,971	235,590	240,302	245,108
Growth		2.0%	2.0%	2.0%	2.0%	2.0%
Allied Products & Other	684,329	698,112	763,957	824,666	886,829	950,983
Growth		2.0%	9.4%	7.9%	7.5%	7.2%
Intersegment Eliminations	(149,712)	(156,105)	(169,758)	(172,894)	(183,905)	(194,514)
Net sales	**$ 2,874,473**	**$ 2,965,989**	**$ 3,225,410**	**$ 3,466,980**	**$ 3,687,782**	**$ 3,900,514**
Growth		3.2%	8.7%	7.5%	6.4%	5.8%
Cost of goods sold	(1,728,524)	(1,810,030)	(1,942,940)	(2,072,291)	(2,183,647)	(2,291,058)
Gross profit	**1,145,949**	**1,155,959**	**1,282,470**	**1,394,689**	**1,504,135**	**1,609,456**
Margin	39.9%	39.0%	39.8%	40.2%	40.8%	41.3%
Selling, general and administrative	(370,714)	(385,579)	(419,303)	(422,972)	(446,222)	(468,062)
% of Sales	12.9%	13.0%	13.0%	12.2%	12.1%	12.0%
Intangible amortization	(51,469)	(51,550)	(50,905)	(49,420)	(47,191)	(44,499)
Income from operations	**732,131**	**718,830**	**812,262**	**922,298**	**1,010,723**	**1,096,895**
Margin	25.5%	24.2%	25.2%	26.6%	27.4%	28.1%
Interest expense	(88,862)	(87,945)	(87,191)	(72,798)	(46,641)	(34,508)
Interest income and other, net	23,484	14,705	16,517	22,568	21,735	23,616
Income before income taxes	**666,753**	**645,591**	**741,588**	**872,067**	**985,816**	**1,086,004**
Margin	23.2%	21.8%	23.0%	25.2%	26.7%	27.8%
Income tax expense	(158,998)	(148,486)	(170,565)	(200,576)	(226,738)	(249,781)
ETR	23.8%	23.0%	23.0%	23.0%	23.0%	23.0%
Net income	**513,291**	**497,105**	**571,022**	**671,492**	**759,078**	**836,223**
Net income attributable to noncontrolling interest	(3,376)	(3,376)	(3,376)	(3,376)	(3,376)	(3,376)
Net income attributable to ADS	**$ 509,915**	**$ 493,729**	**$ 567,646**	**$ 668,116**	**$ 755,702**	**$ 832,847**
Diluted Earnings per Share	**$ 6.45**	**$ 6.35**	**$ 7.33**	**$ 8.66**	**$ 9.83**	**$ 10.87**
Diluted Weighted Average Shares	79,017	77,727	77,424	77,138	76,868	76,611

Sources: Internal Model Projections

Kenan–Flagler Business School
ALPHA CHALLENGE
The University of North Carolina

Discounted Cash Flow Analysis: Base Case

Base Case: Advanced Drainage Systems Discounted Cash Flow Analysis

	Fiscal Year Ending March 31,					
	2025E	2026E	2027E	2028E	2029E	Terminal Value
NOPAT	$ 564,822	$ 638,160	$ 727,547	$ 794,992	$ 862,794	
(+) Depreciation and Amortization	170,544	174,172	175,082	173,326	169,672	
(+) Change in Working Capital	(45,637)	(42,326)	(39,151)	(33,806)	(31,800)	
(+) Other Non-Cash Charges	-	-	-	-	-	
(+) Capital Expenditures	(250,000)	(235,000)	(225,000)	(215,000)	(200,000)	
Unlevered Free Cash Flow	**$ 439,729**	**$ 535,006**	**$ 638,478**	**$ 719,512**	**$ 800,667**	**$ 15,746,444**
Discount Factor	0.92	0.85	0.78	0.72	0.67	0.67
PV of Free Cash Flow	**$ 405,281**	**$ 454,464**	**$ 499,870**	**$ 519,181**	**$ 532,480**	**$ 10,472,100**
Enterprise Value	**$ 12,883,376**					
(-) Net Debt	769,733					
Equity Value	**$ 12,113,643**					
(÷) Shares Outstanding	79,017					
Price per Share	**$ 153.30**					

Assumptions

Weighted Average Cost of Capital	8.5%
Perpetual Growth Rate	3.3%

Sources: Internal Model Projections

Kenan–Flagler Business School
ALPHA CHALLENGE
The University of North Carolina

Scenario Analysis: Upside Case

Advanced Drainage Systems - Scenario Analysis	Upside Case					
	FY24	FY25	FY26	FY27	FY28	FY29
($ in millions)	Mar-24A	Mar-25E	Mar-26E	Mar-27E	Mar-28E	Mar-29E
Pipe	$ 1,586,618	$ 1,618,350	$ 1,747,818	$ 1,863,174	$ 1,979,623	$ 2,098,400
Growth		2.0%	8.0%	6.6%	6.3%	6.0%
Infiltrator	531,236	621,546	720,993	814,723	896,195	967,891
Growth		17.0%	16.0%	13.0%	10.0%	8.0%
International	222,002	227,552	233,241	239,072	245,049	251,175
Growth		2.5%	2.5%	2.5%	2.5%	2.5%
Allied Products & Other	684,329	704,955	785,544	863,680	946,058	1,033,417
Growth		3.0%	11.4%	9.9%	9.5%	9.2%
Intersegment Eliminations	(149,712)	(158,620)	(174,380)	(179,581)	(193,179)	(206,667)
Net sales	**$ 2,874,473**	**$ 3,013,784**	**$ 3,313,217**	**$ 3,601,068**	**$ 3,873,746**	**$ 4,144,216**
Growth		4.8%	9.9%	8.7%	7.6%	7.0%
Cost of goods sold	(1,728,524)	(1,833,170)	(1,970,985)	(2,125,430)	(2,264,708)	(2,403,120)
Gross profit	**1,145,949**	**1,180,614**	**1,342,233**	**1,475,638**	**1,609,037**	**1,741,096**
Margin	39.9%	39.2%	40.5%	41.0%	41.5%	42.0%
Selling, general and administrative	(370,714)	(384,257)	(422,435)	(430,328)	(459,039)	(486,945)
% of Sales	12.9%	12.8%	12.8%	12.0%	11.9%	11.8%
Intangible amortization	(51,469)	(51,550)	(50,905)	(49,420)	(47,191)	-
Income from operations	**732,131**	**744,807**	**868,893**	**995,890**	**1,102,807**	**1,254,150**
Margin	25.5%	24.7%	26.2%	27.7%	28.5%	30.3%
Interest expense	(88,862)	(87,945)	(87,191)	(72,798)	(46,641)	(34,508)
Interest income and other, net	23,484	14,705	16,517	22,568	21,735	23,616
Income before income taxes	**666,753**	**671,567**	**798,218**	**945,660**	**1,077,901**	**1,243,259**
Margin	23.2%	22.3%	24.1%	26.3%	27.8%	30.0%
Income tax expense	(158,998)	(154,460)	(183,590)	(217,502)	(247,917)	(285,949)
ETR	23.8%	23.0%	23.0%	23.0%	23.0%	23.0%
Net income	**513,291**	**517,107**	**614,628**	**728,158**	**829,984**	**957,309**
Net income attributable to noncontrolling interest	(3,376)	(3,376)	(3,376)	(3,376)	(3,376)	(3,376)
Net income attributable to ADS	**$ 509,915**	**$ 513,731**	**$ 611,252**	**$ 724,782**	**$ 826,608**	**$ 953,933**
Diluted Earnings per Share	**$ 6.45**	**$ 6.61**	**$ 7.89**	**$ 9.40**	**$ 10.75**	**$ 12.45**
Diluted Weighted Average Shares	79,017	77,727	77,424	77,138	76,868	76,611

Sources: Internal Model Projections

Kenan–Flagler Business School
ALPHA CHALLENGE
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Discounted Cash Flow Analysis: Upside Case

Upside Case: Advanced Drainage Systems Discounted Cash Flow Analysis

	Fiscal Year Ending March 31,					
	2025E	**2026E**	**2027E**	**2028E**	**2029E**	**Terminal Value**
NOPAT	$ 578,840	$ 669,047	$ 734,364	$ 795,942	$ 965,696	
(+) Depreciation and Amortization	170,544	174,172	175,082	173,326	169,672	
(+) Change in Working Capital	(45,637)	(42,326)	(39,151)	(33,806)	(31,800)	
(+) Other Non-Cash Charges	-	-	-	-	-	
(+) Capital Expenditures	(250,000)	(235,000)	(225,000)	(215,000)	(200,000)	
Unlevered Free Cash Flow	**$ 453,747**	**$ 565,894**	**$ 645,296**	**$ 720,462**	**$ 903,568**	**$ 18,658,688**
Discount Factor	0.92	0.85	0.79	0.73	0.67	0.67
PV of Free Cash Flow	**$ 419,166**	**$ 482,924**	**$ 508,716**	**$ 524,686**	**$ 607,885**	**$ 12,552,828**
Enterprise Value	**$ 15,096,205**					
(-) Net Debt	769,733					
Equity Value	**$ 14,326,472**					
(÷) Shares Outstanding	79,017					
Price per Share	**$ 181.31**					

Assumptions

Weighted Average Cost of Capital	8.3%
Perpetual Growth Rate	3.3%

Sources: Internal Model Projections

Kenan–Flagler Business School
ALPHA CHALLENGE
The University of North Carolina

Scenario Analysis: Downside Case

Advanced Drainage Systems - Scenario Analysis	Downside Case					
	FY24	FY25	FY26	FY27	FY28	FY29
($ in millions)	Mar-24A	Mar-25E	Mar-26E	Mar-27E	Mar-28E	Mar-29E
Pipe	$ 1,586,618	$ 1,554,886	$ 1,632,630	$ 1,691,405	$ 1,746,375	$ 1,798,767
Growth		(2.0%)	5.0%	3.6%	3.3%	3.0%
Infiltrator	531,236	600,297	678,335	746,169	798,401	838,321
Growth		13.0%	13.0%	10.0%	7.0%	5.0%
International	222,002	224,222	226,464	228,729	231,016	233,326
Growth		1.0%	1.0%	1.0%	1.0%	1.0%
Allied Products & Other	684,329	684,425	728,446	764,480	799,173	833,010
Growth		0.0%	6.4%	4.9%	4.5%	4.2%
Intersegment Eliminations	(149,712)	(153,191)	(163,294)	(162,962)	(169,811)	(175,913)
Net sales	**$ 2,874,473**	**$ 2,910,638**	**$ 3,102,582**	**$ 3,267,820**	**$ 3,405,154**	**$ 3,527,511**
Growth		1.3%	6.6%	5.3%	4.2%	3.6%
Cost of goods sold	(1,728,524)	(1,783,528)	(1,907,732)	(1,994,096)	(2,058,859)	(2,116,060)
Gross profit	**1,145,949**	**1,127,110**	**1,194,849**	**1,273,724**	**1,346,295**	**1,411,451**
Margin	39.9%	38.7%	38.5%	39.0%	39.5%	40.0%
Selling, general and administrative	(370,714)	(392,936)	(418,849)	(415,013)	(429,049)	(440,939)
% of Sales	12.9%	13.5%	13.5%	12.7%	12.6%	12.5%
Intangible amortization	(51,469)	(51,550)	(50,905)	(49,420)	(47,191)	-
Income from operations	**732,131**	**682,624**	**725,096**	**809,291**	**870,055**	**970,512**
Margin	25.5%	23.5%	23.4%	24.8%	25.6%	27.5%
Interest expense	(88,862)	(87,945)	(87,191)	(72,798)	(46,641)	(34,508)
Interest income and other, net	23,484	14,705	16,517	22,568	21,735	23,616
Income before income taxes	**666,753**	**609,384**	**654,422**	**759,061**	**845,148**	**959,621**
Margin	23.2%	20.9%	21.1%	23.2%	24.8%	27.2%
Income tax expense	(158,998)	(140,158)	(150,517)	(174,584)	(194,384)	(220,713)
ETR	23.8%	23.0%	23.0%	23.0%	23.0%	23.0%
Net income	**513,291**	**469,226**	**503,905**	**584,477**	**650,764**	**738,908**
Net income attributable to noncontrolling interest	(3,376)	(3,376)	(3,376)	(3,376)	(3,376)	(3,376)
Net income attributable to ADS	**$ 509,915**	**$ 465,850**	**$ 500,529**	**$ 581,101**	**$ 647,388**	**$ 735,532**
Diluted Earnings per Share	**$ 6.45**	**$ 5.99**	**$ 6.46**	**$ 7.53**	**$ 8.42**	**$ 9.60**
Diluted Weighted Average Shares	79,017	77,727	77,424	77,138	76,868	76,611

Sources: Internal Model Projections

Discounted Cash Flow Analysis: Downside Case

Downside Case: Advanced Drainage Systems Discounted Cash Flow Analysis

	Fiscal Year Ending March 31,					
	2025E	**2026E**	**2027E**	**2028E**	**2029E**	**Terminal Value**
NOPAT	$ 522,530	$ 572,153	$ 623,154	$ 669,942	$ 747,294	
(+) Depreciation and Amortization	170,544	174,172	175,082	173,326	169,672	
(+) Change in Working Capital	(45,637)	(42,326)	(39,151)	(33,806)	(31,800)	
(+) Other Non-Cash Charges	-	-	-	-	-	
(+) Capital Expenditures	(250,000)	(235,000)	(225,000)	(215,000)	(200,000)	
Unlevered Free Cash Flow	**$ 397,437**	**$ 468,999**	**$ 534,086**	**$ 594,462**	**$ 685,167**	**$ 9,363,951**
Discount Factor	0.91	0.83	0.75	0.68	0.62	0.62
PV of Free Cash Flow	**$ 361,307**	**$ 387,603**	**$ 401,266**	**$ 406,026**	**$ 425,435**	**$ 5,814,277**
Enterprise Value	**$ 7,795,913**					
(-) Net Debt	769,733					
Equity Value	**$ 7,026,180**					
(÷) Shares Outstanding	79,017					
Price per Share	**$ 88.92**					

Assumptions

Weighted Average Cost of Capital	10.0%
Perpetual Growth Rate	2.5%

Sources: Internal Model Projections

Supply Chain Analysis

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 resin price increases to customers could adversely affect our business, financial condition, results of operations and cash flows.

Resin prices fluctuate substantially as a result of changes in crude oil and natural gas prices, changes in existing processing capabilities and the capacity of resin suppliers. Polypropylene resin suppliers are limited, high-density polyethylene suppliers are geographically concentrated, and supply of recycled resin is also limited. Supply interruptions could arise from disruptions to existing petrochemical capacity and recycled resin sources caused by labor disputes and shortages, weather conditions or natural disasters affecting supplies or shipments, transportation disruptions or other factors beyond our control. An extended disruption in the timely availability of raw materials from our key suppliers would result in a decrease in our revenues and profitability. Additionally, our customers' production schedules could be impacted by these shortages, which could result in reduced sales of our products.

Inflation in these raw material costs could also result in significant cost increases, further affecting our business. Our ability to maintain profitability heavily depends on our ability to pass through to our customers any increase in raw material costs. If increases in the cost of raw materials cannot be passed on to our customers, our business, financial condition, results of operations and cash flows will be adversely affected. Conversely, in the event that there is deflation, we may experience pressure from our customers to reduce prices. We may not be able to reduce our cost base to offset any such price concessions which could adversely impact our results of operations and cash flows.

Raw Material Costs - Our raw material cost and product selling prices fluctuate with changes in the price of resins utilized in production. We actively manage our resin purchases and pass fluctuations in the cost of resin through to our customers, where possible, in order to maintain our profitability. Fluctuations in the price of crude oil and natural gas prices may impact the cost of resin. In addition, changes in and disruptions to existing capacities could also significantly increase resin prices, often within a short period of time. Our ability to pass through raw material price increases to our customers may 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, which may increase prices to levels that cannot be fully passed through to customers due to pricing of competing products or the anticipated length of time the raw material pricing will stay elevated.

We currently purchase in excess of 1.1 billion pounds of virgin and recycled resin annually from approximately 525 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). The price movements of the different materials vary, resulting in the need to use a number of strategies to reduce volatility.

In order to reduce the volatility of raw material costs in the future, our raw material strategies for managing our costs include the following:

- increasing the use of recycled resin in place of virgin resin while meeting or exceeding industry standards;
- internally processing greater amounts of our recycled resin in order to closely monitor quality and minimize costs;
- managing a resin price risk program that may entail both physical fixed price and volume contracts; and
- maintaining supply agreements with our major resin suppliers that provide multi-year terms and volumes that are in excess of our projected consumption.

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.

Raw Material and Commodity Price Risk - Our primary raw materials used in the production of our products are HDPE and PP resins. As these resins are hydrocarbon-based materials, changes in the price of feedstocks, such as crude oil derivatives and natural gas liquids, as well as changes in the market supply and demand may cause the cost of these resins to fluctuate significantly. We have supply agreements with our major resin suppliers that provide multi-year terms and volumes that are in excess of our projected consumption. These supply agreements generally do not contain fixed prices, exposing us to pricing risk. Given the significance of these costs and the inherent volatility in supplier pricing, our ability to reflect these changes in the cost of resins in our product selling prices in an efficient manner contributes to the management of our overall risk and the potential impact on our results of operations. A 1% increase in the price of resin would increase our cost of goods sold by approximately $5.0 million.

1. Plastic suppliers are geographically concentrated in states with high oil and natural gas production like Texas and Midwestern States like Ohio. This concentration exposes the supply chain to severe weather risks

2. WMS can secure favorable pricing due to its position as a can buyer of plastic resins (1.1B lbs. in 2024). Its sources its materials from a fragmented group of 525 suppliers

3. WMS is mitigating concentration and commodity risks by sourcing more recycled resins from suppliers and in-house

4. WMS supplier contracts generally don't include fixed prices which exposes WMS to fluctuations in the supply of US Natural Gas and Virgin Plastic

5. A 1% increase in the price of resin would increase COGS by $1M in 2024

Sources: Company 10-K, Leadership Group for Industry Transition

Primary Research

Site Visit / Correspondence

- Site Visit to Advanced Drainage Distribution Facility
- Correspondence with Territory Representative & Field Engineer

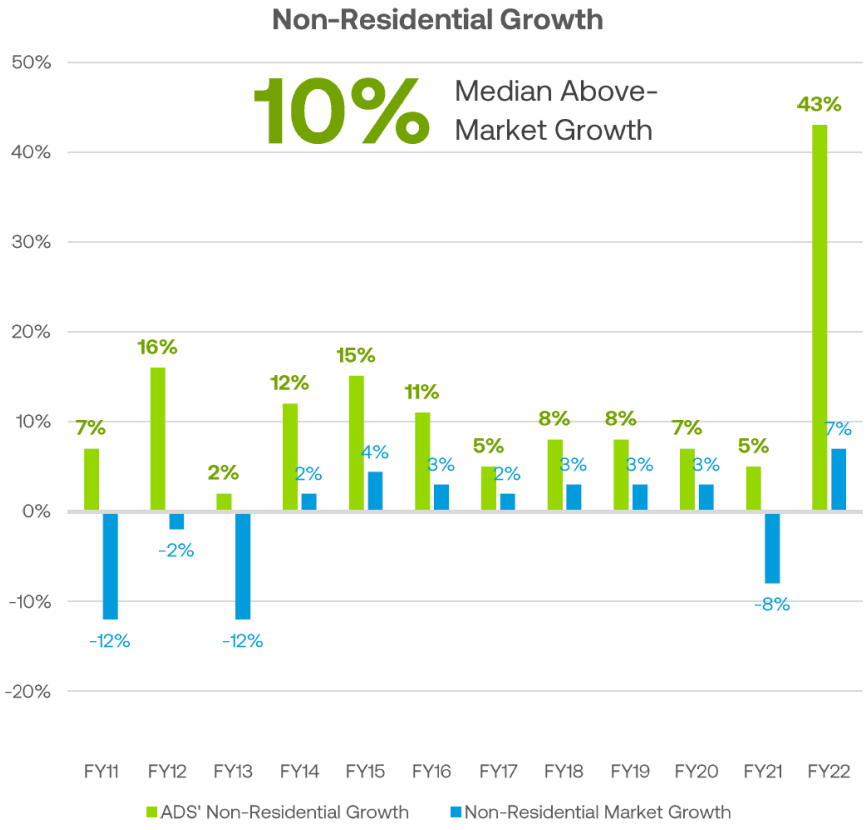
Interviews/Sources

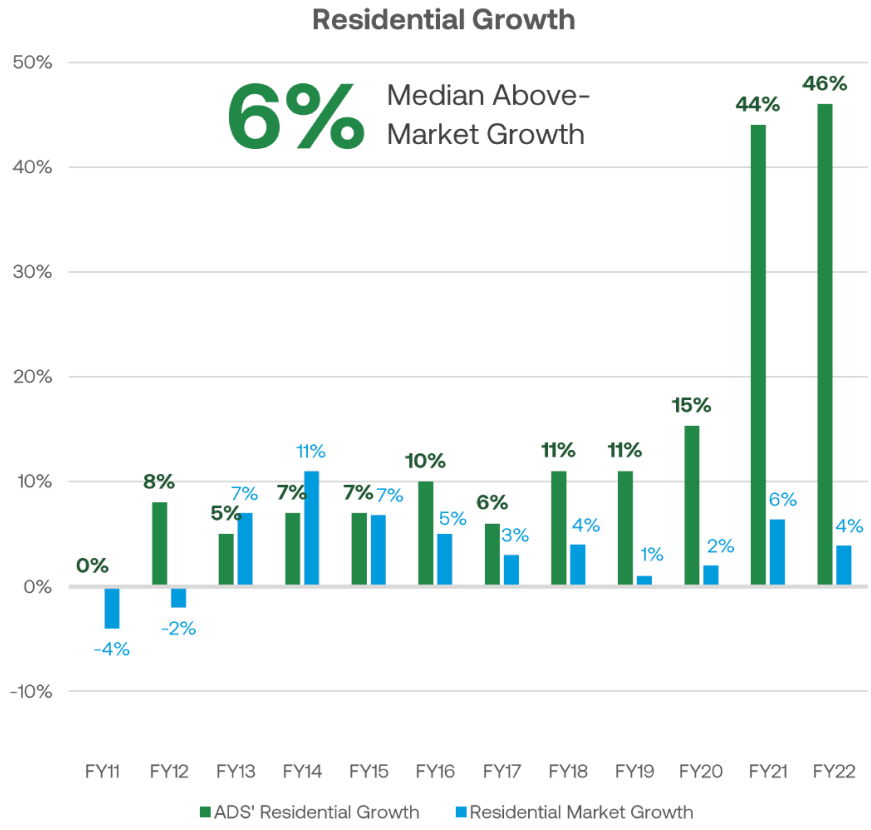
- Interview with Analyst at William Blair

Sources: Team Generated

Outperforming End Markets

Demonstrated Ability to Outperform End Markets

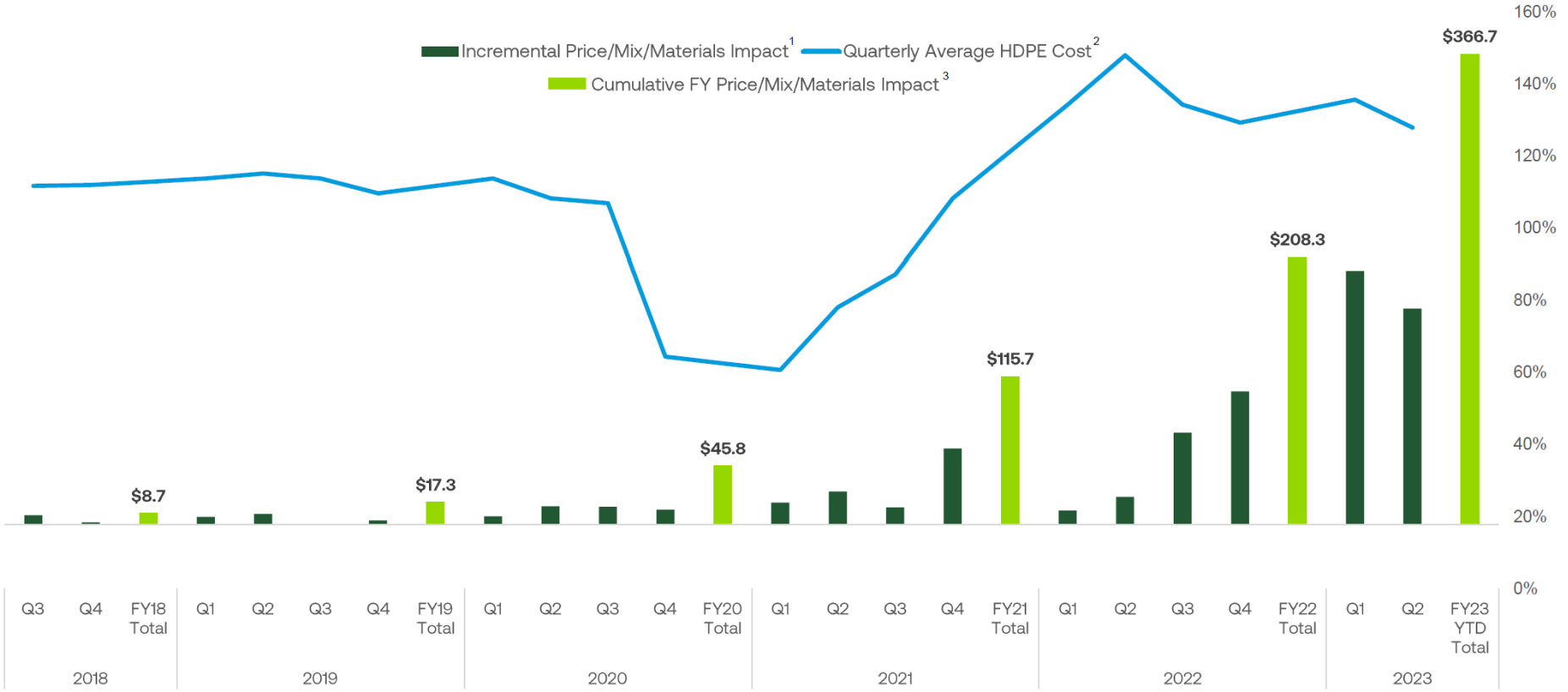




Sources: Investor Presentations

Favorable Price Mix

Demonstrated Ability to Achieve
Favorable Price / Mix / Materials



Sources: Investor Presentations

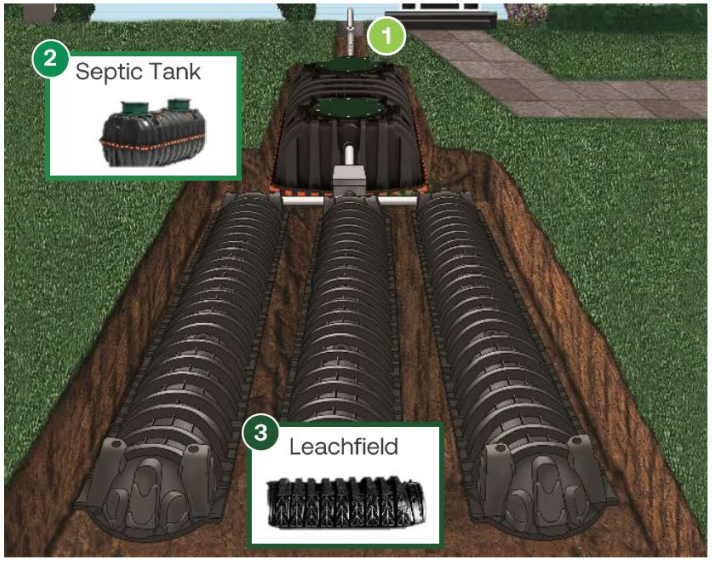
WMS Example Products

Sources: Investor Presentations

Onsite Septic Solution

Onsite Septic Wastewater Solutions

Passive



Active

1 Conveyance

Wastewater is fed through piping systems into an underground tank located outside of the home

2 Primary Treatment

Septic tank stores and treats solids while releasing clarified effluent into the leachfield

3 Secondary Treatment

Leachfield stores and allows infiltration of effluent into soil; naturally filtered and returned to local aquifer

4 Active Treatment Systems

Additional higher-level effluent treatment prior to dispersal

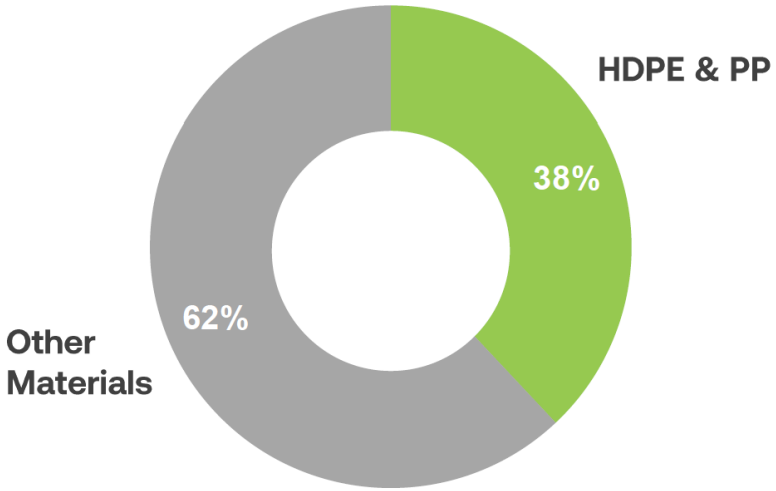
Sources: Investor Presentations

Material Conversion

Material Conversion Accelerating Growth

Our products perform better, are safer to install and are more cost effective than traditional materials.

Share of Storm Sewer Market



ADS & Infiltrator Products Outperform Traditional Materials

Installs 2x-3x Faster

- Reduced labor and equipment due to lighter weight and longer length

20% Less Installed Cost

- Fewer deliveries per project
- Safer to handle

Resilient

- Resistant to chemicals and abrasion
- Performs in all situations

Superior Performance

- High quality ensured by national standards
- Fewer, higher quality joints

Sources: Investor Presentations

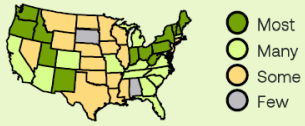
Market Share Model

Market Share Model Accelerates Conversion

Proven market share model leverages best-in-class sales force, technical expertise, and distribution & logistics network to deliver above-market growth and position ADS as the supplier of choice

- Works closely with local agencies and State DOT's
- Technical Engineering team leverages research, studies and relationships to develop industry standards and increase regulatory approvals
- Focused on increasing applications and competition

Storm Approvals by State



- Build relationships with civil and other private consulting engineering firms
- Project identification and specification of storm water solutions package on plans, early in the process

50+ Field Engineers

40+ Engineers & Technicians

Approvals | Acceptance | Coverage | Win Rate

ADS

- Develop relationships with contractors and distributors
- Improve market awareness and accelerate conversion

300 Sales and Engineering Professionals

3,000+ Distributor Partners

- Selling projects vs. taking orders
- Project tracking to ensure products are specified
- High coverage sales model

Inserta-Tee Configurator | Nylo Configurator | StormTech Design Tool | Installation Cost Calculator | FlexStorm Configurator

Sources: Investor Presentations

Sales and Distribution

Sales, Distribution and Logistics Capabilities to Serve the Water Works Industry

Our vast sales and engineering force and distribution footprint coupled with our company owned fleet ensures we have the right products, at the right site, at the right time to meet customer needs

Our vast capabilities allow us to serve the customer

300+ Sales and Engineering Professionals

50+ Field Engineers

48 US & Canada Manufacturing Facilities

26 US & Canada Distribution Centers

Company-Owned Fleet

700 Trucks & 1,250 Trailers

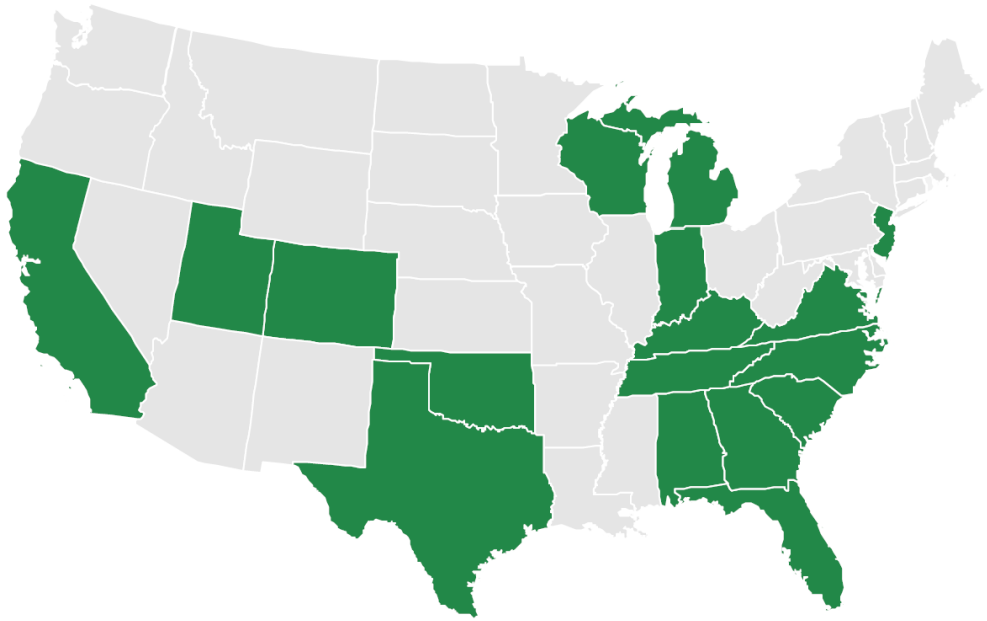
ADS also partners with 3,000+ distribution partners, including

FERGUSON, CORE & MAIN, FORTILINE WATERWORKS, WinWholesale, TDG, EJP, H.D. FOWLER COMPANY, LB Water, We Make Water Work., CORIX Water Products, BRENT, HAYES PIPE SUPPLY, INC., SiteOne, EWING, ETNA SUPPLY COMPANY, Horizon, LBM Advantage, Better. Stronger. Together., Virtualrain, ACE, True Value COMPANY, Omni, EQUITY, Do it Best Corp., ORGILL, LMC, THE HOME DEPOT, LOWE'S, EMBASSY GROUP LTD.

Sources: Investor Presentations

Priority States

Winning in Priority States



Market Context

Priority states represent ~60% of construction activity in the U.S.

Represent ~55% of non-residential activity

~70% of overall housing starts

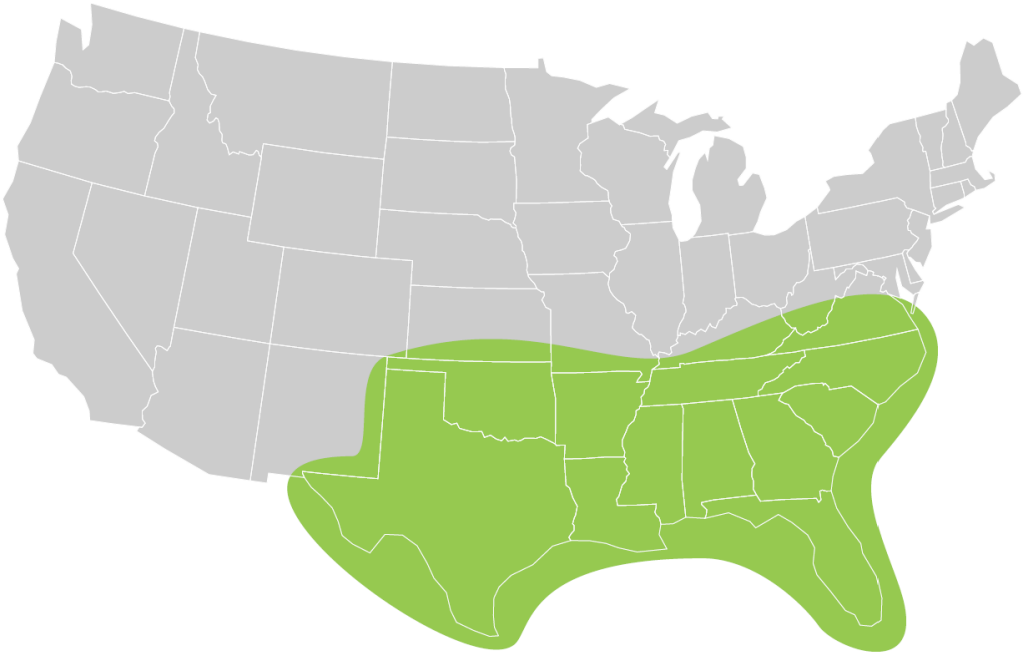
~60% of streets & highways activity

Construction activity forecasted to grow at 7% CAGR from CY21 to CY25

Sources: Investor Presentations

Geography of Onsite Septic

Geographical Spread of Onsite Septic Use



~1/3

of new single-family homes built in the U.S. use onsite wastewater treatment systems

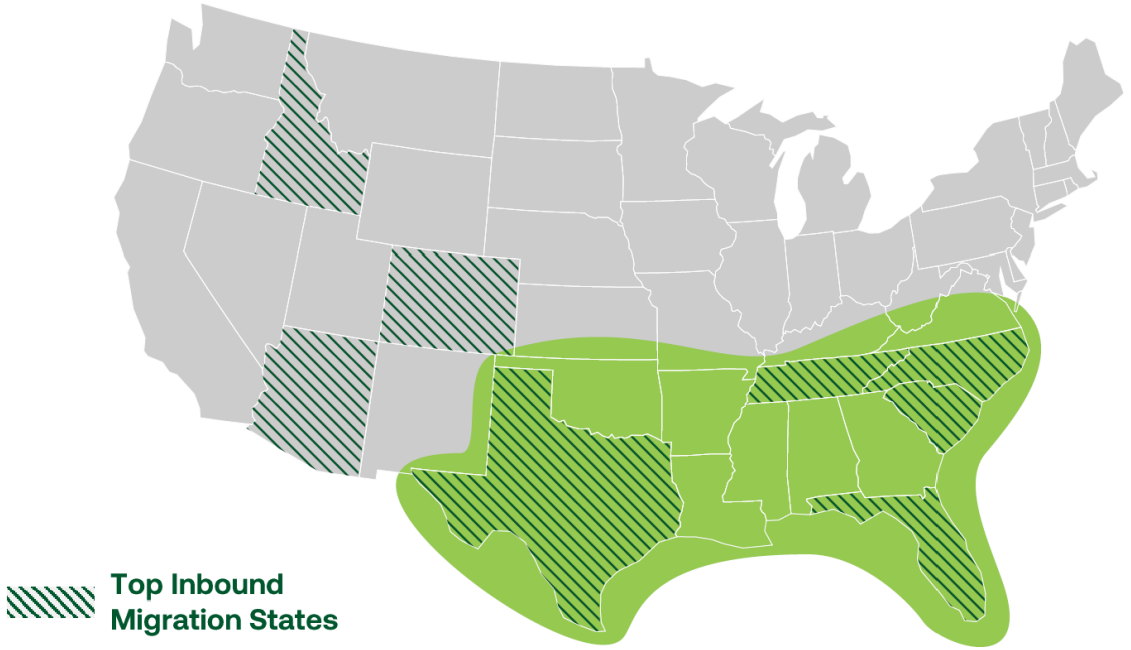
~54%

of Infiltrator onsite wastewater treatment system sales are in the southern crescent of the U.S.

Sources: Investor Presentations

Benefits from Migration South

Infiltrator Well Positioned For Growth
Benefits from Migration Shift



Demand for single-family homes has increased due to **population migration from high density areas to suburban and rural areas**.

These migration trends are particularly evident **in states along the southern crescent of the U.S.**

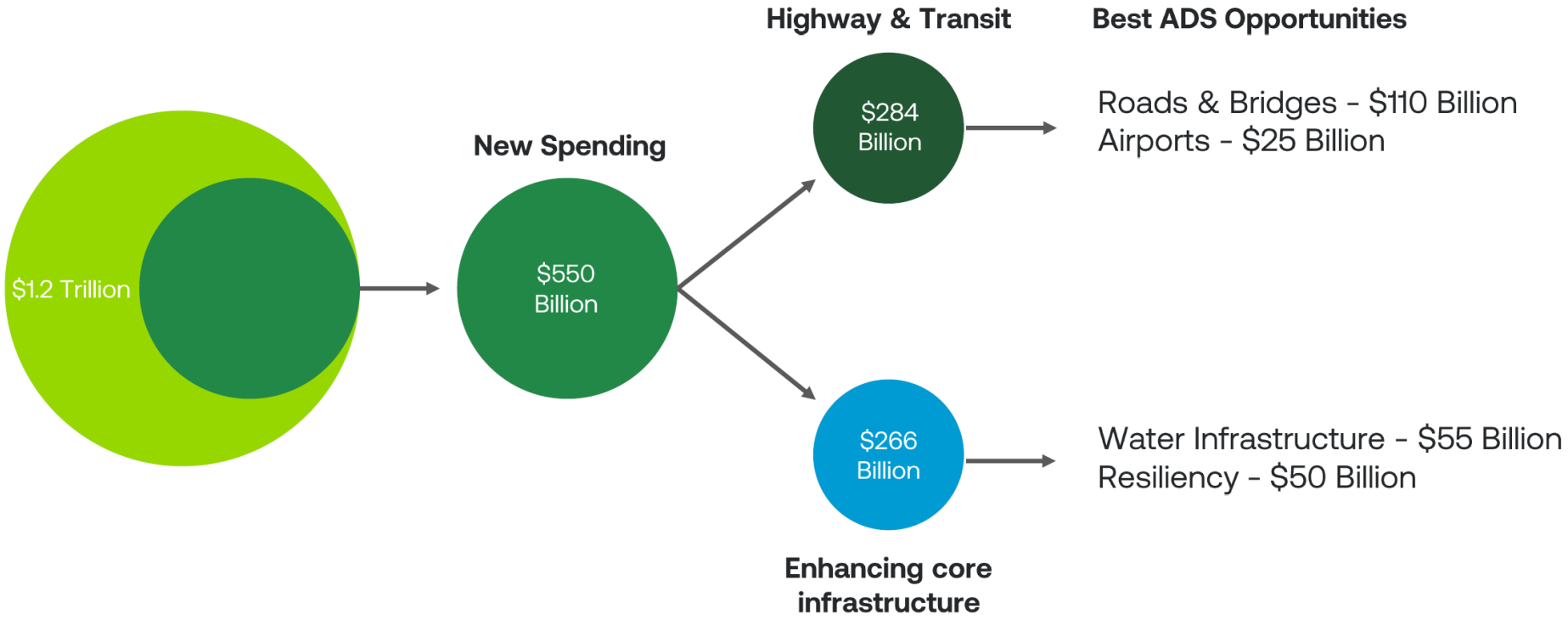
Wastewater management systems in these areas are **often served by septic systems.**

Sources: Investor Presentations

IIJA Stormwater Allocation

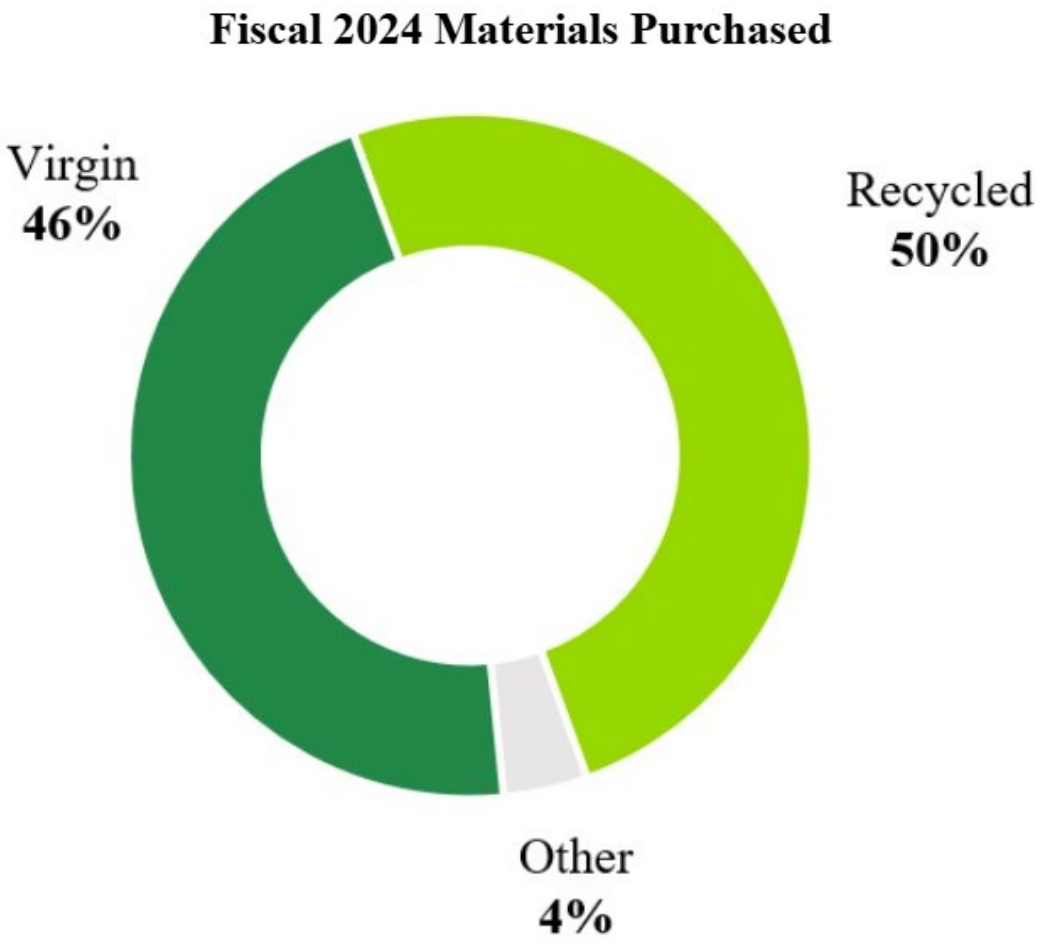
Infrastructure Investment & Jobs Act (IIJA)

$1.2T over 5 years, including $550B in incremental new funding



Sources: Investor Presentations

2024 Plastic Resin Supply Mix



Sources: Investor Presentations

Florida Growth Post Approval

Florida: Contractor and Municipal Acceptance Key to Continued Growth

PRIORITY STATES

FY18 – FY21 $ CAGR

15%

State Context

Florida **is poised for continued rapid growth** given strong DOT approval and rapid gains in acceptance

Primary **constraints are hold-out contractors and engineers** comfortable with concrete

Metro market focused team model has experienced success

Major Initiatives

Improve contractor acceptance with public concrete pipe loyalists through named account targeting strategy

Build out **comprehensive metro-specific teams** with full complement of stakeholder coverage

Win approvals in prioritized holdout municipalities

Key Enablers

Incremental **resourcing** focused on filling gaps in metro market teams and providing support

Streamline pre- and post-order **support functions**

Water quality offering suited to FL environment

Explore other **products for retention/detention**

Infrastructure focused sales team to capitalize on market opportunity

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Sources: Investor Presentations

Texas Growth Post Approval

Texas: Gaining Public Approvals and "Winning" in Dallas Key to Unlocking Sales Potential

PRIORITY STATES

FY18 – FY21 $ CAGR
9%

State Context	Texas is **low maturity**, with weaker approvals and mixed acceptance
	Houston private pipe market has driven historical sales, while **Dallas is underpenetrated, due to approvals and acceptance**
	Very competitive market with concrete pipe
Major Initiatives	**Win approvals**, targeting suburban towns in key metro markets
	Drive contractor and engineer acceptance in Dallas by building deeper relationships
	Continue to make progress on program to obtain **TX DOT approval**
Key Enablers	Incremental sales resources focused largely on driving **approvals and acceptance with engineers**
	Streamline pre- and post-order **support functions**
	Driving higher **Allied Product attachment,** focusing on the storage and treatment segments

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Sources: Investor Presentations

California Growth Post Approval

California: Improving Coverage, Product Solutions and Service to Drive Future Growth

PRIORITY STATES

FY18 – FY21 $ CAGR
7%

State Context	California is **lower maturity due to coverage and acceptance limitations**
	Unique storm pipe applications require fabricated fittings; fabrication presents **service level challenge**
	Water Quality market promising, owned by low impact solutions
Major Initiatives	Add coverage to improve **market and project visibility**
	Resolve **customer service challenges**
	Win approvals in prioritized municipalities (LA, San Diego, San Francisco)
	Capitalize on CalTrans approval by driving acceptance with engineers
	Improve existing **distributor engagement** in S. CA
Key Enablers	Incremental **resourcing** focused on improving coverage and engineer acceptance
	Redefine logistics to **improve service levels**
	Improve **curvilinear design** solution
	Develop **bio-filtration water quality** offering

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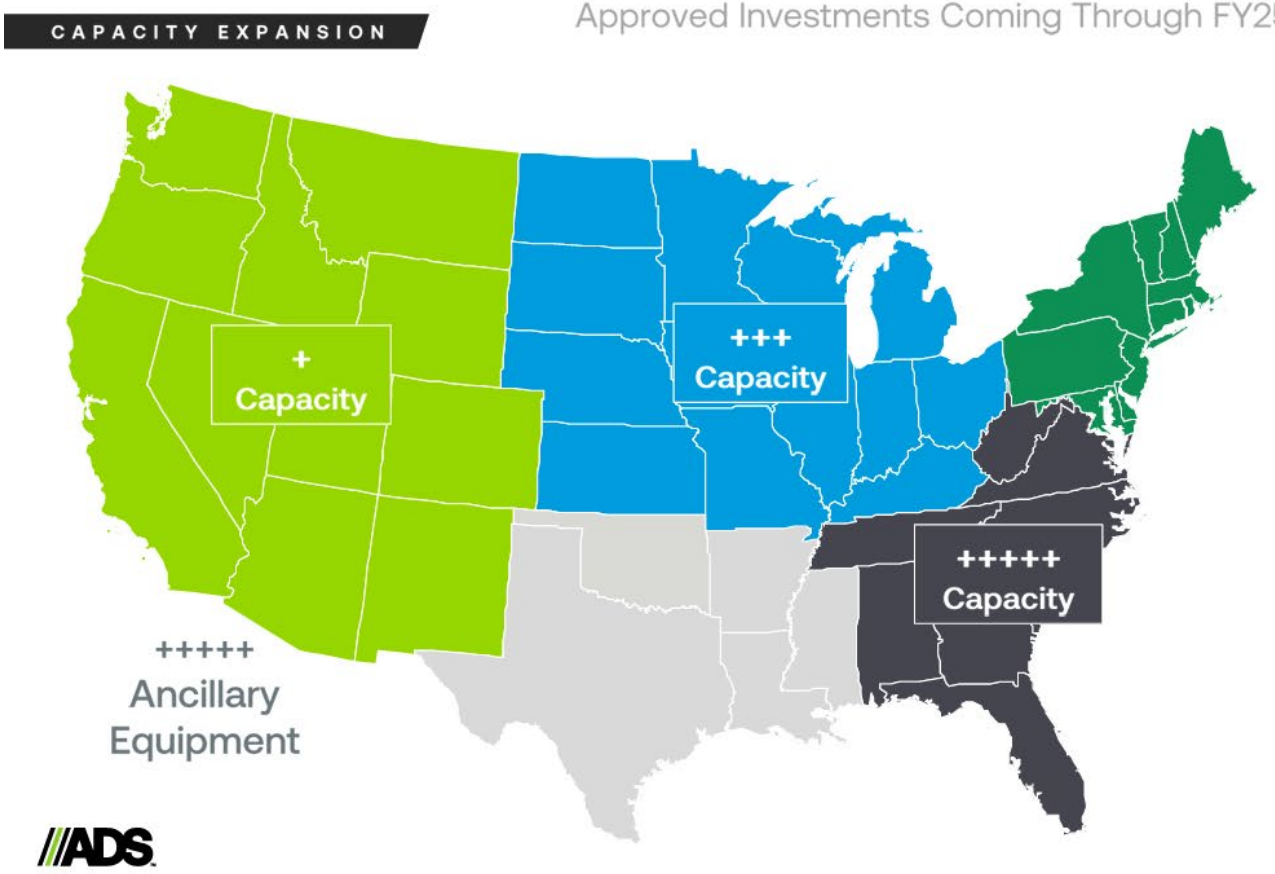
Sources: Investor Presentations

2022 Capacity Expansion Plans

New Production Capacity Investments

Approved Investments Coming Through FY25



~10% Incremental Capacity from New Production Lines

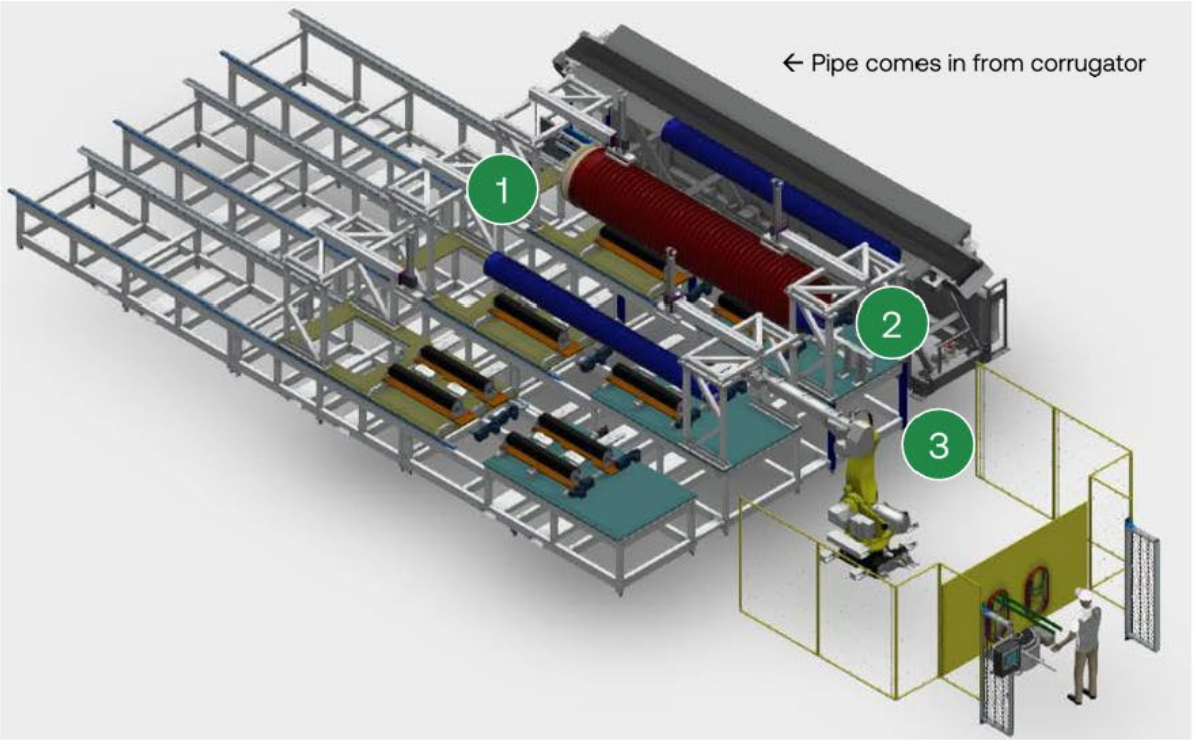
96

Sources: Investor Presentations

Automation

Automating Downstream Processes

AUTOMATION



Automation Points

1. Length Adjustment
2. Trimming
3. Gasket Application

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Sources: Investor Presentations

Automation Continued

Automation

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Sources: Investor Presentations

Advanced Manufacturing

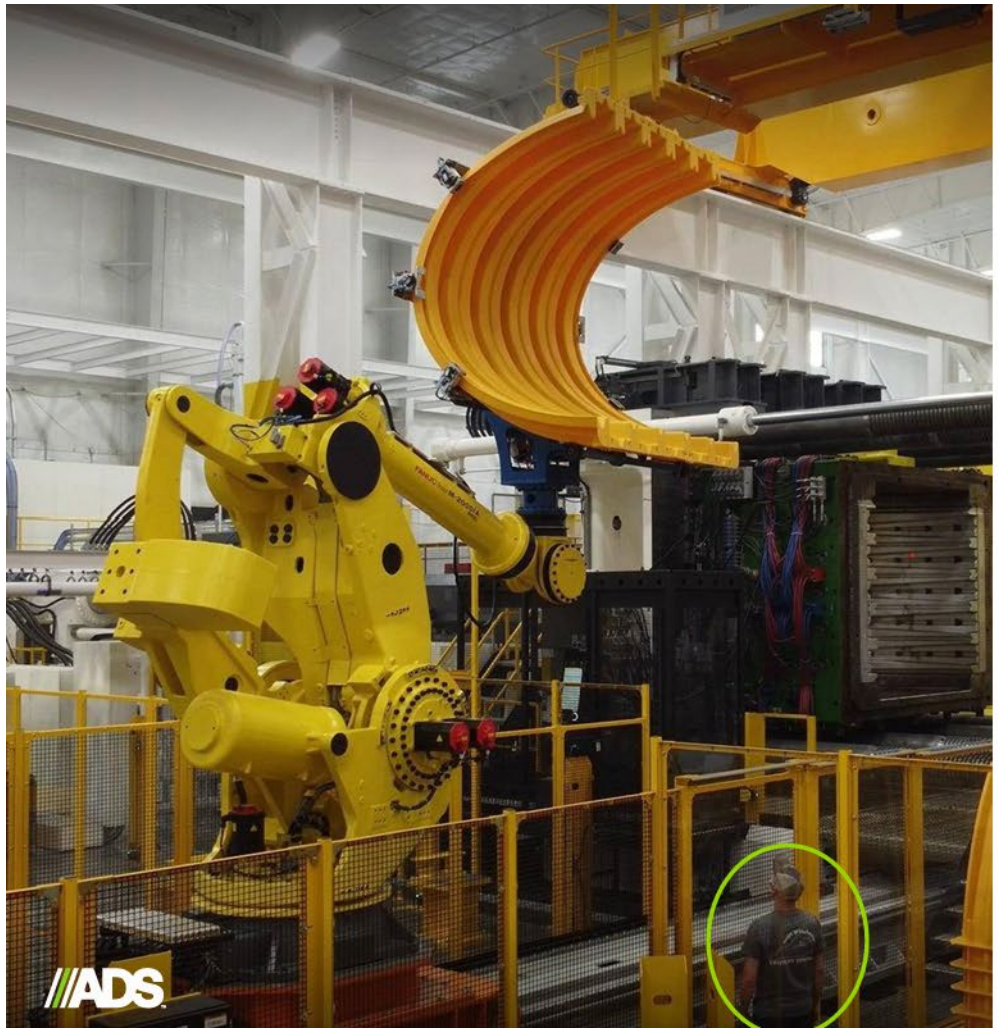
Centralized Production

- The Winchester, KY campus has ample room for continued expansion
- Advanced Molding Facility is a $155M capital investment that includes the world's largest presses and molds to meet strong demand in residential onsite septic market

Winchester, KY
Manufacturing
Operations

Sources: Investor Presentations

Advanced Manufacturing Continued



Advanced Manufacturing

- Worlds largest injection molding presses
- Worlds largest compression molding machine
- Robust patent portfolio including 190 patents
- Advanced automation moving towards no-touch operations

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Sources: Investor Presentations

Advanced Manufacturing Continued

Case Study – Infiltrator Advanced Molding Manufacturing Efficiency

Manufacturing engineering delivering capacity, cost reductions and high-quality product

- ***World's largest equipment*** designed by Infiltrator to manufacture compression molded septic tanks
- Revolutionizing molding & automation while competition utilizes rotomolding
- Integrated next generation product designs that improved structural integrity while reducing the material (weight)

Cycle Time Reduction **95%** | **23x** Capacity Expansion

Weight Reduction **17%** | Shipping Cost Reduction **72%**

6x
Improvement in
Labor Efficiency

World-class manufacturing and engineering with proven track record to develop innovative products

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Sources: Investor Presentations