ADVANCED DRAINAGE SYSTEMS, INC.
Form S-1/A
July 14, 2014

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As filed with the Securities and Exchange Commission on July 14, 2014

Registration No. 333-194980

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 5

TO

FORM S-1

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

Advanced Drainage Systems, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**3084**	**51-0105665**
(State or other jurisdiction of incorporation or organization)	**(Primary Standard Industrial Classification Code Number)**	**(I.R.S. Employer Identification Number)**

4640 Trueman Boulevard

Hilliard, Ohio 43026

(614) 658-0050

(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

Joseph A. Chlapaty

Chairman, President & Chief Executive Officer

4640 Trueman Boulevard

Hilliard, Ohio 43026

(614) 658-0050

(Name, address, including zip code, and telephone number, including area code, of agent for service)

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Approximate date of commencement of proposed sale of the securities to the public: As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. ¨

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

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

Large accelerated filer ¨	Accelerated filer ¨
Non-accelerated filer x (Do not check if a smaller reporting company)	Smaller reporting company ¨

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	**Amount to be Registered (1)**	**Proposed Maximum Offering Price Per Share**	**Proposed Maximum Aggregate Offering Price (1)**	**Amount of Registration Fee (2)**

Common Stock, $0.01 par value per share	16,675,000	$19.00	$316,825,000	$40,807.06

(1) Estimated solely for the purpose of calculating the amount of the registration fee in accordance with Rule 457(a) under the Securities Act of 1933, as amended. Includes the additional shares of Common Stock that the underwriters have the right to purchase from the selling stockholders.
(2) $12,880 previously paid by the registrant.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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Subject to Completion, dated July 14, 2014

PROSPECTUS

14,500,000 Shares

Advanced Drainage Systems, Inc.

Common Stock

This is the initial public offering of common stock of Advanced Drainage Systems, Inc.

We are offering 5,289,474 shares of common stock in this offering. The selling stockholders identified in this prospectus are offering 9,210,526 shares of common stock in this offering. We will not receive any of the proceeds from the sale of shares of common stock by the selling stockholders. Prior to this offering, there has been no public market for our common stock.

It is currently estimated that the initial public offering price per share will be between $17.00 and $19.00. We have applied to list our common stock on the New York Stock Exchange under the symbol WMS.

Investing in our common stock involves risks. See Risk Factors beginning on page 19 of this prospectus.

	Per Share	Total
Price to the public	$	$
Underwriting discounts and commissions[(1)]	$	$
Proceeds to us (before expenses)	$	$

Proceeds to the selling stockholders (before expenses)	$	$

(1) We refer to you to Underwriting beginning on page 164 of this prospectus for additional information regarding total underwriter compensation.

The underwriters also may purchase up to 2,175,000 additional shares of common stock from the selling stockholders at the initial public offering price less the underwriting discounts and commissions.

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

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

Barclays **Deutsche Bank Securities**

Citigroup **RBC Capital Markets**

BofA Merrill Lynch **Fifth Third Securities** **PNC Capital Markets LLC**

Prospectus dated , 2014

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

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TRADEMARKS

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

MARKET AND INDUSTRY DATA

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

PRESENTATION OF INFORMATION

Unless the context otherwise indicates or requires, as used in this prospectus, the terms we, our, us, ADS and the Company refer to Advanced Drainage Systems, Inc. and its directly- and indirectly-owned subsidiaries as a combined entity, except where it is clear that the terms mean only Advanced Drainage Systems, Inc. exclusive of its subsidiaries.

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

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

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

We also sponsor a tax-qualified employee stock ownership plan, or ESOP, that covers our employees who meet certain service requirements. The ESOP was originally funded with a 30-year term loan from us as well as shares of our convertible preferred stock through a transfer of assets from our profit sharing retirement plan. The loan is secured by a pledge of unallocated shares of convertible preferred stock purchased by the ESOP that has not yet been released from the pledge and allocated to ESOP accounts. The 2.50% Cumulative Convertible Voting Preferred Stock held by the ESOP is referred to in this prospectus as our convertible preferred stock. The ESOP operates as a leveraged ESOP and was designed to enable eligible employees to acquire stock ownership interests in their accounts under the ESOP. See Description of Employee Stock Ownership Plan for a description of the ESOP.

Unless otherwise indicated, all information in this prospectus assumes the following:

- the 4.707-for-1 stock split that was effected on July 11, 2014;
- no exercise by the underwriters of their option to purchase additional shares;
- the filing of our amended and restated certificate of incorporation and the adoption of our amended and restated bylaws immediately prior to the closing of this offering; and
- an initial public offering price of $18.00 per share, which is the midpoint of the price range set forth on the cover of this prospectus.

PRESENTATION OF CERTAIN FINANCIAL MEASURES

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

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

We also refer in this prospectus to Redeemable Convertible Preferred Stock, which represents our convertible preferred stock held by our ESOP. Prior to this offering, the trustee of our ESOP has the ability to

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require us to repurchase the shares of convertible preferred stock at fair value in the event that it needs cash to pay for distributions, pre-retirement diversification, or other expenses, causing the shares to be repurchased at the option of the holder as described in Note 16 to our consolidated financial statements included elsewhere in this prospectus. As this right is considered for purposes of GAAP to be a redemption right, which is outside our control, we have classified the shares of convertible preferred stock in the mezzanine section of our consolidated balance sheets and changes in fair value are recorded in retained earnings. Upon completion of this offering, the rights associated with these shares, which require them to be classified in mezzanine equity, will no longer be in effect. Accordingly, we anticipate reclassifying these balances to total stockholders equity upon completion of this offering. Our Redeemable Convertible Preferred Stock is also described below in Summary Consolidated Financial Data and Selected Historical Consolidated Financial Data.

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

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PROSPECTUS SUMMARY

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

Our Company

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

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

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

We have an extensive domestic network of 48 manufacturing plants and 19 distribution centers allowing us to effectively serve all major markets in the United States, which we define as the largest 100 metropolitan statistical areas based on population. The effective shipping radius for our pipe products is approximately 200 miles, thus competition in our industry tends to be on a regional and local basis with minimal competition from distant markets and imports. We are the only supplier of high performance thermoplastic corrugated pipe in our industry with a national footprint, thereby allowing us to efficiently service those customers that value having one source of supply throughout their entire distribution network. We believe our extensive national footprint creates a cost and service advantage versus our HDPE pipe producing competitors, the largest of which has only 10 domestic HDPE pipe manufacturing plants. Internationally, we have two manufacturing plants and three distribution centers in Canada, four manufacturing plants in Mexico, four manufacturing plants and five distribution centers in South America and one distribution center in Europe.

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

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

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

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Our Strengths

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

Market leader with unmatched scale. We are the leading manufacturer of high performance thermoplastic corrugated pipe and a leading manufacturer of related water management products. We believe our extensive national footprint of 48 manufacturing plants and 19 distribution centers creates a cost and service advantage versus our HDPE pipe producing competitors, the largest of which has only 10 domestic HDPE pipe manufacturing plants. We maintain an in-house fleet of approximately 625 tractor-trailers and approximately 1,100 trailers that are specially designed to haul our lightweight pipe and fittings products. Our effective shipping radius is approximately 200 miles from one of our manufacturing plants or distribution centers. Our world-class manufacturing expertise and extensive national distribution and fleet network allow us to service customers across the United States on a cost-effective and timely basis. Our long-standing customer relationships also provide us with visibility to attractive market opportunities.

Well positioned to drive continued material conversion. Our products are generally lighter, more durable, more cost effective and easier to install than comparable alternatives made with traditional materials. For example, concrete pipe generally weighs more than 20 times as much per foot as our thermoplastic pipe, resulting in the significant handling advantages that our product line enjoys during installation by contractors. These advantages typically provide our thermoplastic pipe with an installed cost advantage of approximately 20% over concrete pipe. High performance thermoplastic corrugated pipe represented approximately 25% of the total storm sewer market in 2012, up from what we believe was less than 10% ten years ago and less than 1% twenty years ago. We believe the penetration rate will continue to increase over time, as contractors, engineers and municipal agencies increasingly acknowledge the superior attributes and compelling value proposition of our thermoplastic products. We believe the recent introduction of our PP pipe products will also help accelerate this conversion given the additional applications for which our PP pipe products can be used. We continue to drive this material conversion through extensive sales force training and education of our customers. We have been at the forefront of educating an industry undergoing significant change in the regulatory environment, while pushing for expanded approvals of our products in new markets and geographies. Since 2006, 32 states have enhanced their approval of our pipe products, and an average of approximately 60 state, county and municipal approvals have been added or enhanced each year over the past five years.

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

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

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

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

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

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

After the completion of this offering, our management and directors will own approximately 17.9% of our common stock on a fully-converted basis. In addition, after the completion of this offering, the convertible preferred stock held by our ESOP will account for approximately 27.5% of our common stock on a fully-converted basis. This high level of management and employee ownership ensures that incentives are closely aligned with equity holders.

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Our Business Strategy

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

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

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

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

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

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

example, we employ sophisticated resin blending technology to minimize raw material costs and optimize production efficiency, while maintaining a high level of product quality and performance. We believe this and our other initiatives, combined with continued prudent management of our overhead, and our ability to increase our sales without the requirement of increased capital expenditures will allow us to maximize profitability as we continue to grow.

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

Industry Overview and Trends

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

Core Product Categories

Pipe Market

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

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Source: Freedonia

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

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

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

Related Water Management Solutions Market

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

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Stormwater Retention/Detention

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

On-Site Septic

According to the EPA, an estimated 20% of total U.S. housing units depend upon on-site septic systems for the treatment and disposal of household sewage. An on-site septic system allows for effluent to be leached into the soil for treatment. The market is driven by new residential construction and, to a lesser extent, the repair and replacement of existing systems. Our plastic septic chamber products perform their septic treatment functions with gravel, reducing the cost to the contractor and homeowner over traditional pipe and stone systems that are also used for these systems.

Structures

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

Water Quality

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

Geosynthetics

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

Core End Markets

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

For fiscal year 2014, our net sales in the U.S. non-residential construction market were $480.1 million, which represented 51% of our domestic net sales. Reed Construction Data is forecasting U.S. non-residential construction, consisting of commercial, institutional, manufacturing and warehouse construction, to grow 6.6% annually from 2013 to 2016 and increase 8.2% in 2014 over 2013.

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

For fiscal year 2014, our net sales in the U.S. residential construction market were $194.4 million, which represented 21% of our domestic net sales. U.S. residential new construction has begun to recover since reaching historic lows during the recent economic downturn. While new housing starts demonstrated an annual growth rate of 16% from 2010 to 2013, current levels remain substantially below the long-term average of 1.5 million starts since the U.S. Census Bureau began reporting the data in 1959. According to McGraw Hill, residential new housing is expected to increase to 1.11 million starts, or 14%, in 2014, and increase to 1.33 million starts, or 20%, in 2015. As of September 2013, the Home Improvement Research Institute projects that U.S. sales of repair, renovation and improvement products will grow at a rate of 5.4% in 2013, 6.8% in 2014 and 7.0% in 2015, driven by the improving economy, rising home prices and greater consumer confidence.

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

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

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

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

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Ownership and Corporate Information

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

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

(1) Excludes (on a post-stock split basis) 2.8 million shares of common stock issuable upon exercise of options outstanding as of March 31, 2014 at a weighted average exercise price of $12.29 per share.

(2) ASP ADS Investco, LLC is an affiliate of American Securities.

(3) The ESOP currently holds all outstanding shares of our convertible preferred stock, which converts at the election of the ESOP into shares of our common stock as further described below under Description of Employee Stock Ownership Plan. The percentage ownership for the ESOP is on an as-converted basis.

(4) ADS Worldwide, Inc. is our wholly-owned subsidiary through which we hold interests in the various international joint ventures through which we operate in Mexico, Central America and South America.

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Summary of Risk Factors

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

- fluctuations in the price and availability of resins, our principal raw material, and our inability to pass on resin price increases to customers;
- our inability to obtain adequate supplies of resins from suppliers;
- disruption or volatility in general business and economic conditions in the markets in which we operate, such as non-residential and residential construction, agriculture and infrastructure markets;
- our ability to convert current demand for competitive products into demand for our products;
- effect of weather or seasonality;
- loss of any of our significant customers;
- failure to collect monies owed from customers;
- exposure of our international operations to political, economic and regulatory risks;
- risks associated with conducting a portion of our operations through joint ventures;
- our ability to successfully expand into new geographic or product markets;
- risks associated with acquisitions;
- risks associated with increased fuel and energy prices;
- risks associated with manufacturing process, construction defect and product liability and legal proceedings;

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

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

fulfilling our obligations incident to being a public company.

Recent Developments

Set forth below is preliminary net sales and income from operations data that we expect to report for our first quarter ended June 30, 2014. We have provided a range for the preliminary estimates described below primarily because our financial closing procedures for the three months ended June 30, 2014 are not yet complete.

While we currently expect that our final net sales and income from operations will be within the ranges described below, it is possible that our final net sales or our income from operations will not be within the ranges we currently estimate due to the completion of our financial closing procedures, final adjustments, completion of the review of our financial statements and other developments that may arise between now and the time the financial statements are completed. Estimates of results are inherently uncertain and subject to change. See Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policy and Estimates, Risk Factors Risks Relating to Our Business and Special Note Regarding Forward-Looking Statements and Information.

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The following are preliminary estimates for the three months ended June 30, 2014:

For the three months ended June 30, 2014, we expect to report net sales in the range of $320.0 million to $330.0 million, an increase of 10.7% at the midpoint of the range as compared to $293.5 million for the three months ended June 30, 2013. The estimated increase in net sales is primarily due to volume growth in both Domestic Pipe and Allied Products categories.

For the three months ended June 30, 2014, we expect to report income from operations in the range of $28.6 million to $30.6 million as compared to $33.2 million for the three months ended June 30, 2013. Adjusting for one time audit fees related to this offering of $0.7 million and non-cash share based compensation of $0.8 million related to the issuance of stock options, our expected range of adjusted income from operations for the three months ended June 30, 2014 is between $30.1 million to $32.1 million, an increase of 10.2% at the midpoint of the expected range as compared to an adjusted income from operations of $28.2 million for the three months ended June 30, 2013 (excluding a gain on the sale of assets/business of $4.8 million resulting from our DrainTech product line which occurred during the three months ended June 30, 2013).

Deloitte & Touche LLP has not audited, reviewed, compiled or performed any procedures and does not express an opinion or any other form of assurance with respect to these preliminary estimates.

Corporate Information

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

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The Offering

Common stock offered by us	5,289,474 shares.
Common stock offered by the selling stockholders	9,210,526 shares (11,385,526 shares if the underwriters exercise in full their option to purchase additional shares).
Common stock outstanding immediately after this offering	52,748,211 shares (54,923,211 shares if the underwriters exercise in full their option to purchase additional shares).
Option to purchase additional shares of common stock	The underwriters have a 30-day option to purchase up to an additional 2,175,000 shares of common stock from the selling stockholders.
Reserved Shares	At our request, the underwriters have reserved for sale, at the initial public offering price, up to 2% of the shares offered by this prospectus for sale to certain of our directors, officers, employees and other persons selected by us. If these persons purchase reserved shares, this will reduce the number of shares available for sale to the general public. Any reserved shares that are not so purchased will be offered by the underwriters to the general public on the same terms as the other shares offered by this prospectus.
Proposed New York Stock Exchange symbol	WMS.
Use of proceeds	We intend to use the net proceeds from this offering to repay at least $82.9 million of outstanding indebtedness under the revolving portion of our credit facility. We intend to use the remaining proceeds (if any) for general corporate purposes. We will not receive any proceeds from the sale of shares by the selling stockholders. See Use of Proceeds.
Conflicts of Interest	The net proceeds from this offering will be used to repay borrowings under the revolving portion of our credit facility. Because an affiliate of Fifth Third Securities, Inc. and PNC Capital Markets LLC are lenders under our revolving credit facility and each will receive 5% or more of the net proceeds of this offering, Fifth Third Securities, Inc. and PNC Capital Markets LLC are each deemed to have a conflict of interest under Rule 5121 of the Financial Industry Regulatory Authority, Inc., or FINRA. As a result, this offering will be conducted in accordance with

FINRA Rule 5121. Pursuant to that rule, the appointment of a qualified independent underwriter is not required in connection with this offering as the members primarily responsible for managing the public offering do not have a conflict of interest, are not affiliates of any member that has a conflict of interest and meet the requirements of paragraph (f)(12)(E) of FINRA Rule 5121. See Use of Proceeds and Underwriting (Conflicts of Interest).

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Risk factors	See Risk Factors and other information included in this prospectus for a discussion of factors that you should carefully consider before deciding whether to invest in shares of our common stock.
Dividend policy	We have a history of paying dividends to our stockholders when sufficient cash is available, and we currently intend to pay dividends in the future after this offering. Any determination to pay dividends on our capital stock in the future will be at the discretion of our board of directors, subject to applicable laws and the provisions of our amended and restated certificate of incorporation (including those relating to the payment of dividends on our convertible preferred stock), and will depend on our financial condition, results of operations, capital requirements, general business conditions and other factors that our board of directors considers relevant. In addition, the terms of our credit facilities contain restrictions on our ability to pay dividends. See Dividend Policy.

The number of shares of common stock to be outstanding immediately following this offering gives effect to the 4.707-for-1 stock split that was effected on July 11, 2014, and includes (i) 47,458,737 shares of our common stock outstanding as of March 31, 2014, and (ii) 5,289,474 shares of common stock offered by us in connection with this offering, and excludes (on a post-stock split basis):

- 0.3 million shares of restricted stock outstanding as of March 31, 2014 under our 2008 Restricted Stock Plan;
- 0.9 million shares of common stock issuable upon exercise of options outstanding as of March 31, 2014 at a weighted average exercise price of $9.48 per share under our 2000 Incentive Stock Option Plan;
- 1.9 million shares of common stock issuable upon exercise of options outstanding as of March 31, 2014 at a weighted average exercise price of $13.64 per share under our 2013 Stock Option Plan; and
- 0.3 million, 1.2 million and 0.4 million shares of common stock reserved for future issuance as of March 31, 2014 under our 2008 Restricted Stock Plan, our 2000 Incentive Stock Option Plan and our 2013 Stock Option Plan, respectively.

Unless otherwise indicated, all information in this prospectus assumes the following:

- the 4.707-for-1 stock split that was effected on July 11, 2014;
- no exercise by the underwriters of their option to purchase additional shares;

the filing of our amended and restated certificate of incorporation and the adoption of our amended and restated bylaws immediately prior to the closing of this offering; and

an initial public offering price of $18.00 per share, which is the midpoint of the price range set forth on the cover of this prospectus.

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Summary Consolidated Financial Data

The summary consolidated financial data presented below as of March 31, 2013 and 2014 and for fiscal years 2012, 2013 and 2014 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. The summary consolidated financial data presented below as of March 31, 2012 have been derived from our audited consolidated financial statements which are not included in this prospectus.

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

	Fiscal Year Ended March 31,		
(Amounts in thousands, except per share data)	**2012**	**2013**	**2014**
Consolidated statement of income data:			
Net sales	$ 1,013,756	$ 1,017,041	$ 1,069,009
Cost of goods sold	818,398	807,730	856,118
Gross profit	195,358	209,311	212,891
Selling expenses	67,625	69,451	75,024
General and administrative expenses	65,927	67,712	78,478
Gain on sale of assets/ business	(44,634)	(2,210)	(5,338)
Intangibles amortization	11,387	11,295	11,412
Income from operations	95,053	63,063	53,315
Interest expense	21,837	16,095	16,141
Other miscellaneous expense, net	2,425	283	133
Income before income taxes	70,791	46,685	37,041
Income tax expense	27,064	16,894	22,575
Equity in net (income) loss of unconsolidated affiliates	(704)	(387)	1,592
Net income	44,431	30,178	12,874
Less net income attributable to the noncontrolling interest	1,171	2,019	1,750
Net income attributable to ADS	43,260	28,159	11,124
Change in fair value of Redeemable Convertible Preferred Stock	(10,257)	(5,869)	(3,979)
Dividends paid to Redeemable Convertible Preferred Stockholders	(668)	(736)	(10,139)
Dividends paid to unvested restricted stockholders	(34)	(52)	(418)
Net income (loss) available to common stockholders and participating securities	32,301	21,502	(3,412)
Undistributed income (loss) allocated to participating securities	(3,241)	(2,042)	

Net income (loss) available to common stockholders	$ 29,060	$ 19,460	$ (3,412)

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(Amounts in thousands, except per share data)	Fiscal Year Ended March 31, 2012	2013	2014
Weighted average common shares outstanding:			
Basic	46,293	46,698	47,277
Diluted	47,051	47,249	47,277
As adjusted Basic[1]	46,293	46,698	47,277
As adjusted Diluted[1]	47,051	47,249	47,720
Net income (loss) per share:			
Basic	$ 0.63	$ 0.42	$ (0.07)
Diluted	$ 0.62	$ 0.41	$ (0.07)
As adjusted Basic[1]	$ 0.82	$ 0.53	$ 0.01
As adjusted Diluted[1]	$ 0.81	$ 0.52	$ 0.01
Cash dividends declared per share	$ 0.09	$ 0.10	$ 1.68

(Amounts in thousands, except percentages)	Fiscal Year Ended March 31, 2012	2013	2014
Other financial data:			
Capital expenditures	$ 26,467	$ 40,004	$ 40,288
Adjusted EBITDA [2]	116,873	129,759	147,009
Adjusted EBITDA margin [3]	11.5%	12.8%	13.8%

(Amounts in thousands)	As of March 31, 2012	2013	2014
Consolidated balance sheet data:			
Cash	$ 2,082	$ 1,361	$ 3,931
Working capital [4]	208,268	220,276	263,907
Total assets	905,028	907,739	937,595
Long-term debt	370,672	349,990	454,048
Total liabilities	615,314	585,115	691,980
Total mezzanine equity [5]	557,563	608,346	642,951
Total stockholders equity	(267,849)	(285,722)	(397,336)
Total mezzanine equity and stockholders equity	289,714	322,624	245,615

(Amounts in thousands)	Fiscal Year Ended March 31, 2012	2013	2014
Statement of cash flows data:			
Net cash provided by operating activities	$ 56,997	$ 68,215	$ 62,122
Net cash (used in) investing activities	(35,833)	(47,199)	(41,767)
Net cash (used in) financing activities	(21,233)	(21,737)	(17,712)

(1) Net Income Per Share As Adjusted Basic and Diluted, which are non-GAAP measures, have been presented in this prospectus as supplemental measures of financial performance that are not required by, or presented in accordance with generally accepted accounting principles or GAAP. As described elsewhere in this prospectus, upon completion of this offering, the redemption rights associated with these shares, which require them to be

classified as mezzanine equity, will be no longer in effect and, as such, we anticipate reclassifying these balances to total stockholders equity upon the completion of this offering. We calculate Net Income Per Share As Adjusted Basic, and the corresponding Weighted Average Common Shares Outstanding As Adjusted Basic, by adjusting our historical net income per share and weighted average common shares outstanding amounts for the reclassification of Redeemable Convertible Preferred Stock from mezzanine equity to total stockholders equity in order to present historical amounts as if this reclassification occurred as of the beginning of the earliest period presented.

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To effect this adjustment, we have (1) removed the adjustment for the change in fair value of Redeemable Convertible Preferred Stock classified as mezzanine equity from the numerator of the Basic Net Income Per Share computation, and (2) made a corresponding adjustment to the amount allocated to participating securities under the two-class earnings per share computation method.

We have also made adjustments to Net Income Per Share as Adjusted Diluted, and the corresponding Weighted Average Common Shares Outstanding As Adjusted Diluted, to assume share settlement of the Redeemable Convertible Preferred Stock to the extent that the if-converted computation method is more dilutive than the two-class computation method.

Net Income Per Share As Adjusted Basic and Diluted are included in this prospectus because they are key metrics used by management and our board of directors to assess our financial performance. Net Income Per Share As Adjusted Basic and Diluted are not necessarily comparable to other similarly titled captions of other companies due to different methods of calculation.

The following table presents a reconciliation of Net Income Per Share As Adjusted Basic and Diluted, and the corresponding Weighted Average Common Shares Outstanding As Adjusted Basic and Diluted to our historical net income per share and corresponding historical weighted average common share amounts, the most comparable GAAP measure, for each of the periods indicated.

	Fiscal Year Ended March 31,		
(Amounts in thousands, except per share data)	**2012**	**2013**	**2014**
Net Income Per Share As Adjusted Basic			
Net income (loss) available to common stockholders	$ 29,060	$ 19,460	$ (3,412)
Adjustment for:			
Change in fair value of Redeemable Convertible Preferred Stock	10,257	5,869	3,979
Undistributed income allocated to participating securities	(1,189)	(716)	
Net income available to common stockholders used to calculate Net Income Per Share As Adjusted Basic	$ 38,128	$ 24,613	$ 567
Weighted average common shares outstanding:			
Basic	46,293	46,698	47,277
As adjusted Basic	46,293	46,698	47,277
Net Income Per Share As Adjusted Diluted			
Net income available to common stockholders used to calculate Net Income Per Share As Adjusted Basic and Diluted	38,128	24,613	567
Weighted average common shares outstanding Diluted	47,051	47,249	47,277
Assumed exercise of stock options			443
As adjusted Diluted	47,051	47,249	47,720
Net income (loss) per share:			
As adjusted Basic	$ 0.82	$ 0.53	$ 0.01
As adjusted Diluted	$ 0.81	$ 0.52	$ 0.01

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

EBITDA and Adjusted EBITDA are included in this prospectus because they are key metrics used by management and our board of directors to assess our financial performance. EBITDA and Adjusted EBITDA are frequently used by analysts, investors and other interested parties to evaluate companies in our industry. In addition to covenant compliance and executive performance evaluations, we use Adjusted EBITDA to supplement GAAP measures of performance to evaluate the effectiveness of our business strategies, to make budgeting decisions and to compare our performance against that of other peer companies using similar measures.

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

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

	Fiscal Year Ended March 31,		
(Amounts in thousands)	**2012**	**2013**	**2014**
Net income attributable to ADS	$ 43,260	$ 28,159	$ 11,124
Depreciation and amortization [(a)]	59,356	56,926	57,454
Interest expense	21,837	16,095	16,141
Income tax expense	27,064	16,894	22,575
EBITDA	151,517	118,074	107,294
Derivative fair value adjustments [(b)]	2,315	(4)	(53)
Foreign currency transaction losses [(c)]	378	1,085	845
Gain on sale of Septic Chamber business [(d)]	(44,634)		
Unconsolidated affiliates interest and tax [(e)]	915	729	204
Management fee to minority interest holder JV [(f)]			1,098
Special dividend compensation			22,624
Contingent consideration remeasurement			259
Stock based compensation [(g)]	1,425	2,592	5,287
ESOP deferred stock based compensation [(h)]	4,957	7,283	7,891
Transaction costs [(i)]			1,560
Adjusted EBITDA	$ 116,873	$ 129,759	$ 147,009

(a) Includes our proportionate share of depreciation and amortization expense of $985, $1,321 and $1,556 related to our South American Joint Venture and our BaySaver Joint Venture, which amounts are included in equity in net income of unconsolidated affiliates in our consolidated statements of income for fiscal years 2012, 2013 and 2014, respectively. Depreciation and amortization expense for fiscal year 2012 also includes a charge of $3,200 related to the impairment of one of our trademarks.
(b) Represents the non-cash gains and losses arising from changes in mark-to-market values for derivative contracts related to diesel fuel and interest rate swaps. The impact of resin physical and financial derivatives is included in cost of goods sold.
(c) Represents the gains and losses incurred on purchases, sales and intercompany loans and dividends denominated in non-functional currencies.
(d) Represents a gain recognized on the sale of our septic chamber business in January 2012.
(e) Represents our proportional share of income taxes and interest related to our South American Joint Venture and our BaySaver Joint Venture, which are accounted for under the equity method of accounting.
(f) Represents management fee paid to a minority interest holder of a consolidated subsidiary.
(g)

Represents the non-cash stock based compensation cost related to our stock options and restricted stock awards.

(h) Represents the non-cash stock based compensation expense attributable to the shares of convertible preferred stock allocated to employee ESOP accounts during the applicable period.

(i) Represents expenses recorded related to legal, accounting and other professional fees incurred in connection with our recent debt refinancing and in connection with this offering.

(3) Adjusted EBITDA margin for any period represents Adjusted EBITDA as a percentage of net sales for that period.

(4) Working capital is the difference between our current assets and current liabilities. Working capital is an indication of liquidity and potential need for short-term funding.

(5) Our mezzanine equity consists of the Redeemable Convertible Preferred Stock held by our ESOP and Redeemable Common Stock held by certain stockholders who have certain rights associated with such shares, which rights are considered for purposes of GAAP to be a redemption right, which is beyond our control. See Note 16, Mezzanine Equity, within our consolidated financial statements included elsewhere in this prospectus for further information regarding the accounting treatment for our mezzanine equity. Upon completion of this offering, the redemption rights associated with these shares, which require them to be classified in mezzanine equity, will be no longer be in effect. As a result, we anticipate reclassifying these balances to total stockholders equity upon the completion of this offering.

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RISK FACTORS

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

Risks Relating to Our Business

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

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

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

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

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

The markets in which we operate are sensitive to general business and economic conditions in the United States and worldwide, including availability of credit, interest rates, fluctuation in capital and business and consumer confidence. The capital and credit markets have in recent years been experiencing significant volatility and disruption. These conditions, combined with price fluctuations in crude oil derivatives and natural gas liquids, declining business and consumer confidence and increased unemployment, precipitated an economic slowdown and severe recession in recent years. The difficult conditions in these markets and the overall economy affect our business in a number of ways. For example:

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

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

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

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

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

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

87.5%, 4.9% and 5.9%, respectively, of our net sales for fiscal year 2014 and collectively represented approximately 98.3% of our net sales for fiscal year 2014.

We cannot predict the duration of current economic conditions, or the timing or strength of any future recovery of activities in our markets. Continued weakness in the market in which we operate could have a material adverse effect on our business, financial condition, results of operations and cash flows. We may have to close under-performing facilities from time to time as warranted by general economic conditions and/or weakness in the markets in which we operate. In addition to a reduction in demand for our products, these factors may also reduce the price we are able to charge for our products and restrict our ability to pass raw material cost increases to our customers. This, combined with an increase in excess capacity, will negatively impact our profitability, cash flows and our financial condition, generally.

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

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

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

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

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

In addition, our contracts with municipalities are often awarded and renewed through periodic competitive bidding. We may not be successful in obtaining or renewing these contracts on financially attractive terms or at all, which could adversely affect our business, financial condition, results of operations and cash flows.

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

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

Most of our business units experience seasonal variation as a result of the dependence of our customers on suitable weather to engage in construction projects. Generally, during the winter months, construction activity

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

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

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

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

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

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

Because we depend on the creditworthiness of certain of our customers, if the financial condition of our customers declines, our credit risk could increase. Significant contraction in our markets, coupled with tightened credit availability and financial institution underwriting standards, could adversely affect certain of our customers. Should one or more of our larger customers declare bankruptcy, it could adversely affect the collectability of our accounts receivable, bad debt reserves and net income.

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

International operations are exposed to different political, economic and regulatory risks that are not faced by businesses that operate solely in the United States. Some of our operations are outside the United States, with

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manufacturing and distribution facilities in Canada and several Latin American countries. Our international operations are subject to risks similar to those affecting our operations in the United States in addition to a number of other risks, including:

- difficulties in enforcing contractual and intellectual property rights;
- impositions or increases of withholding and other taxes on remittances and other payments by subsidiaries and affiliates;
- exposure to different legal standards;
- fluctuations in currency exchange rates;
- impositions or increases of investment and other restrictions by foreign governments;
- the requirements of a wide variety of foreign laws;
- political and economic instability;
- terrorist acts;
- war; and
- difficulties in staffing and managing operations, particularly in remote locations.

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

The U.S. Foreign Corrupt Practices Act, or the FCPA, and similar foreign anti-corruption laws generally prohibit companies and their intermediaries from making improper payments or providing anything of value to influence foreign government officials for the purpose of obtaining or retaining business or obtaining an unfair advantage. Recent years have seen a substantial increase in the global enforcement of anti-corruption laws, with more frequent voluntary self-disclosures by companies, aggressive investigations and enforcement proceedings by both the U.S. Department of Justice and the U.S. Securities and Exchange Commission, or SEC, resulting in record fines and penalties, increased enforcement activity by non-U.S. regulators, and increases in criminal and civil proceedings brought against companies and individuals.

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

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

With respect to our existing joint ventures in Mexico, Central America and South America, any differences in views among the joint venture participants may result in delayed decisions or in failures to agree on major issues. We also cannot control the actions of our joint venture partners, including any nonperformance, default or bankruptcy of our joint venture partners. As a result, we may be unable to control the quality of products

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produced by the joint ventures or achieve consistency of product quality as compared with our other operations. In addition to net sales and market share, this may have a material negative impact on our brand and how it is perceived thereafter. Moreover, if our partners also fail to invest in the joint venture in the manner that is anticipated or otherwise fail to meet their contractual obligations, the joint ventures may be unable to adequately perform and conduct their respective operations, requiring us to make additional investments or perform additional services to ensure the adequate performance and delivery of products and/or services to the joint ventures customers, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

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

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

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

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

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

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

Acquisitions involve a number of special risks, including:

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

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

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

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

failure to successfully implement infrastructure, logistics and systems integration;

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

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

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

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

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

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

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

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

Our business is subject to risks associated with manufacturing processes.

We internally manufacture our own products at our facilities. While we maintain insurance covering our manufacturing and production facilities and have significant flexibility to manufacture and ship our own products from various facilities, a catastrophic loss of the use of certain of our facilities due to accident, fire, explosion, labor issues, weather conditions, other natural disaster or otherwise, whether short or long-term, could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Unexpected failures of our equipment and machinery may result in production delays, revenue loss and significant repair costs, injuries to our employees, and customer claims. Any interruption in production capability may limit our ability to supply enough products to customers and may require us to make large capital

expenditures to remedy the situation, which could have a negative impact on our profitability and cash flows. Our business interruption insurance may not be sufficient to offset the lost revenues or increased costs that we may experience during a disruption of our operations.

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

We generally provide limited product warranties on our products against defects in materials and workmanship in normal use and service. Most of our pipe products have a warranty that is not limited in duration. The warranty period for other products such as our StormTech chambers, our Inserta Tee product line, our BaySaver product line and our FleXstorm inlet protection systems is generally one year. Estimating the required warranty reserves requires a high level of judgment. Management estimates warranty reserves, based in part upon historical warranty costs, as a proportion of sales by product line. Management also considers various relevant factors, including its stated warranty policies and procedures, as part of its evaluation of its liability. Because warranty issues may surface later in the product life cycle, management continues to review these estimates on a regular basis and considers adjustments to these estimates based on actual experience compared to historical estimates. Although management believes that our warranty reserves at March 31, 2014 are adequate, actual results may vary from these estimates.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

We may see increased costs arising from health care reform.

In March 2010, the United States government enacted comprehensive health care reform legislation which, among other things, includes guaranteed coverage requirements, eliminates pre-existing condition exclusions and annual and lifetime maximum limits, restricts the extent to which policies can be rescinded and imposes new and significant taxes on health insurers and health care benefits. The legislation imposes implementation effective dates which began in 2010 and extend through 2020, and many of the changes require additional guidance from government agencies or federal regulations. Therefore, due to the phased-in nature of the implementation and the lack of interpretive guidance, it is difficult to determine at this time what impact the health care reform legislation will have on our financial results. Possible adverse effects of the health reform legislation include increased costs, exposure to expanded liability and requirements for us to revise ways in which we provide healthcare and other benefits to our employees. As a result, our business, financial condition, results of operations and cash flows could be materially adversely affected.

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

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

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

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

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

We have applied for patent protection relating to certain existing and proposed products, processes and services. While we generally apply for patents in those countries where we primarily intend to make, have made, use, or sell patented products, we may not accurately predict all of the countries where patent protection will ultimately be desirable. If we fail to timely file a patent application in any such country, we may be precluded from doing so at a later date. Furthermore, we cannot assure you that any of our patent applications will be approved. We also cannot assure you that the patents issuing as a result of our foreign patent applications will have the same scope of coverage as our United States patents. The patents we own could be challenged, invalidated or circumvented by others and may not be of sufficient scope or strength to provide us with any meaningful protection or commercial advantage. Further, we cannot assure you that competitors will not infringe our patents, or that we will have adequate resources to enforce our patents.

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

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

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

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

Also, we cannot be certain that the products that we sell do not and will not infringe issued patents or other intellectual property rights of others. Further, we are subject to legal proceedings and claims in the ordinary course of our business, including claims of alleged infringement of the patents, trademarks and other intellectual property rights of third parties by us or our customers, whom we generally indemnify in connection with their use of the products that we manufacture. These claims could divert management s attention and resources and may require us to initiate or defend protracted and costly litigation on behalf of ourselves or our customers, regardless of the merits of the claims. Should we be found liable for infringement, we may be required to enter into licensing agreements (if available on acceptable terms or at all) or pay damages and cease making or selling certain products. Moreover, we may need to redesign or sell different products to avoid future infringement liability. Any of the foregoing could cause us to incur significant costs, prevent us from selling our products or negatively impact our ability to compete.

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

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

Additionally, it is possible that future income tax legislation in any jurisdiction to which we are subject may be enacted that could have a material impact on our worldwide income tax provision beginning with the period that such legislation becomes effective.

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

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

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

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

Upon completion of this offering, we will be required to evaluate the effectiveness of our disclosure controls and internal control over financial reporting on a periodic basis and publicly disclose the results of these evaluations and related matters, in accordance with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002. These reporting and other obligations place significant additional demands on our management and administrative and operational resources, including our accounting resources, which could adversely affect our operations among other things. To comply with these requirements, we have upgraded, and are continuing to upgrade our systems, including information technology, implemented additional financial and management controls, reporting systems and procedures. We cannot be certain that we will be successful in maintaining adequate control over our financial reporting and financial processes. Furthermore, as we grow our business, our disclosure controls and internal controls will become more complex, and we may require significantly more resources to ensure that these controls remain effective. If we are unable to continue upgrading our financial and management controls, reporting systems, information technology and procedures in a timely and effective fashion, additional management and other resources may need to be devoted to assist in compliance with the disclosure and financial reporting requirements and other rules that apply to reporting companies, which could adversely affect our business, financial position and results of operations.

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

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

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

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

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

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

Concern over climate change, including the impact of global warming, has led to significant federal, state, and international legislative and regulatory efforts to limit greenhouse gas, or GHG, emissions. For example, in the past several years, the U.S. Congress has considered various bills that would regulate GHG emissions. While these bills have not yet received sufficient Congressional support for enactment, some form of federal climate change legislation is possible in the future. Even in the absence of such legislation, the EPA, spurred by judicial interpretation of the Clean Air Act, has begun regulating GHG emissions following its issuance of the Tailoring Rule that determines which stationary sources require permits for greenhouse emissions. EPA has issued rules that require monitoring and reporting of annual GHG emissions, as well as performance standards for CO2 emissions from new fossil-fuel electric utility generating units. Thus far, EPA has addressed vehicle and mobile source emissions by implementing Renewable Fuel Standard regulations and by working with manufacturers to improve fuel efficiency in new vehicles. However, EPA has been directed by President Obama to develop and issue new fuel efficiency standards for medium- and heavy-duty vehicles by March 2016, especially diesel engine emissions, and this could impose substantial costs on us. These costs include an increase in the cost of the fuel and other energy we purchase and capital costs associated with updating or replacing our internal fleet of trucks and other vehicles in order to comply with application regulations. In addition, new laws or future regulation could directly and indirectly affect our customers and suppliers (through an increase in the cost of production or their ability to produce satisfactory products) and our business (through the impact on our inventory availability, cost of sales, operations or demands for the products we sell). Until the timing, scope and extent of any future regulation becomes known, we cannot predict its effect on our cost structure or our operating results. Notwithstanding our dedication to being a responsible corporate citizen, it is reasonably possible that such legislation or regulation could impose material costs on us.

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

Our ability to provide efficient distribution of products to our customers is an integral component of our overall business strategy. In the aftermath of terrorist attacks in the United States, federal, state and local

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authorities have implemented and continue to implement various security measures that affect the raw material supply network in the United States and abroad. If security measures disrupt or impede the receipt of sufficient raw materials, we may fail to meet the needs of our customers or may incur increased expenses to do so.

Risks Relating to Our Indebtedness

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

As of March 31, 2014, we had an aggregate principal amount of $454.0 million of outstanding debt. In the fiscal year ended March 31, 2014, we incurred $16.1 million of interest expense.

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

- a substantial portion of our cash flow from operations must be dedicated to the payment of principal and interest on our indebtedness, thereby reducing the funds available to us for other purposes;
- our ability to obtain additional financing for working capital, capital expenditures, acquisitions, debt service requirements or general corporate purposes and other purposes may be impaired in the future;
- we are exposed to the risk of increased interest rates because a portion of our borrowings is at variable rates of interest;
- we may be at a competitive disadvantage compared to our competitors with less debt or with comparable debt at more favorable interest rates and that, as a result, may be better positioned to withstand economic downturns;
- our ability to refinance indebtedness may be limited or the associated costs may increase;
- our ability to engage in acquisitions without raising additional equity or obtaining additional debt financing may be impaired in the future;
- it may be more difficult for us to satisfy our obligations to our creditors, resulting in possible defaults on and acceleration of such indebtedness;
- we may be more vulnerable to general adverse economic and industry conditions; and

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

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

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

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

We may be able to incur significant additional indebtedness in the future. Although the agreements governing our indebtedness contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of qualifications and exceptions, and the additional indebtedness incurred in compliance with these restrictions could be substantial. These restrictions also will not prevent us from incurring obligations that do not constitute indebtedness, including obligations under lease arrangements that are currently recorded as operating leases even if operating leases were to be treated as debt under GAAP. In addition, our Revolving Credit Facility provides an aggregate commitment of up to $325.0 million. As of March 31, 2014, we had an additional $68.4 million of availability under the Revolving Credit Facility plus $12.0 million in indebtedness outstanding under a separate revolving credit facility with our subsidiary, ADS Mexicana, S.A. de C.V. If new debt is added to our current debt levels, the related risks that we now face could intensify. See Description of Certain Indebtedness.

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

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

- dispose of assets;
- incur additional indebtedness (including guarantees of additional indebtedness);
- prepay or amend our various debt instruments;
- pay dividends and make certain payments;
- redeem stock or make other distributions;
- create liens on assets;
- make certain investments;

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

engage in certain transactions with affiliates.

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

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

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

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

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

A significant portion of our outstanding debt, including the debt under our Senior Loan Facilities, bears interest at variable rates. As a result, increases in interest rates would increase the cost of servicing our debt and could materially reduce our profitability and cash flows. Each 1.0% increase in interest rates on our variable-rate debt would increase our annual forecasted interest expense by approximately $2.3 million based on balances as of March 31, 2014. Assuming all revolving loans were fully drawn, each 1.0% increase in interest rates would result in a $2.8 million increase in annual cash interest expense on our Credit Facilities.

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

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

Under the Senior Loan Facility, a change of control (as defined therein) constitutes an event of default that permits the lenders to accelerate the maturity of borrowings under the agreement and terminate their commitments to lend. Additionally, under the Senior Notes, a change of control (as defined therein) constitutes an event of default that permits the noteholders to declare all of their notes to be immediately due and payable. In order to avoid events of default under each of our Credit Facilities, we may therefore have to avoid certain change of control transactions that would otherwise be beneficial to us.

Risks Relating to Our Common Stock and This Offering

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

We have a history of paying dividends to our stockholders when sufficient cash is available, and we currently intend to pay dividends in the future after this offering. Any determination to pay dividends on our capital stock in the future will be at the discretion of our board of directors, subject to applicable laws and the provisions of our amended and restated certificate of incorporation (including those relating to the payment of dividends on our convertible preferred stock), and will depend on our financial condition, results of operations, capital requirements, general business conditions and other factors that our board of directors considers relevant. For more information on our convertible preferred stock, see Description of Capital Stock Preferred Stock. In addition, the terms of our Credit Facilities contain restrictions on our ability to pay dividends. Also, Delaware law may impose requirements that may restrict our ability to pay dividends to holders of our common stock. See Dividend Policy.

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Our common stock has no prior public market and the market price of our common stock may be volatile and could decline after this offering.

Prior to this offering, there has not been a public market for our common stock, and an active market for our common stock may not develop or be sustained after this offering. We will negotiate the initial public offering price per share with the representatives of the underwriters and therefore, that price may not be indicative of the market price of our common stock after this offering. We cannot assure you that an active public market for our common stock will develop after this offering or, if it does develop, will be sustained. In the absence of a public trading market, you may not be able to liquidate your investment in our common stock. In addition, the market price of our common stock may fluctuate significantly. Among the factors that could affect our stock price are:

- industry or general market conditions;
- domestic and international economic factors unrelated to our performance;
- changes in our customers preferences;
- new regulatory pronouncements and changes in regulatory guidelines;
- actual or anticipated fluctuations in our quarterly operating results;
- changes in securities analysts estimates of our financial performance or lack of research and reports by industry analysts;
- action by institutional stockholders or other large stockholders (including ASP ADS Investco, LLC), including future sales;
- speculation in the press or investment community;
- investor perception of us and our industry;
- changes in market valuations or earnings of similar companies;
- announcements by us or our competitors of significant products, contracts, acquisitions or strategic partnerships;

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

- failure to complete significant sales;

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

- additions or departures of key personnel.

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

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

Sales of substantial amounts of our common stock in the public market following this offering, or the perception that these sales could occur, could cause the market price of our common stock to decline. Based on shares outstanding as of March 31, 2014, upon completion of this offering, we will have 52,748,211 outstanding shares of common stock. All of the shares sold pursuant to this offering will be immediately tradeable without

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restriction under the Securities Act of 1933, as amended, unless held by affiliates, as that term is defined in Rule 144 under the Securities Act. The remaining shares of common stock outstanding upon completion of this offering will be restricted securities within the meaning of Rule 144 under the Securities Act. Restricted securities may be sold in the public market only if their offer and sale is registered under the Securities Act or if the offer and sale of those securities qualify for an exemption from registration, including exemptions provided by Rules 144 and 701 under the Securities Act, subject to the terms of the lock-up agreements entered into among us, Barclays Capital Inc. and Deutsche Bank Securities Inc., as the representatives of the underwriters, and certain of our stockholders prior to this offering. Upon completion of this offering, we intend to file one or more registration statements under the Securities Act to register the shares of common stock to be issued under our equity compensation plans and, as a result, all shares of common stock acquired upon exercise of stock options granted under our plans will also be freely tradable under the Securities Act, subject to the terms of the lock-up agreements, unless purchased by our affiliates. As of March 31, 2014, there were stock options outstanding to purchase a total of approximately 2.8 million shares of our common stock. In addition, approximately 1.4 million shares of common stock are reserved for future issuance under our 2013 Stock Option Plan.

We, certain of our stockholders prior to this offering and our executive officers and directors have agreed to a lock-up, meaning that, subject to certain exceptions, neither we nor they will sell any shares of our common stock without the prior consent of Barclays Capital Inc. and Deutsche Bank Securities Inc., as the representatives of the underwriters, for 180 days after the date of this prospectus. Following the expiration of this 180-day lock-up period, approximately 34.4 million shares of our common stock will be eligible for future sale, subject to the applicable volume, manner of sale, holding period and other limitations of Rule 144. See Shares of Common Stock Eligible for Future Sale for a discussion of the shares of common stock that may be sold into the public market in the future. In addition, certain of our significant stockholders may distribute shares that they hold to their investors who themselves may then sell into the public market following the expiration of the lock-up period. Such sales may not be subject to the volume, manner of sale, holding period and other limitations of Rule 144. As resale restrictions end, the market price of our common stock could decline if the holders of those shares sell them or are perceived by the market as intending to sell them. Barclays Capital Inc. and Deutsche Bank Securities Inc., as the representatives of the underwriters, may, in their sole discretion and at any time, release all or any portion of the securities subject to lock-up agreements entered into in connection with this offering. See Underwriting.

All of the shares of our convertible preferred stock held by our ESOP may be converted into our common stock at any time by action of the ESOP trustee, and will be automatically converted into our common stock upon distributions of such shares allocated to the ESOP accounts of ESOP participants upon a distribution event such as retirement and other termination of employment. Such distributed common stock will not be subject to any lock-up agreement and will be eligible for future sale, subject to the applicable volume, manner of sale, holding period and other limitations of Rule 144. As of March 31, 2014, there were approximately 26.1 million shares of convertible preferred stock held by our ESOP, which in aggregate could be converted into approximately 20.1 million shares of our common stock, in each case on a post-stock split basis. All of these shares will be eligible for future sale, either by the ESOP trustee or by ESOP participants, subject to the limitations of Rule 144. After the completion of this offering, the convertible preferred stock held by our ESOP will account for approximately 27.5% of our common stock on a fully-converted basis. See Description of Employee Stock Ownership Plan for shares relating to distributions and diversifications during fiscal years 2012, 2013 and 2014.

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

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

The trading market for our common stock will depend in part on the research and reports that securities or industry analysts publish about us or our business. We do not currently have and may never obtain research coverage by securities and industry analysts. If there is no coverage of us by securities or industry analysts, the trading price for our stock would be negatively impacted. In the event we obtain securities or industry analyst coverage, if one or more of these analysts downgrades our stock or publishes misleading or unfavorable research about our business, our stock price would likely decline. If one or more of these analysts ceases coverage of us or fails to publish reports on us regularly, demand for our stock could decrease, which could cause our stock price or trading volume to decline.

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

Prior to completion of this offering, our directors, officers and principal stockholders and their affiliates collectively own approximately 91% of our outstanding shares of common stock. Additionally, our ESOP holds convertible preferred stock that converts into a substantial number of shares of our common stock and, prior to conversion, is entitled to vote on a one-for-one basis on any matter requiring the vote or consent of our stockholders, voting together with our common stock as a single class unless otherwise required by law. Thus, the collective voting power of our directors, officers and principal stockholders and their affiliates prior to completion of this offering is approximately 94%, inclusive of the outstanding shares of convertible preferred stock held by the ESOP. After this offering, assuming no exercise of the underwriters option to purchase additional shares, our directors, officers and principal stockholders and their affiliates collectively will hold approximately 79% of our voting power, inclusive of the outstanding shares of convertible preferred stock held by the ESOP. As a result, these stockholders, if they act together, may be able to control our management and affairs and most matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions. This concentration of ownership may have the effect of delaying or preventing a change of control and might adversely affect the market price of our common stock. This concentration of ownership may not be in the best interests of our other stockholders.

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

In general, the trustee of the ESOP votes the shares of stock held by the ESOP as directed by the ESOP s committee. Consequently, the trustee of the ESOP, per the ESOP committee s discretion, has the ability to vote a significant block of shares on certain matters presented to shareholders for approval. However, in the event of either a corporate matter with respect to the approval or disapproval of any corporate merger or consolidation, recapitalization, reclassification, liquidation, dissolution, sale of substantially all of the assets of a trade or business or with respect to any tender or exchange offer, or a request or invitation for tenders or exchanges, each participant in the ESOP may direct the trustee of the ESOP on how to vote the shares of stock allocated to the participant s ESOP accounts; and the trustee must vote any unallocated stock and allocated stock for which no participant instructions were received in the same proportion as the allocated stock for which participants voting instructions have been received is voted.

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

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

- define and expand the roles and the duties of our board of directors and its committees; and
- institute more comprehensive compliance, investor relations and internal audit functions.

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

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

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

- authorize the issuance of blank check preferred stock that could be issued by our board of directors to thwart a takeover attempt;
- maintain a classified board of directors, as a result of which our board will continue to be divided into three classes, with each class serving for staggered three-year terms, which prevents stockholders from electing an entirely new board of directors at an annual meeting;
- limit the ability of stockholders to remove directors;
- provide that vacancies on our board of directors, including newly-created directorships, may be filled only by a majority vote of directors then in office;

prohibit stockholders from calling special meetings of stockholders;

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

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

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

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

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

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

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

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

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

Investors purchasing common stock in this offering will experience immediate and substantial dilution as a result of this offering and future equity issuances.

If you purchase shares of our common stock in this offering, you will incur immediate and substantial dilution in the book value of your stock, because the price that you pay will be substantially greater than the net tangible book value per share of the shares you acquire. As a result, you will pay a price per share that substantially exceeds the book value of our assets after subtracting our liabilities. The net tangible book value per share, calculated as of March 31, 2014 and after giving effect to the offering (assuming an initial public offering price of $18.00 per share, the midpoint of the price range set forth on the cover page of this prospectus), is $3.34. Investors purchasing common stock in this offering will experience immediate and substantial dilution of $14.66 a share, based on an initial public offering price of $18.00, which is the midpoint of the price range set forth on the cover page of this prospectus. In addition, we have issued options to acquire common stock at prices significantly below the initial public offering price. To the extent outstanding options are ultimately exercised, there will be further dilution to investors in this offering. In addition, if we issue additional equity securities in the future, investors purchasing common stock in this offering will experience additional dilution. See Dilution.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS AND INFORMATION

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

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

- fluctuations in the price and availability of resins and other raw materials and our ability to pass any increased costs of raw materials on to our customers in a timely manner;

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

- cyclicality and seasonality of the non-residential and residential construction markets and infrastructure spending;

- the risks of increasing competition in our existing and future markets, including competition from both manufacturers of high performance thermoplastic corrugated pipe and manufacturers of products using alternative materials;

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

- the effect of weather or seasonality;

the loss of any of our significant customers;

the risks of doing business internationally;

the risks of conducting a portion of our operations through joint ventures;

our ability to expand into new geographic or product markets;

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

the risk associated with manufacturing processes;

our ability to manage our assets;

the risks associated with our product warranties;

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

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- the risks associated with our self-insured programs;
- our ability to control labor costs and to attract, train and retain highly-qualified employees and key personnel;
- our ability to protect our intellectual property rights;
- changes in laws and regulations, including environmental laws and regulations;
- our ability to project product mix;
- the risks associated with our current levels of indebtedness;
- our ability to meet future capital requirements and fund our liquidity needs; and
- other risks and uncertainties, including those listed under Risk Factors.

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

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USE OF PROCEEDS

Based upon an assumed initial public offering price of $18.00 per share, which is the mid-point of the price range set forth on the cover page of this prospectus, we estimate that we will receive net proceeds from this offering of approximately $82.9 million, after deducting estimated underwriting discounts and commissions in connection with this offering and estimated offering expenses payable by us. We will not receive any proceeds from the sale of shares by the selling stockholders.

We intend to use the net proceeds from this offering to repay at least $82.9 million of outstanding indebtedness under the revolving portion of our credit facility. We intend to use the remaining proceeds (if any) for general corporate purposes, including working capital. The revolving portion of our credit facility consists of a $325.0 million secured revolving credit facility, with an interest rate based on a fluctuating rate of interest, currently at approximately 2.3%, which matures on June 12, 2018. Our revolving credit facility and other indebtedness is described below under Description of Certain Indebtedness Senior Loan Facilities. In the last 12 months, we borrowed under our revolving credit facility to pay a $108.1 million special dividend and to fund working capital.

A $1.00 increase or decrease in the assumed initial public offering price of $18.00 per share (the mid-point of the price range set forth on the cover page of this prospectus) would increase or decrease the net proceeds to us from this offering by $4.9 million assuming the number of shares offered by us remains the same and after deducting estimated underwriting discounts and commission and estimated offering expenses payable by us. An increase or decrease of 1,000,000 shares in the number of shares offered by us would increase or decrease the net proceeds to us by $16.8 million, assuming no change in the assumed initial public offering price of $18.00 per share (the mid-point of the price range set forth on the cover page of this prospectus) and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

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DIVIDEND POLICY

We have a history of paying dividends to our stockholders when sufficient cash is available, and we currently intend to pay regular quarterly dividends in the future after this offering. We have not currently set our initial quarterly dividend; however, we anticipate that the dividends we pay will be comparable to the dividends paid during fiscal years 2012, 2013 and 2014, excluding the one-time special dividend described below. During fiscal years 2012, 2013 and 2014, we declared dividends on our common stock of approximately $4.3 million, $4.8 million and $80.1 million ($76.0 million of which related to the one-time special dividend described below), respectively. All such declared dividends were paid in quarterly installments, except with respect to fiscal year 2014, in which we also had a one-time special dividend of approximately $108.1 million, in the aggregate, on our common stock and our convertible preferred stock that was paid on January 15, 2014.

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

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CAPITALIZATION

The following table sets forth our cash and capitalization on a consolidated basis as of March 31, 2014:

- on an actual basis; and

- on an as adjusted basis to give effect to (i) the sale by us of 5,289,474 shares of our common stock in this offering at an assumed initial public offering price of $18.00 per share (the mid-point of the price range set forth on the cover page of this prospectus) and (ii) the use of the net proceeds from this offering as described in Use of Proceeds.

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

	As of March 31, 2014	
	Actual	**As Adjusted** [1]
(Amounts in thousands, except per share amounts)		
Cash	$ 3,931	$ 3,931
Long Term Debt (including current portion)		
Revolving Credit Facility	248,100	165,178
Term Loan	97,500	97,500
Senior Notes	100,000	100,000
Other debt	8,448	8,448
Total Long Term Debt (including current portion)	454,048	371,126
Mezzanine equity		
Redeemable Common Stock; $0.01 par value: (i) actual: 38,320 shares issued and outstanding and (ii) as adjusted: no shares issued and outstanding [2]	549,119	
Redeemable Convertible Preferred Stock; $0.01 par value: 47,070 authorized: (i) actual: 26,129 issued and outstanding and (ii) as adjusted: no shares issued and outstanding [3]	291,720	
Deferred compensation unearned ESOP shares [3]	(197,888)	
Total mezzanine equity	642,951	
Stockholders equity:		
Convertible preferred stock, $0.01 par value per share, (i) actual: no shares authorized, issued and outstanding and (ii) as adjusted: 47,070 shares authorized and 26,129 shares issued and outstanding		291,720
Common stock, $0.01 par value per share: 148,271 authorized: (i) actual: 109,951 shares issued and 9,141 shares outstanding and (ii) as adjusted: 148,271 shares issued and 47,461 shares outstanding	11,957	12,393

Paid-in capital	22,547	654,152
Common stock in treasury, at cost	(448,439)	(448,439)
Deferred compensation unearned ESOP shares		(197,888)
Accumulated other comprehensive loss	(5,977)	(5,977)
Retained earnings		
Total ADS stockholders equity	(419,912)	305,961
Noncontrolling interest in subsidiaries	22,576	22,576
Total stockholders equity	(397,336)	328,537
Total capitalization	$ 699,663	$ 699,663

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(1) Each $1.00 increase or decrease in the assumed initial public offering price of $18.00 per share (the mid-point of the price range set forth on the cover page of this prospectus) would increase or decrease, as applicable, our adjusted proceeds and stockholders equity by $4.9 million, and in turn the amount of debt repaid on our Revolving Credit Facility, assuming that the number of shares offered by us as set forth on the cover page of this prospectus remains the same and after deducting estimated underwriting discounts and commissions and estimated offering expenses. Each 1,000,000 increase or decrease in the number of shares offered by us would increase or decrease, as applicable, our adjusted proceeds and stockholders equity by $16.8 million, and in turn the amount of debt repaid on our Revolving Credit Facility, assuming no change in the assumed initial public offering price of $18.00 per share (the mid-point of the price range set forth on the cover page of this prospectus) and after deducting estimated underwriting discounts and commissions and estimated offering expenses.

The share information as of March 31, 2014 shown in the table above excludes (on a post-stock split basis):

- 0.3 million shares of restricted stock outstanding as of March 31, 2014 under our 2008 Restricted Stock Plan;
- 0.9 million shares of common stock issuable upon exercise of options outstanding as of March 31, 2014 at a weighted average exercise price of $9.48 per share under or 2000 Incentive Stock Option Plan;
- 1.9 million shares of common stock issuable upon exercise of options outstanding as of March 31, 2014 at a weighted average exercise price of $13.64 per share under or 2013 Stock Option Plan; and
- 0.3 million, 1.2 million and 0.4 million shares of common stock reserved for future issuance as of March 31, 2014 under our 2008 Restricted Stock Plan, our 2000 Incentive Stock Option Plan and our 2013 Stock Option Plan, respectively.

(2) Upon completion of this offering, the redemption rights associated with these shares, which require them to be classified in mezzanine equity, will be no longer be in effect. As a result, we anticipate reclassifying these balances to total stockholders equity upon the completion of this offering.

(3) Upon completion of this offering, the redemption rights associated with these shares, which require them to be classified in mezzanine equity, will be no longer be in effect. As a result, we anticipate reclassifying these balances to total stockholders equity upon the completion of this offering.

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DILUTION

If you invest in our common stock, the book value of your ownership interest will be immediately diluted to the extent of the difference between the initial public offering price per share of our common stock and the net tangible book value per share of our common stock immediately after this offering.

Our net tangible book value as of March 31, 2014 was approximately $93.1 million, and net tangible book value per share was $1.96. Net tangible book value per share before the offering has been determined by dividing net tangible book value (total book value of tangible assets less total liabilities) by the number of shares of common stock outstanding at March 31, 2014, after giving effect to the 4.707-for-1 stock split that was effected on July 11, 2014.

After giving effect to the sale of shares of our common stock in this offering at an assumed initial public offering price of $18.00 per share (the mid-point of the price range set forth on the cover page of this prospectus) and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us, our net tangible book value at March 31, 2014 would have been $176.1 million, or $3.34 per share. This represents an immediate increase in net tangible book value per share of $1.38 to the existing stockholders and dilution in net tangible book value per share of $14.66 to new investors who purchase shares in this offering. The following table illustrates this per share dilution to new investors:

Assumed initial public offering price per share		$ 18.00
Net tangible book value per share as of March 31, 2014	$ 1.96	
Increase per share attributable to this offering	1.38	
Net tangible book value, as adjusted to give effect to this offering		3.34
Dilution in net tangible book value to new investors in this offering		$ 14.66

A $1.00 increase or decrease in the assumed initial offering price of $18.00 per share (the mid-point of the price range set forth on the cover page of this prospectus) would increase or decrease our net tangible book value as adjusted to give effect to this offering by $0.09 per share, assuming that the number of shares offered by us set forth on the cover page of this prospectus remains the same, and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. An increase or decrease of 1,000,000 shares in the number of shares offered by us would increase or decrease our net tangible book value as adjusted to give effect to this offering by $0.25 per share, assuming the assumed initial offering price of $18.00 per share (the mid-point of the price range set forth on the cover page of this prospectus) remains the same, and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

The following table summarizes, as of March 31, 2014, the total number of shares of common stock purchased from us, the total consideration paid to us and the average price per share paid by the existing stockholders and by new investors purchasing shares in this offering:

	Shares Purchased		Total Consideration		Average
	Number	Percent	Amount	Percent	Price Per

					Share
Existing Stockholders	47,459	90%	$ 385,161	80%	$ 8.12
New investors	5,289	10	95,211	20	18.00
Total	52,748	100%	$ 480,372	100%	$ 9.11

The share information as of March 31, 2014 shown in the table above excludes (on a post-stock split basis):

0.3 million shares of restricted stock outstanding as of March 31, 2014 under our 2008 Restricted Stock Plan;

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- 0.9 million shares of common stock issuable upon exercise of options outstanding as of March 31, 2014 at a weighted average exercise price of $9.48 per share under our 2000 Incentive Stock Option Plan;

- 1.9 million shares of common stock issuable upon exercise of options outstanding as of March 31, 2014 at a weighted average exercise price of $13.64 per share under our 2013 Stock Option Plan; and

- 0.3 million, 1.2 million and 0.4 million shares of common stock reserved for future issuance as of March 31, 2014 under our 2008 Restricted Stock Plan, our 2000 Incentive Stock Option Plan and our 2013 Stock Option Plan, respectively.

Sales by the selling stockholders in this offering will reduce the number of shares held by existing stockholders to 38,248,211 shares, or approximately 73% (36,073,211 shares, or approximately 68%, if the underwriters exercise their option to purchase additional shares in full), and will increase the number of shares to be purchased by new investors to 14,500,000 shares, or approximately 27% (16,675,000 shares, or approximately 30%, if the underwriters exercise their option to purchase additional shares in full), of the total common stock outstanding after this offering. If the underwriters exercise in full their option to purchase additional shares of our common stock from the selling stockholders in the offering, there would be no incremental impact to net tangible book value per share.

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SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA

The selected historical consolidated financial data presented below as of March 31, 2013 and 2014 and for fiscal years 2012, 2013 and 2014 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. The selected historical consolidated financial data presented below as of March 31, 2010, 2011 and 2012 and for fiscal years 2010 and 2011 have been derived from our audited consolidated financial statements which are not included in this prospectus.

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

	Fiscal Year Ended March 31,				
(Amounts in thousands, except per share data)	**2010 (1)**	**2011**	**2012**	**2013**	**2014**
Consolidated statement of income data:					
Net sales	$ 751,237	$ 863,138	$ 1,013,756	$ 1,017,041	$ 1,069,009
Cost of goods sold	553,863	692,164	818,398	807,730	856,118
Gross profit	197,374	170,974	195,358	209,311	212,891
Selling expenses	58,801	63,103	67,625	69,451	75,024
General and administrative expenses	61,872	61,648	65,927	67,712	78,478
Gain on sale of assets/ business			(44,634)	(2,210)	(5,338)
Intangibles amortization	4,636	7,294	11,387	11,295	11,412
Income from operations	72,065	38,929	95,053	63,063	53,315
Interest expense	10,725	27,121	21,837	16,095	16,141
Other miscellaneous (income) expense, net (2)	(26,875)	(847)	2,425	283	133
Income before income taxes	88,215	12,655	70,791	46,685	37,041
Income tax expense	33,067	4,053	27,064	16,894	22,575
Equity in net (income) loss of unconsolidated affiliates	(2,404)	(736)	(704)	(387)	1,592
Net income	57,552	9,338	44,431	30,178	12,874
Less net income attributable to the noncontrolling interest	3,677	3,342	1,171	2,019	1,750
Net income attributable to ADS	53,875	5,996	43,260	28,159	11,124
Change in fair value of Redeemable Convertible Preferred Stock	(11,890)	(3,541)	(10,257)	(5,869)	(3,979)
Dividends paid to Redeemable Convertible Preferred Stockholders	(1,029)	(844)	(668)	(736)	(10,139)
Dividends paid to unvested restricted stockholders	(6)	(104)	(34)	(52)	(418)

Net income (loss) available to common stockholders and participating securities	40,950	1,507	32,301	21,502	(3,412)
Undistributed income (loss) allocated to participating securities	(6,058)		(3,241)	(2,042)	
Net income (loss) available to common stockholders	$ 34,892	$ 1,507	$ 29,060	$ 19,460	$ (3,412)

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(Amounts in thousands, except per share data)	Fiscal Year Ended March 31, 2010 (1)	2011	2012	2013	2014
Weighted average common shares outstanding:					
Basic	49,127	47,668	46,293	46,698	47,277
Diluted	50,563	48,699	47,051	47,249	47,277
As adjusted Basic (3)	49,127	47,668	46,293	46,698	47,277
As adjusted Diluted (3)	50,563	56,263	47,051	47,249	47,720
Net income (loss) per share:					
Basic	$ 0.71	$ 0.03	$ 0.63	$ 0.42	$ (0.07)
Diluted	$ 0.69	$ 0.03	$ 0.62	$ 0.41	$ (0.07)
As adjusted Basic (3)	$ 0.91	$ 0.10	$ 0.82	$ 0.53	$ 0.01
As adjusted Diluted (3)	$ 0.89	$ 0.10	$ 0.81	$ 0.52	$ 0.01
Cash dividends declared per share	$ 0.08	$ 0.09	$ 0.09	$ 0.10	$ 1.68

(Amounts in thousands, except percentages)	Fiscal Year Ended March 31, 2010 (1)	2011	2012	2013	2014
Other financial data:					
Capital expenditures	$ 23,140	$ 30,041	$ 26,467	$ 40,004	$ 40,288
Adjusted EBITDA (4)	127,228	100,780	116,873	129,759	147,009
Adjusted EBITDA margin (5)	16.9%	11.7%	11.5%	12.8%	13.8%

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

(Amounts in thousands)	Fiscal Year Ended March 31, 2010 (1)	2011	2012	2013	2014
Statement of cash flows data:					
Net cash provided by operating activities	$ 70,343	$ 37,233	$ 56,997	$ 68,215	$ 62,122
Net cash (used in) investing activities	(47,011)	(53,237)	(35,833)	(47,199)	(41,767)
Net cash provided by (used in) financing activities	(30,448)	15,134	(21,233)	(21,737)	(17,712)

(1) The presentation of our selected historical consolidated financial data as of March 31, 2010 and 2011 and for fiscal year 2010 has been adjusted to comply with the retrospective application of our inventory accounting principle change. In April 2011, the Company changed the method of valuing raw materials from the last-in, first-out

(LIFO) method to the first-in, first-out (FIFO) method. The Company believes the FIFO method of inventory valuation is preferable for the raw materials valuation because FIFO provides a better matching of inventory costs of its products with the sales due to a lag in the pass-through of changes in resin costs to customers and enhances the comparability of results to our peers. As a result of this change, all prior period amounts have been retrospectively adjusted as of the beginning of the earliest period presented.

(2) Other miscellaneous (income) expense, net for fiscal year ended March 31, 2010 includes a gain of $25,952 from the purchase of the controlling interest of an unconsolidated affiliate.

(3) Net Income Per Share As Adjusted Basic and Diluted, which are non-GAAP measures, have been presented in this prospectus as supplemental measures of financial performance that are not required by, or presented in accordance with generally accepted accounting principles or GAAP. As described elsewhere in this prospectus, upon completion of this offering, the redemption rights associated with these shares, which require them to be classified as mezzanine equity, will be no longer in effect and, as such, we anticipate reclassifying these balances to total stockholders equity upon the completion of this offering. We calculate Net Income Per Share As Adjusted Basic, and the corresponding Weighted Average Common Shares Outstanding As Adjusted Basic, by adjusting our historical net income per share and weighted average common shares outstanding amounts for the reclassification of Redeemable Convertible Preferred Stock from mezzanine equity to total stockholders equity in order to present historical amounts as if this reclassification occurred as of the beginning of the earliest period presented.

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To effect this adjustment, we have (1) removed the adjustment for the change in fair value of Redeemable Convertible Preferred Stock classified as mezzanine equity from the numerator of the Basic Net Income Per Share computation, and (2) made a corresponding adjustment to the amount allocated to participating securities under the two-class earnings per share computation method.

We have also made adjustments to Net Income Per Share as Adjusted Diluted, and the corresponding Weighted Average Common Shares Outstanding As Adjusted Diluted, to assume share settlement of the Redeemable Convertible Preferred Stock to the extent that the if-converted computation method is more dilutive than the two-class computation method.

Net Income Per Share As Adjusted Basic and Diluted are included in this prospectus because they are key metrics used by management and our board of directors to assess our financial performance. Net Income Per Share As Adjusted Basic and Diluted are not necessarily comparable to other similarly titled captions of other companies due to different methods of calculation.

The following table presents a reconciliation of Net Income Per Share As Adjusted Basic and Diluted, and the corresponding Weighted Average Common Shares Outstanding As Adjusted Basic and Diluted to our historical net income per share and corresponding historical weighted average common share amounts, the most comparable GAAP measure, for each of the periods indicated.

	Fiscal Year Ended March 31,				
(Amounts in thousands, except per share data)	**2010**	**2011**	**2012**	**2013**	**2014**
Net Income Per Share As Adjusted Basic					
Net income available to common stockholders	$ 34,892	$ 1,507	$ 29,060	$ 19,460	$ (3,412)
Adjustment for:					
Change in fair value of Redeemable Convertible Preferred Stock	11,890	3,541	10,257	5,869	3,979
Undistributed income allocated to participating securities	(1,959)	(76)	(1,189)	(716)	
Net income available to common stockholders used to calculate Net Income Per Share As Adjusted Basic	$ 44,823	$ 4,972	$ 38,128	$ 24,613	$ 567
Weighted average common shares outstanding:					
Basic	49,127	47,668	46,293	46,698	47,277
As adjusted Basic	49,127	47,668	46,293	46,698	47,277
Net Income Per Share As Adjusted Diluted					
Net income available to common stockholders used to calculate Net Income Per Share As Adjusted Basic	$ 44,823	$ 4,972	$ 38,128	$ 24,613	$ 567
Adjustment for:					
Undistributed income allocated to participating Redeemable Convertible Preferred Stock		74			
Dividends paid to Redeemable Convertible Preferred Stockholders, net of tax impact		557			

Other adjustments		(4)			
Net income available to common stockholders used to calculate Net Income Per Share As Adjusted Diluted	$ 44,823	$ 5,599	$ 38,128	$ 24,613	$ 567
Weighted average common shares outstanding					
Diluted	50,563	48,699	47,051	47,249	47,277
Conversion of the outstanding Redeemable Convertible Preferred Stock on an as converted basis		7,564			
Assumed exercise of stock options					443
As adjusted Diluted	50,563	56,263	47,051	47,249	47,720
Net income (loss) per share:					
As adjusted Basic	$ 0.91	$ 0.10	$ 0.82	$ 0.53	$ 0.01
As adjusted Diluted	$ 0.89	$ 0.10	$ 0.81	$ 0.52	$ 0.01

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

EBITDA and Adjusted EBITDA are included in this prospectus because they are key metrics used by management and our board of directors to assess our financial performance. EBITDA and Adjusted EBITDA are frequently used by analysts, investors and other interested parties to evaluate companies in our industry. In addition to covenant compliance and executive performance evaluations, we use Adjusted EBITDA to supplement GAAP measures of performance to evaluate the effectiveness of our business strategies, to make budgeting decisions and to compare our performance against that of other peer companies using similar measures.

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

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

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

(a)

Includes our proportionate share of depreciation and amortization expense of $233, $552, $985, $1,321 and $1,556 related to our South American Joint Venture and our BaySaver Joint Venture, which amounts are included in equity in net income of unconsolidated affiliates in our consolidated statements of income for fiscal years 2010, 2011, 2012, 2013 and 2014, respectively. Depreciation and amortization expense for fiscal year 2012 also includes a charge of $3,200 related to the impairment of one of our trademarks.

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

(c) Represents the gains and losses incurred on purchases, sales and intercompany loans and dividends denominated in non-functional currencies.

(d) Represents a gain recognized on the sale of our septic chamber business in January 2012.

(e) Represents our proportional share of income taxes and interest related to our South American Joint Venture and our BaySaver Joint Venture, which are accounted for under the equity method of accounting.

(f) Represents a gain from fair value re-measurement of investment in an unconsolidated affiliate upon acquiring the controlling interest of the affiliate.

(g) Represents management fee paid to a minority interest holder of a consolidated subsidiary.

(h) Represents the non-cash stock based compensation cost related to our stock options and restricted stock awards.

(i) Represents the non-cash stock based compensation expense attributable to the shares of convertible preferred stock allocated to employee ESOP accounts during the applicable period.

(j) Represents expenses recorded related to legal, accounting and other professional fees incurred in connection with our recent debt refinancing and in connection with this offering.

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(5) Adjusted EBITDA margin for any period represents Adjusted EBITDA as a percentage of net sales for that period.
(6) Working capital is the difference between our current assets and current liabilities. Working capital is an indication of liquidity and potential need for short-term funding.
(7) Our mezzanine equity consists of the Redeemable Convertible Preferred Stock held by our ESOP and Redeemable Common Stock held by certain stockholders who have certain rights associated with such shares, which rights are considered for purposes of GAAP to be a redemption right, which is beyond our control. See Note 16 Mezzanine Equity, within our consolidated financial statements included elsewhere in this prospectus for further information regarding the accounting treatment for our mezzanine equity. Upon completion of this offering, the redemption rights associated with these shares, which require them to be classified in mezzanine equity, will be no longer be in effect. As a result, we anticipate reclassifying these balances to total stockholders equity upon the completion of this offering.

MANAGEMENT S DISCUSSION AND ANALYSIS

OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of the financial condition and results of our operations should be read in conjunction with the consolidated financial statements and related footnotes included elsewhere in this prospectus. This discussion contains forward-looking statements that are based on the beliefs of our management, as well as assumptions made by, and information currently available to, our management. Our actual results could differ materially from those discussed below. Factors that could cause or contribute to such differences include, but are not limited to, those identified below, and those discussed in the sections titled Risk Factors and Special Note Regarding Forward-Looking Statements and Information included elsewhere in this prospectus. You should read the following discussion together with the sections titled Risk Factors, Selected Historical Consolidated Financial Data and our consolidated financial statements, including the related footnotes, included elsewhere in this prospectus.

We consolidate all of our joint ventures for purposes of GAAP, except for our South American Joint Venture and our BaySaver Joint Venture.

Overview

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

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

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

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Key Factors Affecting Our Results of Operations

Product Demand

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

- the strength of the economy;
- the amount and type of non-residential and residential construction;
- funding for infrastructure spending;
- farm income and agricultural land values;
- inventory of improved housing lots;
- changes in raw material prices;
- the availability and cost of credit;
- non-residential occupancy rates;
- commodity prices; and
- demographic factors such as population growth and household formation.

Product Pricing

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

Material Conversion

Our HDPE and PP pipe and related water management product lines compete with other manufacturers of corrugated polyethylene pipe as well as manufacturers of alternative products made with traditional materials, such as concrete, steel and PVC. Our net sales are driven by market trends, including the continued increase in adoption of thermoplastic corrugated pipe products as a replacement for traditional materials. Thermoplastic corrugated pipe is generally lighter, more durable, more cost effective and easier to install than comparable products made from traditional materials. High performance thermoplastic corrugated pipe represented approximately 25% of the total storm sewer market in 2012, up from what we believe was less than 10% ten years ago and less than 1% twenty years ago. We believe this trend will continue as customers continue to acknowledge the superior attributes and compelling value proposition of our thermoplastic products and expanded regulatory approvals allow for their use in new markets and geographies. In addition, we believe that the recent introduction of PP pipe products will also help accelerate conversion given the additional applications for which our PP pipe products can be used.

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

Growth in Allied Products

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

Our leading position in the pipe market has allowed us to increase organic growth of our Allied Products. We also expect to expand our Allied Product offerings through acquisitions. Sales of Allied Products have increased from $248.6 million for the fiscal year ended March 31, 2013 to $260.2 million for the fiscal year ended March 31, 2014. For fiscal years 2012, 2013 and 2014, we generated sales of Allied Products of $230.7 million, $248.6 million and $260.2 million, respectively.

Raw Material Costs

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

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

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

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

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

managing a resin hedging program targeting monthly fixed price contracts that hedge approximately 50% of our anticipated virgin HDPE resin purchases on a rolling 12 month basis; and implementing financial hedges for propylene, with a goal of hedging a similar portion of our anticipated virgin PP resin purchases on a rolling 12 month basis.

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

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

Seasonality

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

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

Currency Exchange Rates

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

Description of our Segments

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

Our operations are organized into two reportable segments based on the markets we serve: Domestic and International. We generate a greater proportion of our net sales and gross profit in our Domestic segment, which consists of all regions of the United States. We expect the percentage of total net sales and gross profit derived from our International segment to continue to increase in future periods as we continue to expand globally. See Note 20, Business Segments Information, to our audited consolidated financial statements included elsewhere in this prospectus.

Domestic

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

International

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

Components of Results of Operations

Net sales

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

Cost of goods sold

Cost of goods sold consists of the direct cost of raw materials and labor used in the manufacture of our products as well as indirect costs such as labor, depreciation, insurance, supplies, tools, repairs and shipping and handling. Our principal products are manufactured primarily from polyethylene and polypropylene resins with chemical additives that enable the end products to better resist weathering, ultraviolet degradation and chemical exposure. For Pipe, the majority of the cost to manufacture and deliver the products are variable in nature including raw materials, processing costs (including direct labor) and delivery costs (freight). Our fixed production costs (including facility overhead, depreciation, etc.) currently represent approximately 10% of net sales. For Allied Products, cost of goods sold varies by product line and consists of raw material/purchase costs, processing costs and delivery costs.

Selling Expenses

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

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General and Administrative Expenses

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

Intangibles Amortization

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

Interest Expense

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

Income Tax Expense

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

EBITDA and Adjusted EBITDA

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

EBITDA and Adjusted EBITDA are included in this prospectus because they are key metrics used by management and our board of directors to assess our financial performance. EBITDA and Adjusted EBITDA are frequently used by analysts, investors and other interested parties to evaluate companies in our industry. In addition to covenant compliance and executive performance evaluations, we use Adjusted EBITDA to supplement GAAP measures of performance to evaluate the effectiveness of our business strategies, to make budgeting decisions and to compare our performance against that of other peer companies using similar measures.

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

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

	Fiscal Year Ended March 31,		
(Amounts in thousands)	**2012**	**2013**	**2014**
Net income attributable to ADS	$ 43,260	$ 28,159	$ 11,124
Depreciation and amortization [(a)]	59,356	56,926	57,454
Interest expense	21,837	16,095	16,141
Income tax expense	27,064	16,894	22,575
EBITDA	151,517	118,074	107,294
Derivative fair value adjustments [(b)]	2,315	(4)	(53)
Foreign currency transaction losses [(c)]	378	1,085	845
Gain on sale of Septic Chamber business [(d)]	(44,634)		
Unconsolidated affiliates interest and tax [(e)]	915	729	204
Management fee to minority interest holder JV [(f)]			1,098
Special dividend compensation			22,624
Contingent consideration remeasurement			259
Stock based compensation [(g)]	1,425	2,592	5,287
ESOP deferred stock based compensation [(h)]	4,957	7,283	7,891
Transaction costs [(i)]			1,560
Adjusted EBITDA	$ 116,873	$ 129,759	$ 147,009

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

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

(f) Represents management fee paid to a minority interest holder of a consolidated subsidiary.

(g) Represents the non-cash stock based compensation cost related to our stock options and restricted stock awards.

(h) Represents the non-cash stock based compensation expense attributable to the shares of convertible preferred stock allocated to employee ESOP accounts during the applicable period.

(i) Represents expenses recorded related to legal, accounting and other professional fees incurred in connection with our recent debt refinancing and in connection with this offering.

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

	Fiscal Year Ended March 31,					
(Amounts in thousands)	**2012**		**2013**		**2014**	
	Domestic	**International**	**Domestic**	**International**	**Domestic**	**International**
Net income	$ 37,894	$ 5,366	$ 18,332	$ 9,827	$ 6,084	$ 5,040
Depreciation and amortization [(a)]	52,832	6,524	50,691	6,235	50,808	6,646
Interest expense	21,597	240	16,045	50	16,093	48
Income tax expense	25,855	1,209	14,787	2,107	20,594	1,981
Segment EBITDA	138,178	13,339	99,855	18,219	93,579	13,715
Derivative fair value adjustments [(b)]	2,315		(4)		(53)	
Foreign currency transaction losses [(c)]		378		1,085		845
Gain on sale of Septic Chamber business [(d)]	(44,634)					
Unconsolidated affiliates interest and tax [(e)]		915		729	8	196
Management fee to minority interest holder JV [(f)]						1,098
Special Dividend compensation expense					22,624	
Contingent consideration remeasurement					259	
Share based compensation [(g)]	1,425		2,592		5,287	
ESOP deferred compensation [(h)]	4,957		7,283		7,891	
Transaction costs [(i)]					1,560	
Segment Adjusted EBITDA	$ 102,241	$ 14,632	$ 109,726	$ 20,033	$ 131,155	$ 15,854

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

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

(c) Represents the gains and losses incurred on purchases, sales and intercompany loans and dividends denominated in non-functional currencies.

(d) Represents a gain recognized on the sale of our septic chamber business in January 2012.

(e)

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

(f) Represents management fee paid to a minority interest holder of a consolidated subsidiary.

(g) Represents the non-cash stock based compensation cost related to our stock options and restricted stock awards.

(h) Represents the non-cash stock based compensation expense attributable to the shares of convertible preferred stock allocated to employee ESOP accounts during the applicable period.

(i) Represents expenses recorded related to legal, accounting and other professional fees incurred in connection with our recent debt refinancing and in connection with this offering.

System-Wide Net Sales

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

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

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

(Amounts in thousands)	Fiscal Year Ended March 31, 2012	2013	2014
Reconciliation of System-Wide Net Sales to Net Sales:			
Net sales	$ 1,013,756	$ 1,017,041	$ 1,069,009
Net sales associated with our unconsolidated affiliates:			
South American Joint Venture (a)	57,687	64,834	61,243
BaySaver Joint Venture (b)			5,195
System-Wide Net Sales	$ 1,071,443	$ 1,081,875	$ 1,135,447

(a) On July 31, 2009, we entered into an arrangement to form our South American Joint Venture.
(b) On July 15, 2013, we entered into an arrangement to form our BaySaver Joint Venture.

Results of Operations

Fiscal Year Ended March 31, 2014 Compared with Fiscal Year Ended March 31, 2013

The following table summarizes certain financial information relating to our operating results that have been derived from our consolidated financial statements for the fiscal years ended March 31, 2014 and 2013. Also included is certain information relating to the operating results as a percentage of net sales. We believe this presentation is useful to investors in comparing historical results.

(Amounts in thousands)	Fiscal Year Ended March 31, 2013	% of Net Sales	Fiscal Year Ended March 31, 2014	% of Net Sales	% Variance
Consolidated Statements of Income data:					
Net sales	$ 1,017,041	100.0%	$ 1,069,009	100.0%	5.1%
Cost of goods sold	807,730	79.4	856,118	80.1	6.0
Gross profit	209,311	20.6	212,891	19.9	1.7
Selling expenses	69,451	6.8	75,024	7.0	8.0
General and administrative expenses	67,712	6.7	78,478	7.3	15.9
Gain on sale of assets/business	(2,210)	(0.2)	(5,338)	(0.5)	141.5
Intangible amortization	11,295	1.1	11,412	1.1	1.0
Income from operations	63,063	6.2	53,315	5.0	(15.5)
Interest expense	16,095	1.6	16,141	1.5	0.2

Other miscellaneous expenses, net		283	0.0		133	0.0	(53.0)
Income before income taxes		46,685	4.6		37,041	3.5	(20.7)
Income tax expense		16,894	1.7		22,575	2.1	33.6
Equity in net (income) loss of unconsolidated affiliates		(387)	(0.0)		1,592	0.1	(511.4)
Net income		30,178	3.0		12,874	1.2	(57.3)
Less net income attributable to the non-controlling interests		2,019	0.2		1,750	0.2	(13.3)
Net income attributable to ADS	$	28,159	2.8%	$	11,124	1.0%	(60.5)%
Other financial data:							
Adjusted EBITDA		129,759	12.8%		147,009	13.8%	13.3%
System-Wide Net Sales		1,081,875	106.4%		1,135,447	106.2%	5.0%

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Net sales

Net sales totaled $1,069.0 million in fiscal year 2014, increasing $52.0 million, or 5.1%, as compared to fiscal year 2013. Our Domestic sales increased $57.6 million, or 6.6%, as compared to fiscal year 2013 due to increases in Pipe and Allied Product sales of $46.6 million, or 7.1%, and $11.0 million, or 4.9%, respectively. Continued strong recovery in our markets, impacted by an increase in residential construction, modest increases in nonresidential construction and further gains from conversion to our products from traditional products, were the primary drivers of the increase in the volume of Domestic Pipe and Allied Product sales. Pipe selling prices increased 1.0% as compared to the prior year. The increase in Domestic Pipe and Allied Product sales was partially offset by lower International sales, which declined $5.7 million, or 4.1%, to $133.6 million in fiscal year 2014 as compared to $139.3 million in the prior year. International Pipe sales were primarily lower in Mexico due to the impact of the loss of a national certification (which has since been regained in December 2013) and in Canada due to weather conditions and slower construction markets. System-Wide Net Sales were $1,135.4 million in fiscal year 2014, an increase of $53.5 million, or 5.0%, over System-Wide Net Sales of $1,081.9 million in fiscal year 2013. Net sales at our South American Joint Venture were relatively flat in fiscal year 2014.

Gross profit

Gross profit increased $3.6 million, or 1.7%, to $212.9 million during fiscal year 2014 as compared to $209.3 million during fiscal year 2013. Compensation expense relating to the one-time special dividend paid in January 2014 resulted in a one-time expense of $13.9 million, reducing our gross profit in fiscal year 2014. Excluding the compensation expense charge in fiscal year 2014, gross profit increased $17.5 million or 8.4% as compared to fiscal year 2013. The increase in gross profit was primarily driven by growth in Domestic Pipe and Allied Product sales which resulted in an increase in Domestic gross profit of $19.0 million, or 10.7%, in fiscal year 2014 compared to fiscal year 2013 excluding the compensation expense in fiscal year 2014. Gross profit from our International segment decreased $1.5 million, or 4.9%, due to lower sales volume in Canada and Mexico. Gross profit as a percentage of net sales, which we refer to as gross margin, increased to 21.2% from 20.6% (excluding the 1.3% negative impact of the compensation expense charge) due primarily to increased sales of Allied Products, which typically carry a higher gross margin, as well as lower Domestic freight costs. Allied Products sales grew 4.6% in fiscal year 2014 compared to Pipe sales growing 5.3% in the same period. Domestic freight costs declined to 10.0% of Domestic net sales in fiscal year 2014 as compared to 10.5% of Domestic net sales in fiscal year 2013. The decrease in Domestic freight costs was partially offset by increased Domestic Pipe raw material prices of 4.6% due to higher virgin raw material prices in the second half of fiscal year 2014, which we were not able to immediately pass through to customers during the period due to pricing of competing products made from different raw materials.

Selling expenses

Selling expenses increased $5.5 million, or 8.0%, to $75.0 million during fiscal year 2014 compared to $69.5 million in fiscal year 2013. As a percentage of net sales, selling expenses totaled 7.0% of net sales in fiscal year 2014 compared to 6.8% of net sales in fiscal year 2013. Selling expenses were impacted by a one-time charge of $4.6 million for compensation expense relating to the one-time special dividend paid in January 2014 and an increase in International selling expenses of $0.8 million during the period. Domestic selling expenses were relatively flat in fiscal year 2014 as compared to fiscal year 2013 (excluding the impact of compensation expense).

General and administrative expenses

General and administrative expenses increased $10.8 million, or 15.9%, to $78.5 million in fiscal year 2014 compared to $67.7 million in fiscal year 2013. As a percentage of net sales, general and administrative expenses totaled 7.3% of net sales in fiscal year 2014 compared to 6.7% of net sales in fiscal year 2013. This increase was due to non-cash stock based compensation expense which increased by $2.7 million, $4.1 million of compensation expense relating to the one-time special dividend paid in January 2014, $1.4 million for audit fees related to this offering, increases in personnel costs of $1.5 million due to additional headcount and compensation tied to company performance, higher legal and consulting fees of $1.1 million.

Gain on sales of assets/business

Gains on the sale of assets totaled $5.3 million in fiscal year 2014 compared to $2.2 million in fiscal year 2013. Assets sold in fiscal year 2014 included our Draintech product line, a precast facility in Pennsylvania and an idled pipe plant in North Carolina.

Intangibles amortization

Intangibles amortization totaled $11.4 million in fiscal year 2014 compared to $11.3 million in fiscal year 2013. The $0.1 million increase was due to the amortization of intangibles from recent acquisitions.

Interest expense

Interest expense stayed constant at $16.1 million in both fiscal years 2014 and 2013.

Other miscellaneous (income) expenses, net

Our miscellaneous (income)/expense decreased $0.2 million in fiscal year 2014 to net expense of $0.1 million compared to $0.3 million in fiscal year 2013.

Income tax expense

The provision for income taxes totaled $22.6 million in fiscal year 2014 compared to $16.9 million in fiscal year 2013, an increase of $5.7 million or 33.7%. Our effective tax rate was 60.9% in fiscal year 2014 compared to 35.9% in fiscal year 2013. The increase in our effective tax rate was primarily driven by the expected special dividend payment to participants in the ESOP, which increased our effective tax rate by 21.1%.

Income attributed to non-controlling interests

Income attributed to non-controlling interests decreased $0.2 million, or 13.3%, to $1.8 million in fiscal year 2014 compared to $2.0 million in fiscal year 2013. Non-controlling interests are held in our International operations which generated lower earnings in fiscal year 2014 compared fiscal year 2013.

Net income attributed to ADS

Net income attributable to ADS was $11.1 million in fiscal year 2014, a decrease of $17.0 million, or 60.5%, compared to fiscal year 2013. The impact of the compensation expense relating to the one-time special dividend paid in January 2014 had a negative impact of $22.6 million in fiscal year 2014.

Adjusted EBITDA

Adjusted EBITDA totaled $147.0 million in fiscal year 2014, an increase of $17.2 million, or 13.3%, compared to $129.8 million in fiscal year 2013. Domestic Adjusted EBITDA increased $21.5 million, or 19.5%, to $131.2 million in fiscal year 2014 compared to $109.7 million in fiscal year 2013. International Adjusted EBITDA declined $4.1 million in fiscal year 2014 to $15.9 million compared to $20.0 million in fiscal year 2013. Adjusted EBITDA as a percentage of net sales increased to 13.8% in fiscal year 2014 compared to 12.8% in fiscal year 2013.

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Fiscal Year Ended March 31, 2013 Compared with Fiscal Year Ended March 31, 2012

The following table summarizes certain financial information relating to our operating results that have been derived from our consolidated financial statements for fiscal years 2013 and 2012. Also included is certain information relating to the operating results as a percentage of net sales. We believe this presentation is useful to investors in comparing historical results.

(Amounts in thousands)	Fiscal Year Ended March 31, 2012	% of Net Sales	Fiscal Year Ended March 31, 2013	% of Net Sales	% Variance
Consolidated Statements of Income data:					
Net sales	$ 1,013,756	100.0%	$ 1,017,041	100.0%	0.3%
Cost of goods sold	818,398	80.7	807,730	79.4	(1.3)
Gross profit	195,358	19.3	209,311	20.6	7.1
Selling expenses	67,625	6.7	69,451	6.8	2.7
General and administrative expenses	65,927	6.5	67,712	6.7	2.7
Gain on sale of assets/business	(44,634)	(4.4)	(2,210)	(0.2)	(95.0)
Intangible amortization	11,387	1.1	11,295	1.1	(0.8)
Income from operations	95,053	9.4	63,063	6.2	(33.7)
Interest expense	21,837	2.2	16,095	1.6	(26.3)
Other miscellaneous (income) expenses, net	2,425	0.2	283	0.0	(88.3)
Income before income taxes	70,791	7.0	46,685	4.6	(34.1)
Income tax expense	27,064	2.7	16,894	1.7	(37.6)
Equity in net (income) loss of unconsolidated affiliates	(704)	(0.1)	(387)	(0.0)	(45.0)
Net income	44,431	4.4	30,178	3.0	(32.1)
Less net income attributable to the non-controlling interests	1,171	0.1	2,019	0.2	72.4
Net income attributable to ADS	$ 43,260	4.3%	$ 28,159	2.8%	(34.9)%
Other Data:					
Adjusted EBITDA	116,873	11.5%	129,759	12.8%	11.0%
System-Wide Net Sales	1,071,443	105.7%	1,081,875	106.4%	1.0%

Net sales

Net sales totaled $1,017.0 million in fiscal year 2013, an increase of $3.3 million, or 0.3%, compared to $1,013.8 million in fiscal year 2012. The increase in net sales was attributable primarily to an increase in the selling price of our Domestic Pipe, which contributed $20.5 million to net sales in fiscal year 2013, and an $13.9 million, or 6.6%, increase in sales of Domestic Allied Products, partially offset by a decline in the volume of Domestic Pipe sales in fiscal year 2013. The $45.0 million decline in Domestic Pipe sales volume was partially a result of weather related issues impacting agriculture sales (a late start to spring at the end of fiscal year 2013 delayed the agricultural installation season) and N-12 sales in the midwest and northeast regions of the country. The decline in our sales volume was also attributable to a soft non-residential end market, while partially offset by increased demand from the residential end market and continued conversion to our products from traditional materials. Our International net sales totaled $139.3 million in fiscal year 2013 compared to $125.1 million in fiscal year 2012, an increase of $14.2 million, or 11.4%. Growth was experienced across most international markets, led by Canada, with International Pipe sales increasing $10.2 million, or 9.8%, in fiscal year 2013 compared to fiscal year 2012 and Allied Products increasing $4.0 million, or 18.9%, in fiscal year 2013 compared to fiscal year 2012. System-Wide Net Sales were $1,081.9 million in fiscal year 2013, an increase of $10.5 million, or 1.0%, over System-Wide Net Sales of $1,071.4 million in fiscal year 2012. Net sales at our South American Joint Venture totaled $64.8 million in fiscal year 2013 compared to $57.7 million in fiscal year 2012. Pipe market penetration in Brazil led the increase, partially offset by weaknesses in Pipe sales to the copper mining markets in Chile.

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Gross profit

Gross profit increased $14.0 million, or 7.1%, to $209.3 million during fiscal year 2013 as compared to $195.4 million in fiscal year 2012. Our Domestic gross profit increased $7.2 million in fiscal year 2013 as compared to fiscal year 2012 due to increased volume of Allied Products sales, which contributed additional gross profit of $7.5 million, partially offset by a decrease in the volume of Domestic Pipe sales, which negatively impacted gross profit by $0.3 million. International gross profit increased 27.2%, or $6.8 million, in fiscal year 2013 due to increases of $2.7 million and $4.1 million for Pipe and Allied Products gross profit, respectively. Gross margin increased to 20.6% in fiscal year 2013 from 19.3% in fiscal year 2012 due to increased sales of our higher margin Allied Products as well as increased Pipe gross margins attributable to lower freight costs and increased selling prices. Allied Products sales grew 7.8% in fiscal year 2013 totaling 24.4% of net sales compared to 22.8% in fiscal year 2012 as our market penetration for these products increased. Domestic Pipe selling prices increased 3.3% in fiscal year 2013, with gross margin being partially offset by a 1% increase in raw material prices as compared to fiscal year 2012. Freight costs declined slightly to 9.8% of net sales in fiscal year 2013 as compared to 9.9% of net sales in fiscal year 2012.

Selling expenses

Selling expenses increased $1.8 million, or 2.7%, to $69.5 million during fiscal year 2013 compared to $67.6 million in fiscal year 2012. As a percentage of net sales, selling expenses totaled 6.8% in fiscal year 2013 compared to 6.7% in fiscal year 2013. Commissions increased $0.4 million, field selling expenses increased $1.0 million and customer service expenses increased $0.5 million in fiscal year 2013 as compared to fiscal year 2012.

General and administrative expenses

General and administrative expenses increased $1.8 million, or 2.7%, to $67.7 million during fiscal year 2013 compared to $65.9 million in fiscal year 2012. General and administrative expenses increased to 6.7% of net sales in fiscal year 2013, up from 6.5% of net sales in fiscal year 2012. This increase was due to stock based compensation expense which increased by $1.2 million, higher plant administrative expenses of $0.8 million due to recently opened manufacturing facilities in the agricultural markets and higher other administrative expenses of $1.7 million, partially offset by lower transaction costs of $1.9 million in fiscal year 2013 as compared to fiscal year 2012.

Gain on sale of assets/business

We recognized a gain of $2.2 million in fiscal year 2013 resulting from the sale of our plastic edging product line as compared to a $44.6 million gain recognized in fiscal year 2012 resulting from the sale of our septic chamber product line to Infiltrator Systems. As part of the sale in fiscal year 2012, we entered into a Distribution Agreement to continue to sell septic chambers manufactured by Infiltrator Systems.

Intangibles amortization

Intangibles amortization totaled $11.3 million in fiscal year 2013, down $0.1 million from intangible amortization in fiscal year 2012.

Interest expense

Interest expense decreased $5.7 million, or 26.3%, to $16.1 million during fiscal year 2013 as compared to $21.8 million in fiscal year 2012. The decrease was due to a combination of lower average debt and interest rates in fiscal year 2013 as compared to fiscal year 2012. In fiscal year 2013, ADS achieved a leverage ratio of Adjusted EBITDA to

Debt below 3-to-1 which reduced our interest rates by 0.5% for our Senior Loan Facilities and 2.0% for our Senior Notes, resulting in a decrease in interest expense of $3.4 million or 15.6%.

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Other miscellaneous (income) expenses, net

Our miscellaneous (income)/expense decreased $2.1 million in fiscal year 2013 as mark to market losses on our fuel and interest rate hedges of $2.3 million in fiscal year 2012 compared to no change in fiscal year 2013. Earnings from our unconsolidated South American Joint Venture declined $0.3 million in fiscal year 2013 and other miscellaneous expenses increased $0.2 million in fiscal year 2013 as compared to fiscal year 2012.

Income tax expense

The provision for income taxes totaled $16.9 million in fiscal year 2013 compared to $27.1 million in fiscal year 2012, a decrease of $10.2 million, or 37.6%. Our effective tax rate was 35.9% in fiscal year 2013 compared 37.9% in fiscal year 2012. The primary factors for the decline in our effective tax rate were lower state and local taxes (3.0% in fiscal year 2013 compared to 3.6% in fiscal year 2012) and an increase in International income which is taxed at lower rates.

Income attributed to non-controlling interests

Income attributed to non-controlling interests increased $0.8, or 72.4%, to $2.0 million in fiscal year 2013 as compared to $1.2 million in fiscal year 2012. Non-controlling interests are held in our International operations which generated higher earnings in fiscal year 2013 compared to fiscal year 2012.

Net income attributed to ADS

Net income attributable to ADS was $28.2 million in fiscal year 2013, a decrease of $15.1 million, or 34.9%, compared to fiscal year 2012. This decrease was primarily due to the $44.6 million gain from the sale of our U.S. septic chamber business in fiscal year 2012.

Adjusted EBITDA

Adjusted EBITDA totaled $129.8 million in fiscal year 2013, an increase of $12.9 million, or 11.0%, compared to $116.9 million in fiscal year 2012. Domestic Adjusted EBITDA increased $7.5 million, or 7.3%, to $109.7 million in fiscal year 2013 compared to $102.2 million in fiscal year 2012. International Adjusted EBITDA increased $5.4 million in fiscal year 2013 to $20.0 million as compared to $14.6 million in fiscal year 2013. Adjusted EBITDA as a percentage of net sales increased to 12.8% in fiscal year 2013 compared to 11.5% in fiscal year 2012.

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Results of Operations by Segment

The following table presents our net sales, net sales as a percentage of total net sales, Segment Adjusted EBITDA and Segment Adjusted EBITDA as a percentage of total Adjusted EBITDA by segment for the periods presented.

	Fiscal Year Ended March 31,					
(Amounts in thousands)	**2012**		**2013**		**2014**	
Net Sales by Segment						
Domestic:						
Pipe	$ 678,934	67%	$ 654,068	64%	$ 700,663	66%
Allied Products	209,736	21%	223,676	22%	234,729	22%
	888,670	88%	877,744	86%	935,392	88%
International:						
Pipe	104,107	10%	114,349	11%	108,162	10%
Allied Products	20,979	2%	24,948	3%	25,455	2%
	125,086	12%	139,297	14%	133,617	12%
Total net sales	$ 1,013,756	100%	$ 1,017,041	100%	$ 1,069,009	100%
Segment Adjusted EBITDA						
Domestic	$ 102,241	87%	$ 109,726	85%	$ 131,155	89%
International	14,632	13%	20,033	15%	15,854	11%
Total Adjusted EBITDA	$ 116,873	100%	$ 129,759	100%	$ 147,009	100%

Quarterly Net Sales Information

The following tables set forth certain historical unaudited consolidated quarterly net sales for each of the quarters during the years ended March 31, 2013 and March 31, 2014. This unaudited information has been prepared on a basis consistent with our annual financial statements and includes all adjustments (consisting only of normal recurring adjustments) necessary for the fair presentation of the unaudited quarterly data. This information should be read together with our consolidated financial statements and the related notes, included elsewhere in this prospectus. The results of operations for any quarter are not necessarily indicative of results that we may achieve for any subsequent periods.

(Amounts in thousands)	**Quarters Ended During the Fiscal Year Ended March 31, 2013**	**Quarters Ended During the Fiscal Year Ended March 31, 2014**
Net Sales by Quarter		
Three months ended June 30	$ 298,390	$ 293,102
Three months ended September 30	285,749	333,495
Three months ended December 31	248,425	261,180

Three months ended March 31		184,477		181,232
Total net sales	$	1,017,041	$	1,069,009

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Supplemental U.S. End Market Net Sales Information

The following U.S. end market net sales information is estimated by us based on our own net sales information as well as data that is provided to us by industry sources, including Freedonia and our distribution network. With a diverse base of customers who in some cases may service multiple end markets, the assignment of net sales to a specific end market requires the use of estimates and judgment. Therefore, although we believe the following to be reliable, actual results may differ from those reported.

The following table presents our total net sales in the following U.S. end markets for each of the periods indicated as well as the corresponding compounded annual growth rates, or CAGR, from fiscal year 2010 to fiscal year 2014:

	Fiscal Year Ended March 31,					CAGR from Fiscal Year 2010 to Fiscal Year 2014
(Amounts in millions)	**2010**	**2011**	**2012**	**2013**	**2014**	
U.S. (domestic) end markets:						
Non-Residential Construction	$ 326	$ 361	$ 420	$ 430	$ 480	10.1%
Residential Construction	154	160	172	184	194	6.0%
Agriculture	80	136	211	184	176	21.8%
Infrastructure	78	82	86	79	85	2.2%
Total	638	738	889	878	935	10.0%
% Change from Prior Fiscal Year	n/a	15.7%	20.4%	(1.3)%	6.6%	

The foregoing table presents our total net sales in certain domestic end markets and does not include any net sales information for our International segment.

We estimate that from fiscal year 2010 to fiscal year 2014 the size of the non-residential construction market served by us in the United States declined at an overall CAGR of approximately 6%, the size of the residential construction market served by us in the United States increased at an overall CAGR of approximately 3%, the size of the agriculture market served by us in the United States increased at an overall CAGR of approximately 17% and the size of the infrastructure market served by us in the United States declined at an overall CAGR of approximately 4%.

Liquidity and Capital Resources

Our primary liquidity requirements are working capital, capital expenditures, debt service, and dividend payments for our convertible preferred stock and common stock. We have historically funded, and expect to continue to fund, our operation primarily through equity issuance, internally generated cash flow and debt financings. From time to time we may explore additional financing methods and other means to raise capital. There can be no assurance that any additional financing will be available to us on acceptable terms or at all.

As of March 31, 2014, we had $3.9 million in cash that was held by our foreign subsidiaries. Our intent is to indefinitely reinvest our earnings in foreign subsidiaries. In the event that foreign earnings are repatriated, these amounts will be subject to income tax liabilities in the appropriate tax jurisdiction. No restrictions exist on our liquidity that is impacted by the significance of cash held by foreign subsidiaries.

Working Capital and Cash Flows

During fiscal year 2014, our source of funds was primarily driven by an increase in borrowings on our Revolving Credit Facility. During fiscal year 2014, our use of cash was primarily driven by payment of dividends and continued investment in capital expenditures. During fiscal year 2013, our use of cash was primarily driven by increased capital expenditures. During fiscal year 2012, our use of cash was primarily driven by net acquisition activity.

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As of March 31, 2014, we had $84.3 million in liquidity, including $3.9 million of cash and cash equivalents and $80.4 million in borrowings available under our Revolving Credit Facility, described below. We believe that our cash on hand, together with the availability of borrowings under our Revolving Credit Facility and other financing arrangements and cash generated from operations, will be sufficient to meet our working capital requirements, anticipated capital expenditures, scheduled interest payments on our indebtedness and dividend payment requirement for our convertible preferred stock for at least the next twelve months. We are not dependent on this offering to meet our liquidity needs during that period.

As of March 31, 2014, we had total consolidated indebtedness of approximately $454.0 million. We anticipate that we will repay a portion of our outstanding indebtedness with the proceeds from this offering. See Use of Proceeds.

The following table sets forth the major sources and uses of cash for each of the periods presented:

	Fiscal Year Ended March 31,		
(Amounts in thousands)	**2012**	**2013**	**2014**
Statement of Cash Flows data:			
Net cash provided by operating activities	$ 56,997	$ 68,215	$ 62,122
Net cash (used in) investing activities	(35,833)	(47,199)	(41,767)
Net cash (used in) financing activities	(21,233)	(21,737)	(17,712)

Working Capital

Working capital is an indication of liquidity and potential need for short-term funding. We define working capital as the difference between our current assets and current liabilities.

Working capital increased to $263.9 million as of March 31, 2014, from $220.3 million as of March 31, 2013, primarily due to higher inventories and accounts receivable, while accounts payable and accrued expenses changed only a nominal amount.

Working capital increased to $220.3 million as of March 31, 2013, from $208.3 million as of March 31, 2012, primarily due to higher inventories which offset a decrease in accounts receivable.

Operating Cash Flows

Cash flow from operating activities for fiscal year 2014 was $62.1 million as compared with cash provided by operating activities of $68.2 million for fiscal year 2013. The primary factors impacting operating cash flow during fiscal year 2014 was an increase in accounts receivable as well as an increase in inventories. The increase in accounts receivable was attributable to stronger March 2014 sales as compared to the prior year while the increase in inventories was attributable to adverse weather conditions causing a delay in construction projects and higher raw material costs in March 2014, as compared to March 2013, impacting both raw material and finished goods inventory values.

Cash flow from operating activities in fiscal year 2013 was $68.2 million as compared with cash generated by operating activities of $57.0 million for fiscal year 2012. The primary factors impacting operating cash flow for fiscal year 2012 was improved operating margins and changes in working capital, including an increase in inventories and a decrease in receivables. The increase in inventories was attributable to lower sales in the fourth quarter of fiscal year 2013, as compared to the fourth quarter of fiscal year 2012, than was planned, which also resulted in the corresponding decline in receivables as of March 31, 2013, as compared to March 31, 2012.

Investing Cash Flows

During fiscal year 2014, cash used for investing activities was $41.8 million, primarily due to capital expenditures in support of operations and an investment in an unconsolidated joint venture. During fiscal year 2013, cash used for investing activities was $47.2 million, primarily due to capital expenditures in support of operations.

During fiscal year 2013, cash used in investing activities was $47.2 million, primarily driven by capital expenditures ($40.0 million).

During fiscal year 2012, cash used in investing activities was $35.8 million, primarily driven by capital expenditures ($26.5 million) and net acquisition activity ($8.8 million).

Financing Cash Flows

During fiscal year 2014, cash used by financing activities was $17.7 million, primarily from increased borrowings to pay dividends and redeem convertible preferred stock in connection with the ESOP.

During fiscal year 2013, cash used by financing activities was $21.7 million as compared to cash used by financing activities of $21.2 million for fiscal year 2012. Our net cash flow was directed to pay down term debt, dividends, and redemption of our convertible preferred stock in connection with the ESOP.

During the fiscal year 2012, cash used for financing activities was $21.2 million primarily due to payments of term debt, dividends, and redemption of our convertible preferred stock in connection with the ESOP.

Capital Expenditures

We had capital expenditures of $26.5 million, $40.0 million and $40.3 million in fiscal years 2012, 2013 and 2014, respectively. Our capital expenditures in fiscal year 2014 were used primarily to support the growth of HP N-12 pipe production capacity, expansion of our recycled resin initiatives and other capital projects.

We currently anticipate that we will make capital expenditures of approximately $35.0 million in each of fiscal years 2015 and 2016. We expect our total capital expenditures to be relatively similar to the past several fiscal years. Such capital expenditures are expected to be financed using funds generated by operations. As of March 31, 2014, there were no material contractual obligations or commitments related to these planned capital expenditures.

Financing Transactions

Senior Loan Facilities

On September 24, 2010, we entered into a credit agreement with PNC Bank, National Association, or PNC, as administrative agent, and the other lenders parties thereto. The credit agreement, as amended and restated on June 12, 2013 and subsequently further amended, provides for our Senior Loan Facilities consisting of (i) the Revolving Credit Facility providing for revolving loans and letters of credit of up to a maximum aggregate principal amount of $325.0 million and (ii) the Term Loan Facility providing for the Term Loans in an aggregate original principal amount of $100.0 million. The Senior Loan Facilities also permit us to add additional commitments to the Revolving Credit Facility or the Term Loan Facility not to exceed $50 million in the aggregate. The proceeds of the Revolving Credit Facility are primarily used to provide for our ongoing working capital and capital expenditure needs, to finance acquisitions and distributions, and for our other general corporate purposes. The proceeds of the Term Loan Facility were primarily used for our general corporate purposes. The interest rates on the Senior Loan Facilities are determined by certain base rates or LIBOR rates, plus an applicable margin. The obligations under the Senior Loan Facilities are guaranteed by certain of our subsidiaries and secured by substantially all of our personal property assets. For further information about the Senior Loan Facilities, see Description of Certain Indebtedness Senior Loan Facilities. On December 20, 2013, we amended the Revolving Credit Facility to, among other things, permit the payment of a cash dividend. As of March 31, 2014, the outstanding principal drawn on the Revolving Credit Facility was $248.1 million, with $68.4 million available to be drawn, subject to customary conditions precedent. As of March 31, 2014, the outstanding principal balance of the Term Loan was $97.5 million.

We intend to use the net proceeds from this offering to repay a portion of our outstanding indebtedness under the Revolving Credit Facility.

Mexicana Revolving Credit Facility

On September 24, 2010, our joint venture ADS Mexicana entered into a credit agreement with PNC, as administrative agent, and the other lenders parties thereto. The credit agreement, as amended and restated on June 12, 2013 and subsequently further amended, provides for revolving loans and letters of credit of up to a maximum aggregate principal amount of $12.0 million. The proceeds of the revolving credit facility are primarily used to cover working capital needs. The interest rates of the revolving credit facilities are determined by certain base rates or LIBOR rates, plus an applicable margin. The obligations under the revolving credit facility are guaranteed by us and certain of our subsidiaries and secured by substantially all of our assets. For further information about this credit facility, see Description of Certain Indebtedness Mexicana Revolving Credit Facility. As of March 31, 2014, there was no outstanding principal drawn on the revolving credit facility and the entire $12.0 million was available to be drawn.

Senior Notes

On December 11, 2009, we entered into a private shelf agreement with Prudential Investment Management Inc., or Prudential, which agreement, as amended and restated on September 24, 2010 and subsequently further amended, provides for the issuance by us of senior secured promissory notes to Prudential or its affiliates from time to time in the aggregate principal amount up to $100.0 million. Pursuant to the private shelf agreement, on September 27, 2010, we issued $75.0 million in aggregate principal amount of the 5.60% Senior Series A Notes due September 24, 2018 to repurchase outstanding shares of common stock from certain of our stockholders and to repurchase outstanding shares of convertible preferred stock from the ESOP. On July 24, 2013, we issued $25.0 million in aggregate principal amount of the 4.05% Senior Series B Notes due September 24, 2019 for our general corporate purposes. The Senior Notes are guaranteed by certain of our subsidiaries and secured by substantially all of our assets. For further information about the Senior Notes, see Description of Certain Indebtedness Senior Notes. We have no further amount available for issuance of senior notes under the private shelf agreement. On December 20, 2013, we amended the private shelf agreement to, among other things, make certain amendments in order to permit the payment of a cash dividend.

Covenant Compliance

Our outstanding debt agreements and instruments contain various restrictive covenants including, but not limited to, limitations on additional indebtedness and capital distributions, including dividend payments. The two primary debt covenants include a Leverage Ratio and a Fixed Charge Ratio maintenance covenant. For any relevant period of determination, the Leverage Ratio is calculated by dividing Total Consolidated Indebtedness (funded debt plus guarantees) by Consolidated EBITDA. The current upper limit is 4.0 times. The Fixed Charge Ratio is calculated by dividing the sum of Consolidated EBITDA minus Capital Expenditures minus cash Income Taxes paid, by the sum of Fixed Charges. Fixed Charges include cash Interest expense, scheduled principal payments on Indebtedness, and ESOP Capital Distributions in excess of $10 million in a given fiscal year. The current minimum ratio is 1.25 times. For further information, see Description of Certain Indebtedness. We were in compliance with our debt covenants as of March 31, 2014.

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Contractual Obligation as of March 31, 2014

(Amounts in thousands)	Total	Payments Due by Period Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Contractual obligations:					
Long-term debt (1)	$ 454,048	$ 11,153	$ 45,450	$ 372,445	$ 25,000
Interest payments (2)	71,306	18,047	34,576	17,927	756
Operating leases	63,893	18,367	27,618	9,827	8,081
Contractual purchase obligations (3)	69,871	69,871			
Total	$ 659,118	$ 117,438	$ 107,644	$ 400,199	$ 33,837

(1) The current Revolving Credit Facility and Term Loan mature in June, 2018.
(2) Based on applicable rates and pricing margins as of March 31, 2014, including interest rate swaps.
(3) Purchase obligations include various commitments with vendors to purchase goods and services, primarily inventory, machinery, supplies and other equipment.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements, with the exception of the guarantee of 50% of certain debt of our unconsolidated South American Joint Venture, as further discussed in Note 9 of our Notes to Consolidated Financial Statements. As of March 31, 2014, our South American Joint Venture had approximately $11.1 million of outstanding debt. We do not believe that this guarantee will have a current or future effect on our financial condition, results of operations, liquidity, or capital resources.

Critical Accounting Policies and Estimates

The preparation of our consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include, but are not limited to, our allowance for doubtful accounts, useful lives of our property, plant and equipment and amortizing intangible assets, valuation allowance on deferred tax assets, reserves for uncertain tax positions, evaluation of goodwill, intangible assets and other long-lived assets for impairment, accounting for stock based compensation and our ESOP, reserves for general liability, workers compensation, and medical insurance, cash discounts and customer rebates and valuation of our Redeemable Common Stock and Redeemable Convertible Preferred Stock. Management s estimates and assumptions are evaluated on an ongoing basis and are based on historical experience, current conditions and available information. Management believes the accounting estimates are appropriate and reasonably determined; however, due to the inherent uncertainties in making these estimates, actual results could differ from those estimates.

Consolidation and Investments

Our consolidated financial statements include us, our wholly-owned subsidiaries and VIEs of which we are the primary beneficiary. The non-controlling interests in our subsidiaries that are consolidated but not wholly owned by us are included in the accompanying financial statements. We use the equity method of accounting for equity investments where we exercise significant influence but do not hold a controlling financial interest, including our South American Joint Venture and our BaySaver Joint Venture. Such investments are recorded in Other Assets in the balance sheets and equity earnings are included in Equity Earnings of Unconsolidated Subsidiaries in the statements of income. All intercompany balances and transactions have been eliminated in consolidation.

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Allowance for Doubtful Accounts

We hold receivables from customers in various countries. Credit is extended to customers based on an evaluation of their financial condition and collateral is generally not required. The evaluation of the customer s financial condition is performed to reduce the risk of loss. Accounts receivable are evaluated for collectability based on numerous factors, including the length of time individual receivables are past due, past transaction history with customers, their credit worthiness and the economic environment. An allowance for doubtful accounts is estimated as a percentage of aged receivables. This estimate is periodically adjusted when management becomes aware of a specific customer s inability to meet its financial obligations (e.g., bankruptcy filing) or as a result of changes in historical collection patterns.

Goodwill

We account for costs of acquired assets in excess of fair value, or Goodwill, and other intangible assets not subject to amortization in accordance with FASB Accounting Standards Codification, or ASC, Topic 350, Intangibles Goodwill and Other. Goodwill is reviewed annually for impairment as of March 31 or whenever events or changes in circumstances indicate the carrying value may not be recoverable. The goodwill impairment analysis is comprised of two steps. The first step requires the comparison of the fair value of the applicable reporting unit to its respective carrying value. If the fair value of the reporting unit exceeds the carrying value of the net assets assigned to that unit, goodwill is not considered impaired and we would not be required to perform further testing. If the carrying value of the net assets assigned to the reporting unit exceeds the fair value of the reporting unit, then we must perform the second step of the impairment test in order to determine the implied fair value of the reporting unit s goodwill. If the carrying value of a reporting unit s goodwill exceeds its implied fair value, then we would record an impairment loss equal to the difference. With respect to this testing, our reporting units are generally one level below our operating segments for which discrete financial information is available and reviewed by segment management. However, components of an operating segment can be aggregated as one reporting unit if the components have similar economic characteristics. Our reporting units include Domestic, Mexico, Puerto Rico, Canada, Chile and Europe. Implied fair value of goodwill is determined by considering both the income and market approach. Determining the fair value of a reporting unit is judgmental in nature and involves the use of significant estimates and assumptions. These estimates and assumptions include revenue growth rates and operating margins used to calculate projected future cash flows, risk-adjusted discount rates, future economic and market conditions, and determination of appropriate market comparables. The fair value estimates are based on assumptions management believes to be reasonable, but are inherently uncertain.

We performed our annual impairment test for goodwill as of March 31, 2014 and we determined that the fair value exceeded the carrying value for each of our reporting units by a substantial margin. Accordingly, we did not incur any impairment expense for goodwill in the years ended 2012, 2013 and 2014.

Intangible Assets

Definite-lived intangible assets are tested for recoverability whenever events or changes in circumstances indicate that carrying amounts of the asset group may not be recoverable. Asset groups are established primarily by determining the lowest level of cash flows available. If the estimated undiscounted future cash flows are less than the carrying amounts of such assets, an impairment loss is recognized to the extent the fair value of the asset less any costs of disposition is less than the carrying amount of the asset. Determining the fair value of these assets is judgmental in nature and involves the use of significant estimates and assumptions. Future events and unanticipated changes to assumptions could require a provision for impairment in a future period.

In April 2011, we recharacterized the Hancor trademark previously classified as indefinite lived since 2005 to definite lived based on management s decision to discontinue to the use of the trademark over the next 15 years. When such a change is made, the asset is required to be tested for impairment. We tested the trademark for impairment using the relief from royalty valuation method and recorded an impairment charge of $3,200 in

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General and administrative expenses in the Consolidated Statements of Income, resulting in the carrying value of the trademark being reduced, and thus equal, to the estimated fair value, which will be amortized over a 15-year period.

No additional impairment charges were recorded in fiscal years 2012, 2013 or 2014.

Indefinite-lived intangible assets are tested for impairment annually as of March 31 or whenever events or changes in circumstances indicate the carrying value may be greater than fair value. Determining the fair value of these assets is judgmental in nature and involves the use of significant estimates and assumptions. We base our fair value estimates on assumptions we believe to be reasonable, but that are inherently uncertain. To estimate the fair value of these indefinite-lived intangible assets, we use an income approach, which utilizes a market derived rate of return to discount anticipated performance. An impairment loss is recognized when the estimated fair value of the intangible asset is less than the carrying value.

We did not record any impairment in fiscal years 2012, 2013 or 2014 other than the Hancor trademark impairment described previously. Future events and unanticipated changes to assumptions could require a provision for impairment in a future period.

Revenue Recognition

We recognize revenue and cost of goods sold when persuasive evidence of an agreement exists, delivery has occurred, the price to the buyer is fixed and determinable and collectability is reasonably assured.

We ship products to customers predominantly by internal fleet and to a lesser extent by third-party carriers. Revenues, net of sales tax and allowances for returns, rebates and discounts are recognized from product sales when title to the products is passed to the customer which generally occurs upon delivery.

Employee Benefit Plans

Employee Stock Ownership Plan (ESOP)

Unallocated shares of convertible preferred stock held by our ESOP in the ESOP s loan suspense account are allocated each year to employee-participants ESOP stock accounts upon the ESOP making its annual ESOP loan payment. The annual allocation of convertible preferred stock to the ESOP stock accounts of ESOP participants is accounted for as share based compensation expense as part of our overall employee benefits expense. Such shares of convertible preferred stock are valued based on an annual valuation completed by management with the assistance of an independent third-party appraisal firm. When shares of convertible preferred stock are allocated to the ESOP stock accounts of ESOP participants, we reduce the amount of deferred compensation reflected in Deferred compensation unearned ESOP shares in mezzanine equity. The amount of deferred compensation is reduced by the number of allocated shares of convertible preferred stock, multiplied by the value of the convertible preferred stock when originally issued. The difference between the current share value and the original value is credited to the equity account paid in capital.

Stock-Based Compensation Plans

We have several programs for stock based payments to employees and directors in accordance with FASB ASC Topic 718, Compensation Stock Compensation. Equity-classified awards are measured based on the grant-date estimated fair value of each award, net of estimated forfeitures, and liability-classified awards are re-measured at their fair value, net of estimated forfeitures, at each reporting date for accounting purposes. Compensation expense is recognized over the employee s requisite service period, which is generally the vesting period of the grant. Compensation expense is recorded for new awards and existing awards that are modified, repurchased or forfeited.

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The fair value of restricted stock equals the fair value of the underlying common stock as of the date of the grant, as discussed in Valuation of Redeemable Common Stock and Redeemable Convertible Preferred Stock Valuation of Redeemable Common Stock.

The fair value of each stock option granted is estimated, as of the date of the grant, using the Black-Scholes option pricing model. Determining the fair value of stock options under the Black-Scholes option-pricing model requires judgment, including estimating the fair value per share of our common stock as a private company prior to this offering, volatility, expected term of the awards, dividend yield and the risk-free interest rate. The assumptions used in calculating the fair value of stock options represent our best estimates, based on management s judgment and subjective future expectations. These estimates involve inherent uncertainties. If any of the assumptions used in the model change significantly, stock based compensation recorded for future awards may differ materially from that recorded for awards granted previously.

We developed our assumptions as follows:

Fair value of common stock. As our common stock is not publicly traded, we estimate the fair value of common stock as discussed in Valuation of Redeemable Common Stock and Redeemable Convertible Preferred Stock Valuation of Redeemable Common Stock.

Volatility. The expected price volatility for our common stock is estimated by taking the median historic price volatility for industry peers based on daily prices over a period equivalent to the expected term of the stock option grants.

Expected term. The expected term represents the period of time that options granted are expected to be outstanding based on historical experience.

Risk-free interest rate. The risk-free interest rate is based on the yields of United States Treasury securities with maturities similar to the expected term of the options.

Dividend yield. The dividend yield is based on our anticipated dividend payments over the remaining expected holding period.

We estimate potential forfeitures of grants and adjust stock-based compensation expense accordingly. The estimate of forfeitures is adjusted over the requisite service period to the extent that actual forfeitures differ from the prior estimates. We estimate forfeitures based upon our historical experience, and, at each period, review the estimated forfeiture rate and make changes as factors affecting the forfeiture rate calculations and assumptions change.

Valuation of Redeemable Common Stock and Redeemable Convertible Preferred Stock

Valuation of Redeemable Common Stock

Certain of our outstanding shares of common stock are subject to agreements that permit the holder of those shares to put its shares to us for cash. This Redeemable Common Stock is recorded at its fair value in the mezzanine section of our consolidated balance sheets and changes in fair value are recorded in retained earnings. The fair value of our common stock is based on the most recent contemporaneous third-party valuation report, which historically applied industry-appropriate multiples to EBITDA and performed a discounted cash flow analysis. Under the industry-appropriate multiples approach, to arrive at concluded multiples, we considered differences between the risk and return characteristics of us and the guideline companies. Under the discounted cash flow analysis, the cash flows expected to be generated by us are discounted to their present value equivalent using a rate of return that reflects the relative risk of an investment in us, as well as the time value of money. This return is an overall rate based upon the individual rates of return for invested capital (equity and interest-bearing debt). The return, known as the weighted average cost of capital, or WACC, is calculated by weighting the required returns on interest-bearing debt and common stock in proportion to their estimated percentages in an expected capital structure. The categorization of the framework used to price this temporary equity is considered a Level 3, due to the subjective nature of the unobservable inputs used to determine the fair value.

Valuation of Redeemable Convertible Preferred Stock

The trustee of our ESOP has the ability to put the shares of our Redeemable Convertible Preferred Stock to us. Our Redeemable Convertible Preferred Stock is recorded at its fair value in the mezzanine section of our consolidated balance sheets and changes in fair value are recorded in retained earnings. Accordingly, we estimated the fair value of the Redeemable Convertible Preferred Stock through estimating the fair value of our common stock and applying certain adjustments including for the fair value of the total dividends to be received and assuming conversion of the preferred stock to common stock at the stated conversion ratio per our certificate of incorporation. The categorization of the framework used to price this temporary equity is considered a Level 3, due to the subjective nature of the unobservable inputs used to determine the fair value.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized and represent the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. They are measured using the enacted tax rates expected to apply to taxable income in the years in which the related temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The deferred income tax provision represents the change during the reporting period in the deferred tax assets and deferred tax liabilities. Penalties and interest recorded on income taxes payable are recorded as part of income taxes.

We follow the GAAP guidance for uncertain tax positions within ASC 740, Income Taxes. ASC 740 provides guidance related to the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. The standard prescribes the minimum recognition threshold that a tax position is required to meet before being recognized in the financial statements. ASC 740 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods and disclosure. Initial recognition, derecognition and measurement is based on management s judgment given the facts, circumstances and information available at the reporting date. If these judgments are not accurate then future income tax expense or benefit could be different.

Recent Accounting Pronouncements

Fair value measurement

In May 2011, the FASB issued Accounting Standard Update (ASU) No. 2011-04, Fair Value Measurement (Topic 820), which clarifies the measurement of fair value for certain assets and liabilities and expands the disclosure requirements for Level 3 fair value investments. The amendments in this ASU are intended to improve the comparability of fair value measurements presented and disclosed in financial statements prepared in accordance with GAAP and International Financial Reporting Standards. ASU No. 2011-04 became effective for us in fiscal year 2013. The adoption of the amended guidance did not have a material impact on our consolidated financial statements and related disclosures.

Comprehensive income: Presentation

In June 2011, the FASB issued ASU No. 2011-05, Comprehensive Income (Topic 220), accounting guidance related to the presentation of comprehensive income in ASC 220, Comprehensive Income. The objective of this ASU is to improve the comparability, consistency and transparency of financial reporting and to increase the prominence of items reported in other comprehensive income. Under this guidance, entities are required to report the components of net income and comprehensive income either in one continuous statement or in two separate but consecutive statements. The option to present items of other comprehensive income in the statement of changes in equity was eliminated. The guidance became effective for us in fiscal year 2013. We elected to present items of other comprehensive income in two but consecutive statements.

Comprehensive income: Reclassifications

In February 2013, the FASB issued ASU No. 2013-02, Comprehensive Income (Topic 220), accounting guidance related to the presentation of comprehensive income in ASC 220, Comprehensive Income. This ASU supersedes and replaces the presentation requirements for reclassifications out of accumulated other comprehensive income in ASU 2011-05, which were deferred indefinitely under ASU No. 2011-12, Deferral of the Effective Date for Amendments to the Presentation of Reclassification of Items out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05 which was issued in December 2011. The amendments in ASU 2013-02 would require an entity to provide additional information about reclassifications out of accumulated other comprehensive income by the respective line items of net income. For public entities, the provisions of this ASU became effective for reporting periods beginning after December 15, 2012. The adoption of the amended guidance did not have a material impact on our consolidated financial statements and related disclosures.

Income Taxes

In July 2013, the FASB issued ASU No. 2013-11, Income Taxes (Topic 740), which requires that an unrecognized tax benefit, or a portion of an unrecognized tax benefit, be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carry forward. However, if a net operating loss carry forward, a similar tax loss, or a tax credit carry forward is not available at the reporting date under the tax law of the applicable jurisdiction to settle any additional income taxes that would result from the disallowance of a tax position or the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. The amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The amendments are not expected to have a material impact on our consolidated financial statements and related disclosures.

Discontinued Operations

In April 2014, the FASB issued authoritative guidance amending existing requirements for reporting discontinued operations. Under the new guidance, discontinued operations reporting will be limited to disposal transactions that represent strategic shifts having a major effect on operations and financial results. The amended guidance also enhances disclosures and requires assets and liabilities of a discontinued operation to be classified as such for all periods presented in the financial statements. Public entities will apply the amended guidance prospectively to all disposals occurring within annual periods beginning on or after December 15, 2014, and interim periods within those years. We will adopt this standard effective April 1, 2015. Due to the change in requirements for reporting discontinued operations described above, presentation and disclosures of future disposal transactions after adoption maybe different than under current standards.

Quantitative and Qualitative Disclosure About Market Risk

We are subject to various market risks, primarily related to changes in interest rates, raw material supply prices, and to a lesser extent, foreign currency exchange rates. Our financial position, results of operations or cash flows may be negatively impacted in the event of adverse movements in the respective market rates or prices in each of these risk categories. Our exposure in each category is limited to those risks that arise in the normal course of business, as we do not engage in speculative, non-operating transactions.

Interest Rate Risk

We are subject to interest rate risk associated with our debt. Changes in interest rates impact the fair value of our fixed-rate debt, but there is no impact to earnings and cash flow. Alternatively, changes in interest rates do not affect the fair value of our variable-rate debt, but they do affect future earnings and cash flow. The Revolving Credit Facility, the Term Loan Facility, and our industrial development revenue bond, or IDRB, notes bear variable interest rates. The Revolving Credit Facility and Term Loan Facility bear interest either at LIBOR or the Prime Rate, at our option, plus applicable pricing margins. The IDRB notes bear interest at weekly commercial paper rates, plus applicable pricing margins. A 1% increase in interest rates on our variable rate debt would increase our annual forecasted interest expense by approximately $2.3 million based on our borrowings as of March 31, 2014. Assuming the Revolving Credit Facility is fully drawn, each 1% increase or decrease in the applicable interest rate would change our interest expense by approximately $2.8 million per year. To mitigate the impact of interest rate volatility, we have two interest rate swaps in effect as of March 31, 2014. The first swap is at $70 million notional value, amortizing $2.5 million per quarter at a fixed LIBOR rate of 1.105%, and expires in September, 2014. The other swap is a $50 million notional value, non-amortizing swap at a LIBOR rate of 0.86% which expires in September, 2016. A third $50 million notional value swap will take effect on September 1, 2014 and expires on September 1, 2016. The rate is at a fixed LIBOR of 1.08%.

Credit Risk

Financial instruments that potentially subject us to a concentration of credit risk consist principally of accounts receivable. We provide our products to customers based on an evaluation of the customers financial condition, generally without requiring collateral. Exposure to losses on receivables is principally dependent on each customer s financial condition. We monitor the exposure for credit losses and maintains allowances for anticipated losses. Concentrations of credit risk with respect to our accounts receivable are limited due to the large number of customers comprising our customer base and their dispersion among many different geographies.

Raw Material and Commodity Price Risk

Our primary raw materials used in the production of our products are polyethylene and polypropylene resins. As these resins are hydrocarbon-based materials, changes in the price of feedstocks, such as crude oil and natural gas, as well as changes in the market supply and demand may cause the cost of these resins to fluctuate significantly. Raw materials account for the majority of our cost of goods sold. 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, passing the increase on to our customers, contributes to the management of our overall supply price risk and the potential impact on our results of operations.

We manage supply risk with financial and physical hedge contracts for the HDPE and PP resins used in the manufacture of our Pipe and Allied Products, as well as for the diesel fuel used by our in-house fleet of delivery trucks. Our physical hedge contracts for HDPE resins are typically at a fixed price and volume over time. We use to a limited extent financial derivatives for PP resin in the form of fixed price swaps based on propylene monomer. For diesel fuel, we have utilized option contracts in the form of collars with put and call options.

We have supply contracts that typically include supply periods of greater than one year. Except for physical-hedged resin contracts, we generally do not enter into long-term purchase orders for the delivery of raw materials. Our orders with suppliers are flexible and do not normally contain minimum purchase volumes or fixed prices. Accordingly, our suppliers may change their selling prices or other relevant terms on a monthly basis, exposing us to pricing risk. Our use of pricing and forecasting tools, centralized procurement, additional sources of supply and incorporation of vertical integration for recycled material have increased our focus on efficiency and resulted in lower overall supply costs. If the price of HDPE and PP virgin resin increased or decreased by 5%, it would result in a material change to our cost of goods sold.

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Inflation

Our cost of goods sold is subject to inflationary pressures and price fluctuations of the raw materials we use, primarily high density polyethylene and polypropylene resins. Historically, we have generally been able over time to recover the effects of inflation and price fluctuations through sales price increases and production efficiencies related to technological enhancements and improvements. However, we cannot reasonably estimate our ability to successfully recover any price increases.

Financial Instruments

We have operations in countries outside of the United States, all of which use the respective local foreign currency as their functional currency. Each of these operations may enter into contractual arrangements with customers or vendors that are denominated in currencies other than its respective functional currency. Consequently, our results of operations may be affected by exposure to changes in foreign currency exchange rates and economic conditions in the regions in which we sell or distribute our products. Exposure to variability in foreign currency exchange rates from these transactions is managed, to the extent possible, by natural hedges which result from purchases and sales occurring in the same foreign currency within a similar period of time, thereby offsetting each other to varying degrees.

In addition, to the transaction-related gains and losses that are reflected within the results of operations, we are subject to foreign currency translation risk, as the financial statements for our foreign subsidiaries are measured and recorded in the respective subsidiary s functional currency and translated into U.S. dollars for consolidated financial reporting purposes. The resulting translation adjustments are recorded net of tax impact in the Consolidated Statement of Income.

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INDUSTRY

We compete in the multi-billion dollar global pipe and related water management solutions market. Our end markets include non-residential construction, residential construction, agriculture and infrastructure, focused primarily in the United States and Canada. We also compete in Mexico, Central America and South America through our joint ventures. We believe the markets we serve in the United States represent approximately $10.1 billion of annual revenue opportunity. In addition, we believe the increasing acceptance of thermoplastic pipe products in international markets represents an attractive growth opportunity.

We estimate that HDPE pipe and PP pipe represent approximately 25% of all domestic storm pipe sales, up from what we believe was less than 10% ten years ago, and less than 1% twenty years ago. Market penetration is expected to continue to grow significantly as the regulatory environment continues to change and as contractors, civil design engineers and municipal agencies fully recognize the superior physical attributes and compelling value proposition of HDPE and PP pipe. In part due to the efforts and success of our corporate and field civil engineers, an average of approximately 60 state, county and municipal approvals have been added or enhanced each year over the past five years, including 32 states over the past eight years.

Core Product Categories

Pipe Market

Demand for our products is largely driven by non-residential and residential construction, transportation and related water drainage infrastructure spending and the repair and replacement of aging stormwater management infrastructure. Freedonia estimates that demand for large diameter pipe (defined as 15 diameter or larger depending on industry standards by material type) in the United States will increase at an average of 6.2% per year from approximately 146 million feet in 2011, to 197 million feet in 2016, driven by the recovery of general economic and construction activity, as well as the need to repair and upgrade aging and obsolete sewer, drain and water distribution networks. We compete in the storm sewer, drainage, sanitary sewer and irrigation markets, which collectively represent approximately 70% of the overall large diameter pipe market in the United States.

Source: Freedonia

According to Freedonia, demand for HDPE pipe is projected to grow at 7.0% annually through 2016, to 62.8 million feet due to the material s competitive cost, light weight, resistance to corrosion, longer life and lower installed costs versus traditional materials such as concrete, steel and ductile iron. According to Freedonia, HDPE, the primary material in our products, is projected to become a larger portion of the overall large diameter pipe market as states and municipalities are expected to continue to adopt this product as a result of its superior attributes and approve its use in a broader range of applications.

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Since the introduction of PP pipe for use in the storm sewer market did not occur until 2012, the Freedonia growth projections referenced above do not take into account the potential impact that PP pipe may have in the larger diameter pipe market. Pipe manufactured from PP material has demonstrated improved stiffness and strength that allows for storm and sanitary sewer applications, which we believe will result in increased market share over concrete and PVC products. We further believe that our product line made from PP, in combination with our HDPE product line, provides us with a unique opportunity to grow market share in the large diameter pipe market.

According to Freedonia, sanitary and storm sewers, which represent approximately 50% of the total large diameter pipe market demand, are expected to continue to drive growth for the large diameter pipe market through 2016. Freedonia estimates that a large part of the growth will come from population increases in the South and West regions of the United States. EPA requirements and regulations are expected to continue to drive growth in the sanitary and storm sewer markets. Additionally, Freedonia estimates that the largest expected growth in the forecast period will come from the drainage market, as non-residential and residential construction continues to rebound.

Source: Freedonia

In the United States, our market diversification positions us to take advantage of cyclical recovery in the non-residential and residential construction end markets, increased spending from the expected replacement of aging water drainage and sewer infrastructure, stricter EPA regulations for stormwater and wastewater management, and the need for increased crop production. According to the U.S. Department of Agriculture, demand for U.S. crops is expected to remain steady with a growing worldwide population and increased demand from developing nations. Steady global economic growth supports gains in worldwide food demand. Economic growth in developing countries is especially important because food consumption and feed use are responsive to income growth in these countries, with movement away from traditional staple foods to an increased diversification of diets.

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Positive end market trends in the non-residential construction, residential construction, agricultural and infrastructure markets are also expected to drive increased demand for pipe products in Canada. A growing population, increased economic development, and rising export demand for food are leading to further growth in the Canadian pipe market. In Mexico, Central America and South America, additional investments in modern storm and sanitary sewer systems are needed to support the economic growth and development occurring in those nations.

The construction sector is responsible for a majority of the pipe use and demand in Canada. According to Freedonia, HDPE pipe is expected to grow 6.5% annually through 2017 to 81,000 metric tons, the fastest growth of any plastic resin. Both non-residential and residential end markets will provide good opportunity for growth. Growth in fixed investment spending is expected to result in a higher number of sewer and drainage infrastructure projects. Housing starts in Canada are forecasted to grow from 185,000 in 2012 to 215,000 by 2017, according to Freedonia. A large industry around forestry, minerals, petroleum and natural gas also provides opportunity for pipe applications.

The GDP in Mexico is forecasted to expand at 3.7% annually through 2017. Construction demand accounted for 60% of the total pipe demand in Mexico in 2012. Freedonia forecasts HDPE pipe demand to grow 8% annually through 2017 to 50,000 metric tons, the fastest rate of any plastic resin. Construction growth in Mexico is driven by demand for housing, non-residential property development and additional investment in public infrastructure.

In South America, HDPE pipe demand is forecasted by Freedonia to increase 8.5% annually to 173,000 metric tons by 2017. Investment in sewer and drainage networks is associated with growth in the construction sector. The largest pipe markets in this geography are Brazil and Argentina.

Brazil is the largest country in South America in terms of population, area and economic output. Construction accounted for 75% of the total pipe demand in 2012 and is forecasted to stay near those levels through 2017. Freedonia forecasts HDPE pipe to grow 5.8% annually to 53,000 metric tons by 2017. HDPE is taking market share from PVC in drainage and sewer applications. Brazil has large infrastructure investment occurring related to the country hosting the 2014 FIFA World Cup and the 2016 Summer Olympics.

Argentina is the second largest pipe market in South America and Freedonia forecasts HDPE pipe demand to increase 8.4% annually to 24,000 metric tons by 2017. Primary end markets are construction, natural resources and agriculture. HDPE is expected to see wider use in drainage and sewer use due to its performance advantages compared to other competitive materials.

According to Freedonia, HDPE pipe is also expected to see solid growth in construction applications in other South American countries such as Colombia, Chile, Ecuador and Peru.

Related Water Management Solutions Market

Stormwater Retention/Detention

Current EPA regulations require any development of one acre or larger to retain stormwater on site and gradually release it over time. This is typically accomplished by holding the stormwater in a pond or in an underground system that allows the water to leach gradually into surrounding soil or be discharged at a regulated rate. Underground systems are an economical alternative to retention ponds as they maximize the use of the available land. Ponds also require more maintenance, use valuable land, and present inherent design, aesthetic and safety issues.

Growth in the stormwater retention/detention market is primarily driven by the continued recovery in the construction markets as well as current EPA regulations regulating the discharge of pollutants. According to the Freedonia Special

Report, growth of retention/detention solutions is forecasted to grow 7.5% annually from 2013 to 2016. Over this period, structural solutions such as pipe and plastic chambers are forecasted to grow 8.5%, while natural solutions such as ponds are forecasted to grow at a slower rate of 5.4%. Freedonia forecasts annual growth of 9.0% and 11.5% for plastic pipe and plastic chambers, respectively, from 2013 to 2016 as compared to other alternatives. This growth is due in part to plastic systems offering advantages from ease of installation, lower freight costs, space efficiencies and better corrosion resistance.

Our key product offerings in this market include our N-12 pipe, HP pipe and StormTech chambers. StormTech chambers are durable, chemically-resistant underground chambers that function as stormwater detention or retention systems. The chambers allow for the storage of large stormwater volumes at minimal depths and are primarily used in non-residential applications.

On-Site Septic

According to the EPA, an estimated 20% of total U.S. housing units depend upon on-site septic systems for the treatment and disposal of household sewage. Many of these systems consist of a septic tank and a soil absorption area where effluent is leached into the soil. A common component of all soil absorption lines and/or fields is a type of conduit that distributes the effluent throughout the soil, and the soil has the function of absorbing and treating effluent. The market is driven by new residential construction and, to a lesser extent, the repair and replacement of existing systems.

Structures

Drainage structures, such as manholes, catch basins and inlet structures, are used in all major storm projects in the non-residential, residential and infrastructure markets. Drainage structures move surface collected stormwater vertically down to the pipe conveyance systems. The predominant material used for structures today is concrete. The precast market is highly fragmented with a heavy concentration of local and regional competitors, due to the high freight costs incurred for transportation of the product.

Growth will be driven by the cyclical recovery in the construction markets. We compete in the structures market with our Nyloplast product line. Nyloplast products are an engineered drainage structure with a PVC body combined with ductile iron grates to create effective surface drainage solutions. Nyloplast structures are customized to site specific requirements and delivered ready to install. Limited field fabrication or other job site work such as concrete grouting or brick and mortar is required, which reduces construction cost and increases speed of installation compared to traditional precast concrete structures.

Water Quality

Due to the fact that stormwater runoff collects trash, oil, sediment and other pollutants, EPA regulations require development of one acre or larger to limit the level of sediment or other pollutants in discharged water. Water quality requirements are satisfied through the use of natural water quality systems, such as ponds and wetlands, or structural water quality systems, such as filters and separators. Each state in the United States has a preferred method of water treatment based primarily on environmental factors.

Similar to the retention/detention market, future growth and demand for water quality solutions is supported by increased construction activity, EPA regulations and increasing awareness of ecological issues of water quality. According to the Freedonia Special Report, water quality solutions are forecasted to grow 10.1% annually from 2013 to 2016. Both structural and natural solutions are anticipated to have similar growth rates. Within structural solutions, both separators and filters are forecasted to grow at an annual rate of 10.1%. Structural solutions are ideal for urbanized areas or where land is expensive or not available for natural solutions.

We compete in this market with our Water Quality Units and our BaySaver and FleXstorm products. We offer a water quality solution that fits a specific state s requirements and assists owners, developers and design engineers in remaining compliant with the EPA regulations.

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Geosynthetics

The geosynthetics market consists of geotextile, geomembrane, georid and geonet products. Geosynthetics are used in a wide range of environmental and civil engineering applications to promote drainage, retain soils, control the flow of liquids and construct natural soil structures. Demand in this market is primarily driven by trends in nonbuilding and transportation construction activity. In 2012, approximately 60% of the geosynthetics area demand was in the infrastructure and construction markets. According to a study by Freedonia on world Geosynthetics demand (December 2013), U.S. geosynthetics demand is forecasted to grow 6.5% annually to 1.1 billion square meters by 2017, from 765 million square meters in 2012. We offer geotextile products by resale agreements with leading suppliers. We are able to combine our broad product offering with our sales and distribution network to bundle and deliver geotextile products in an efficient and cost effective way for our customers.

Core End Markets

Our end markets include the non-residential construction, residential construction, agricultural and infrastructure markets.

Total Non-Residential and Residential Construction (72% of Domestic Net Sales in Fiscal Year 2014)

For fiscal year 2014, our total net sales in the U.S. non-residential and residential construction markets were $674.5 million, which represented 72% of our domestic net sales. Our products are used in a diverse range of construction projects, including the construction of streets and highways, storm and sanitary sewer systems for non-residential, residential and industrial projects, golf courses, athletic fields and other construction projects where water management solutions are needed.

Combined non-residential and residential spending reached bottom in 2009 and began to slowly recover. Driven by a recovery in the residential construction market, the combination of these two end markets is forecasted to have a CAGR of 18% from 2012 to 2016, according to McGraw Hill.

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

For fiscal year 2014, our net sales in the U.S. non-residential construction market were $480.1 million, which represented 51% of our domestic net sales. The main drivers of our products in the non-residential construction markets include the construction of commercial buildings and office parks, shopping centers and other large retail sites, healthcare facilities and hospitals, schools and education facilities and other institutional buildings. The Federal Clean Water Act and other EPA regulations impact the stormwater management and sewer construction markets of the non-residential sector.

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Reed Construction Data is forecasting U.S. non-residential construction, consisting of commercial, institutional, manufacturing and warehouse construction, to grow 6.6% annually from 2013 to 2016 and increase 8.2% in 2014 over 2013.

U.S. Non-Residential Building Construction Starts

Source: Reed Construction Data

Additionally, the American Institute of Architects survey tracking billing activity for the industrial, residential, non-residential and institutional sectors indicates that the building construction markets continue to recover.

Architectural Billings Index Market Activity

Source: American Institute of Architects

Note: An ABI reading above 50 indicates an increase in month-to-month seasonally adjusted billings and a reading below 50 indicates a decrease in month-to-month seasonally adjusted billings.

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

For fiscal year 2014, our net sales in the U.S. residential construction market were $194.4 million, which represented 21% of our domestic net sales. The main drivers of our products in the residential construction market include large community developments, single-family home construction, multi-family construction and home improvement spending through our various retail channels.

U.S. residential new construction has begun to recover since reaching historic lows during the recent economic downturn. According to the U.S. Census Bureau, new housing starts peaked in 2005 at approximately 2.1 million units, and subsequently declined to approximately 554,000 units in 2009. Housing starts began to recover in 2010, and strengthened to 925,000 in 2013, according to U.S. Census Bureau data. While new housing starts demonstrated an annual growth rate of 16% from 2010 to 2013, current levels remain substantially below the long-term average of 1.5 million starts since the U.S. Census Bureau began reporting the data in 1959. According to McGraw Hill, residential new housing is expected to increase to 1.11 million starts, or 14%, in 2014, and increase to 1.33 million starts, or 20%, in 2015.

As the housing market declined, homebuilders were left with excess inventory of improved lots with existing water drainage infrastructure already in place. From 2010 to 2012, as the housing market began to recover, new home sales and related construction activity occurred on those previously developed lots. As a result, we did not see an increase in sales in the residential real estate market during the early period of the housing recovery, since new home construction was occurring on parcels already developed. As this inventory of previously developed existing lots has been depleted, home builders are now looking for land acquisition and development of new housing construction, a trend which we believe will have a greater positive impact on our sales in this end market moving forward, as compared to sales that occurred during the beginning of the recovery of the housing market.

According to the American Housing Survey by the U.S. Census Bureau and the U.S. Department of Housing and Urban Development, more than 61% of the current U.S. housing stock was built before 1980 and the median estimated home age has increased from 23 years in 1985 to 37 years in 2011. We expect the home improvement market to continue to become a larger growth driver as housing markets continue to show growth and home equity values continue to increase. As of September 2013, the Home Improvement Research Institute projects that U.S. sales of repair, renovation and improvement products will grow at a rate of 5.4% in 2013, 6.8% in 2014 and 7.0% in 2015, driven by the improving economy, rising home prices and greater consumer confidence.

Total U.S. Housing Starts

Source: McGraw Hill

Residential Repair, Renovation and Remodeling

Source: HIRI / IHS Global Insight

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

For fiscal year 2014, our net sales in the U.S. agriculture market were $176.4 million, which represented 19% of our domestic net sales. Draining cropland improves root development, resulting in stronger crops, as well as allowing for earlier planting in the spring, thereby extending the growing season. Draining cropland also reduces soil erosion by moving water underground rather than allowing it to flow over the soil surface. We have maintained a strong presence in the agriculture market for decades, as local and corporate farmers continue to appreciate the value proposition and increased crop yield associated with the use of our pipe products. The Renewable Fuel Standard mandated by the EPA, as part of the Energy Independence and Security Act of 2007, establishes levels of renewable fuels that apply to gasoline or diesel produced or imported for use. The standard currently mandates approximately 15 billion gallons of ethanol used for gasoline or diesel use. The U.S. Department of Agriculture estimates that approximately 40% of corn production in the United States is consumed by ethanol production. With ethanol requirements not expected to decline, this combined with the needs of corn for human and livestock consumption, is anticipated to keep demand at strong levels for the foreseeable future.

According to a 1998 study published by The Ohio State University (in cooperation with several U.S. Department of Agriculture agencies and other Midwest land grant universities), improved harvesting technology, including the use of drainage pipe, can improve crop yields and therefore drive growth in the agriculture market. As compared to the previous five-year period from 2004 to 2008, U.S. agricultural exports increased by nearly $230 billion between 2009 and 2013. The past five years represent the strongest five-year period for agricultural exports in the history of the United States.

U.S. and global demand for corn and soybeans, net farm income and corn use for ethanol are significant drivers of our agriculture business and are leading indicators in regards to our product demand. According to the U.S. Department of Agriculture, agricultural exports were a record $140.9 billion in 2013 and are forecasted to increase 1% in 2014. The average yield of corn for grain production in the United States is estimated at 158.8 bushels per acre, up 35.4 bushels from the 2012 average yield of 123.4. Area harvested for grain is estimated at 87.7 million acres, up slightly from 2012. The average yield per acre of soybean production is estimated at 43.3 bushels, 3.5 bushels above last year s yield. Harvested area is down slightly from 2012 to 75.9 million acres. Increases in production levels generate market demand for our products.

A rise in net farm income is a driving factor in growth in the drainage products industry. According to the U.S. Department of Agriculture, net farm income increased to $130.5 billion in 2013, up from $85.0 billion in 2008. The U.S. Department of Agriculture estimates that 40% of corn production in the United States is consumed by ethanol production, with requirements not expected to decline in the near future.

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The average value of cropland in the United States has risen from $1,750 per acre in 2004 to $4,000 in 2013, which in combination with the rise in net farm income leads to greater net worth for farmers. This makes drainage an attractive investment leading to higher land values for improved land, increased yields and lower cost for the farmer.

Average Cropland Value   United States

Source: U.S. Department of Agriculture

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

For fiscal year 2014, our net sales in the U.S. infrastructure market were $84.6 million, which represented 9% of our domestic net sales. The main drivers of our products in the infrastructure market include the construction of streets and highways, storm and sanitary sewers, airports and railroads. The infrastructure market includes publicly-funded projects which often require local, state or federal government approvals. Many sanitary sewer construction and repair projects are funded through the implementation of increased water and drainage rates, levies and taxes.

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The aging infrastructure in the United States is expected to require repair or replacement in the coming years. The U.S. road network and sewer systems consist of approximately four million and 800,000 miles, respectively, of public road and highways and sewer mains that were primarily constructed over 50 years ago. The American Society of Civil Engineers, or ASCE, rated the overall U.S. infrastructure a grade of D+ in its recent 2013 report card, and estimates that $298 billion is needed over the next 20 years to replace and upgrade the existing wastewater infrastructure in the United States. ASCE s primary concern is the need to address sanitary and combined sewer overflows. Citing the 2008 Clean Watersheds Needs Survey, the ASCE report states $64 billion is needed to address combined sewer overflows and stormwater management over the 20-year period (CSOs). At times of significant rainfall, the capacity of the CSO is exceeded, leading to a combination of storm and sanitary wastewater being discharged into streams and rivers. The ASCE report states that 32% of major roads are in poor or mediocre condition. The report also states that 42% of the urban highways remain congested, costing $101 billion in wasted time and fuel. There are four million miles of public roads and highways in the United States, primarily constructed over 50 years ago. The Federal Highway Administration estimates that $170 billion is needed annually to improve the condition of the nation s roads and highways, a significant increase from the $101 billion that is needed to just maintain their current condition.

Street and Highway Spending **Sewer Spending**

Source: McGraw Hill

The recently enacted highway bill, Moving Ahead for Progress in the 21st Century (MAP-21), was signed into law in July 2012 and provides funding for federal transportation programs through the U.S. federal government s fiscal year ending September 30, 2014 with annual funding levels approximating the levels in the U.S. federal government s fiscal year ended September 30, 2012. Typically, federal funding for road construction represents 25-35% of a state s transportation budget, but analysts believe that the federal program heavily impacts each State s overall ability to plan and fund the majority of larger state/local road construction projects, which generally range in duration from one to five years. Most notable within MAP-21 is the Transportation Infrastructure Finance and Innovation Act (TIFIA) program s expansion and simplification, which could potentially increase the overall reach of the federal construction budget by about 50%. The majority of Map-21 s direct budget authority is through regular highway grants, which provides states with funding of $37.5 billion in the U.S. federal government s fiscal year ended September 30, 2013 and $37.8 billion in the U.S. federal government s fiscal year ending September 30, 2014, essentially flat versus the U.S. federal government s fiscal year ended September 30, 2012.

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BUSINESS

Company Overview

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

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

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

We have an extensive domestic network of 48 manufacturing plants and 19 distribution centers allowing us to effectively serve all major markets in the United States, which we define as the largest 100 metropolitan statistical areas based on population. The effective shipping radius for our pipe products is approximately 200 miles, thus competition in our industry tends to be on a regional and local basis with minimal competition from distant markets and imports. We are the only supplier of high performance thermoplastic corrugated pipe in our industry with a national footprint, thereby allowing us to efficiently service those customers that value having one source of supply throughout their entire distribution network. We believe our extensive national footprint creates a cost and service advantage versus our HDPE pipe producing competitors, the largest of which has only 10 domestic HDPE pipe manufacturing plants and, according to the December 23/30, 2013 ranking by Plastics News of Pipe, Profile & Tubing Extruders, recently had sales of $110 million, or approximately ten times less than our net sales in fiscal year 2014. Internationally, we have two manufacturing plants and three distribution centers in Canada, four manufacturing plants in Mexico, four manufacturing plants and five distribution centers in South America and one distribution center in Europe.

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

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

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

Segment Information

For a discussion of segment information, see Note 20, Business Segments Information to our audited consolidated financial statements included elsewhere in this prospectus.

Our Strengths

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

Market leader with unmatched scale

We are the leading manufacturer of high performance thermoplastic corrugated pipe and a leading manufacturer of related water management products. Our significant scale and market share position enable us to manufacture and distribute a broad range of high quality, attractively priced products. Our industry-leading manufacturing, engineering excellence, product innovation and world-class reputation are significant competitive advantages. We believe we have the largest sales force in the industry, with approximately 230 dedicated direct sales professionals that call on engineers, contractors and developers, allowing us to achieve direct access to numerous selling opportunities and end users. We believe our extensive national footprint of 48 manufacturing plants and 19 distribution centers creates a cost and service advantage versus our HDPE pipe producing competitors, the largest of which has only 10 domestic HDPE pipe manufacturing plants. We maintain an in-house fleet of approximately 625 tractor-trailers and approximately 1,100 trailers that are specially designed to haul our lightweight pipe and fittings products. Our effective shipping radius is approximately 200 miles from one of our manufacturing plants or distribution centers. Our world-class manufacturing expertise and extensive national distribution and fleet network allow us to service customers across the United States on a cost-effective and timely basis. Our long-standing customer relationships also provide us with visibility to attractive market opportunities.

Well positioned to drive continued material conversion

Our products are generally lighter, more durable, more cost effective and easier to install than comparable alternatives made with traditional materials. For example, concrete pipe generally weighs more than 20 times as much per foot as our thermoplastic pipe, resulting in the significant handling advantages that our product line enjoys during installation by contractors. These advantages typically provide our thermoplastic pipe with an installed cost advantage of approximately 20% over concrete pipe. High performance thermoplastic corrugated pipe represented approximately 25% of the total storm sewer market in 2012, up from what we believe was less than 10% ten years ago and less than 1% twenty years ago. We believe the penetration rate will continue to increase over time, as contractors, engineers and municipal agencies increasingly acknowledge the superior attributes and compelling value proposition of our thermoplastic products. We believe the recent introduction of our PP pipe products will also help accelerate this conversion given the additional applications for which our PP pipe products can be used. We continue to drive this material conversion through extensive sales force training and education of our customers. Our direct sales team is supported by approximately 50 field-based engineers who work closely with government agencies to obtain regulatory approval for our products, as well as with civil engineering firms influencing the specification of our products on construction projects. We have been at the forefront of educating an industry undergoing significant change in the regulatory environment, while pushing for expanded approvals of our products in new markets and geographies. Since 2006, 32 states have enhanced their approval of our pipe products, and an average of approximately 60 state, county and municipal approvals have been added or enhanced each year over the past five years.

Broad portfolio of Allied Products

Our Allied Products include storm and septic chambers, PVC drainage structures, fittings and filters and water separators. These products complement our pipe product lines and allow us to offer a comprehensive water management solution to our customers and drive organic growth.

We have a long history of leveraging our broad distribution platform to develop or acquire, and market, complementary Allied Products that provide new technologies and product capabilities, such as Nyloplast, StormTech, FleXstorm and Inserta Tee. Given our strong brand recognition, network of customer and distributor relationships and large team of trained salespeople, we believe we are the acquirer of choice for many providers of ancillary products who wish to partner with an industry leader. Our broad product line and reputation for quality provide our sales force with a competitive advantage in sourcing new opportunities and cross-selling products. Our broadly diversified product offering presents our customers with the ability to purchase a comprehensive water management solution from a single vendor. The breadth of our product offering allows distributors to minimize their number of transactions and keep order minimums low. Our ability to offer a diverse product suite is a key selling strategy and a driver of our growth and profitability.

Industry-leading manufacturing and technical expertise

We believe we have developed a reputation in the industry for products that deliver technically-superior performance with lower installation and maintenance costs versus competing products. Our products are: (i) lightweight and flexible allowing for easy and low-cost installation and thereby significantly reducing the need for heavy equipment; (ii) strong the corrugated profile design of our thermoplastic pipe products provides strength comparable to much heavier materials; (iii) resistant to corrosion polyethylene and polypropylene are chemically inert materials; and (iv) resistant to abrasion polyethylene and polypropylene have an excellent service life expectancy. We believe these characteristics provide our products with a competitive advantage over traditional products.

Our manufacturing process utilizes proprietary production equipment, designed by us in partnership with our equipment suppliers, that we believe is faster and more efficient than the equipment available to other companies. Our significant investment in custom-designed mold and die tooling ($173 million investment over the last nine years) allows us to manufacture a variety of corrugated pipe sizes and provides us with the flexibility to meet demand fluctuations in local regions. In addition, we rotate these setups across our network of manufacturing plants as needed to meet demand, which provides us with a unique competitive advantage. We believe that the footprint of our manufacturing plants, combined with our manufacturing technology and a low-cost production profile, provide a significant competitive advantage. The broad range of pipe sizes and custom products that we produce and maintain in finished goods inventory at numerous manufacturing plants and distribution centers provides our customers with a rapid delivery cycle, which is important to project contractors. We employ proprietary resin blending technology to minimize raw material cost and optimize production efficiency, while maintaining a consistent level of product performance. Utilizing this technology has allowed us to increase our ratio of recycled resin as a percent of total resin from approximately 24% in fiscal year 2005 to approximately 58% in fiscal year 2014, resulting in significant cost savings and reduced exposure to fluctuations in raw material costs.

Long-term customer relationships

We believe we have the largest and most experienced sales force in the industry, which allows us to maintain strong, long-standing relationships with key distributors, contractors and engineers. We also have sales agreements with many of the premier national distributor groups.

The combination of our technical expertise, product selection and customer delivery capabilities allows us to meet our customers critical installation schedules and positions us as a strategic partner. We strive to educate the regulatory and design community while offering the distributor and contractor network a comprehensive product suite. Our products are manufactured, assembled, delivered and serviced from a network of plants and yards that are strategically positioned in close proximity to most major domestic geographic markets.

We strive to be meaningfully involved in all phases of the project cycle, including design, bidding, award and installation. Many of our 230 sales professionals have technical or engineering backgrounds, which helps them educate design specialists on the benefits of our products. Our direct sales force is supported by approximately 50 field-based engineers who work closely with government agencies to obtain regulatory approval for our products and also help educate design engineers to encourage the specification and inclusion of our products into new projects. We consistently maintain thousands of touch-points with customers and regulatory authorities, continuously educating them on new product innovations, regulatory changes and the benefits of our products over traditional products. Our national scale combined with our local presence, dedication to service and broad product offering has enabled us to maintain our long-standing customer relationships.

Highly diversified across end markets, channels and geographies

We are strategically diversified across a broad range of end markets, distribution channels and geographies. We believe the markets we serve in the United States represent approximately $10.1 billion of annual revenue opportunity. Our products are used globally in a diverse range of end markets across non-residential construction, residential construction, agriculture and infrastructure. These end markets include storm sewer systems, agriculture, retail, stormwater retention/detention, on-site septic systems and structures. We maintain and service these end markets through strong product distribution relationships with many of the largest national and independent waterworks distributors, including Ferguson, HD Supply and WinWholesale, who sell primarily to the storm sewer and sanitary sewer markets. We also maintain relationships with a network of hundreds of small to medium-sized distributors across the United States. We also have strong relationships with major national retailers that carry drainage products, including The Home Depot, Lowe s, Ace Hardware, Menards and Do it Best. We also sell through a broad variety of buying groups and co-ops in the United States. These groups are made up of related distribution members that leverage their collective buying power under a unified association. In addition to our large sales force and manufacturing footprint, our preferred vendor status with these groups allows us to reach thousands of locations in an effective manner. Organized buying groups include, but are not limited to, building products, waterworks, plumbing, landscaping, irrigation and hardware.

We serve our customers in all 50 U.S. states as well as approximately 90 other countries. Our domestic sales, which represented approximately 88% of our net sales in fiscal year 2014, are diversified across all regions of the United States. Approximately 12% of our net sales in fiscal year 2014 were generated outside of the United States. Our international growth strategy is focused on expanding our Canadian business and our joint ventures with best-in-class local partners in Mexico, Central America and South America. This joint venture strategy has provided us with local and regional access to markets such as Brazil, Chile, Argentina, Peru and Colombia.

Experienced management team with successful operating record and significant equity ownership

Our management team, led by our Chief Executive Officer, Joe Chlapaty, has an average of over 23 years of industry experience. We have a long history of generating profitable growth, attractive margins and cash flow. During periods of weaker economic conditions, we believe we have benefitted from an increased market focus on our products as a cost effective alternative to traditional materials. In stronger economic cycles, we have delivered profitable growth and an ability to leverage our scale and excess production capacity to meet rapid increases in demand. We believe we have managed our cost profile and profitability throughout economic cycles by driving continuous improvement initiatives in our manufacturing, distribution and service operations. Raw material costs are a significant portion of the cost of our pipe products, but we have been successful over time at passing through raw material cost increases to maintain our margins.

Our management and directors own approximately 20% of our capital stock on a fully-converted basis while our employees own an additional approximately 28% on a fully-converted basis through our employee stock ownership plan, or ESOP. After the completion of this offering, our management and directors will own approximately % of our common stock on a fully-converted basis. In addition, after the completion of this offering, the convertible preferred stock held by our ESOP will account for approximately % of our common stock on a fully-converted basis. This high level of management and employee ownership ensures that incentives are closely aligned with equity holders.

Our Business Strategy

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

Continue to drive conversion to our products

Our products are generally lighter, more durable, more cost effective and easier to install than comparable alternatives made with traditional materials such as concrete, steel and PVC. For example, concrete pipe generally weighs more than 20 times as much per foot as our thermoplastic pipe, resulting in the significant handling advantages that our product line enjoys during installation by contractors. These advantages typically provide our thermoplastic pipe with an installed cost advantage of approximately 20% over concrete pipe. We

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intend to continue to drive conversion to our products from traditional products as contractors, engineers and municipal agencies increasingly acknowledge the superior attributes and compelling value proposition of our thermoplastic products. Expanded regulatory approvals allow for their use in new markets and geographies, and we continue to invest heavily in industry education. We believe we are the industry leader in these efforts, particularly in promoting N-12 and SaniTite HP for storm and sanitary sewer systems, as regulatory approvals are essential to the specification and acceptance of these product lines.

The market conversion opportunities in Canada are similar to those in the United States except that the storm sewer market for HDPE and PP corrugated pipe is less developed. Recent approvals are accelerating the replacement of traditional materials. In Mexico, Central America and South America, sales opportunities to replace PVC pipe and concrete pipe in storm sewer, sanitary sewer, highway and electrical conduit markets continue to gain momentum as our sales force focuses on future market development.

Expand our product offering and markets served

We are able to successfully capitalize on our product development capabilities through our market presence, sales and distribution channels and customer relationships. Our ability to further develop our offering of Allied Products represents an attractive opportunity to capture additional growth and improve our overall margins. We have a dedicated team focused solely on selling Allied Products to our various end markets. We will continue to focus on enhancing our core products and expanding our Allied Products through cross-selling opportunities in order to further penetrate untapped markets and customers.

Our strong market position provides us with insight into the evolving needs of our customers, which has allowed us to proactively develop and deliver comprehensive water management solutions. The strength of our overall sales and distribution platform has allowed us to acquire new Allied Products and deliver solution-based product portfolios that typically result in significantly higher net sales post-acquisition than the products generated before the addition to our product portfolio.

We recently developed and introduced several innovative new products: SaniTite HP pipe for the storm sewer and sanitary sewer markets and StormTech Mega-Chamber products for the stormwater retention/detention market. These products are opening new avenues of growth for us and are providing access to new customers, selling opportunities and product conversion.

SaniTite HP is a higher-performance polypropylene-based version of our popular N-12 product that is the result of more than three years and $3 million of R&D as well as $25 million of investments in production capacity. SaniTite HP offers us a large diameter (12   to 60) storm and sanitary sewer product line to compete with PVC, concrete and steel pipe in the storm and sanitary sewer markets. Higher performance characteristics are driving sales growth through new and expanded regulatory approvals.

Our StormTech Mega-Chamber stormwater retention/detention chambers are innovative new products that deliver increased underground storage with a compact product installation footprint, providing an attractive design option for engineers working on project sites where land is limited and/or expensive. These new chambers enable us to continue to accelerate our market share capture from large diameter corrugated metal pipe and pond-based retention/detention while accelerating the growth of Nyloplast basins, related water quality filters and pipe product sales.

We also expect to continue to enter into selective adjacent new markets that leverage our sales and engineering capabilities, customer relationships and national distribution network and provide more water management solutions to our customers.

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Expand our presence in attractive new geographies

Outside of the United States, we believe thermoplastic corrugated pipe represents a small part of the overall market. We further believe there is significant opportunity to convert new geographies based on the overall performance and value of our products, similar to what continues to occur in our existing markets. For example, in terms of opportunity for our products, the Canadian market is similar to the United States. The establishment of our facilities, sales and engineering teams in Canada strengthens our position and gives us a local presence in order to capitalize on these opportunities. To date, in order to increase our speed to market, we have expanded internationally primarily through joint ventures with best-in-class local partners. Our existing joint ventures provide us with access to markets such as Brazil, Chile, Argentina, Mexico, Peru and Colombia. Combining a local partner s customer relationships, brand recognition and local management talent, with our world-class manufacturing and process expertise, broad product portfolio and innovation, creates a strong platform with additional opportunities for international expansion. Our South American Joint Venture recently opened a second manufacturing plant in northeast Brazil to better service our growing business in this portion of the country, as well as doubling our production capacity to make N-12 pipe.

The introduction of our products in Brazil, Chile and other South American countries offers additional growth opportunities in areas where there is an increasing focus on the positive impact of drainage for roads and non-residential and residential construction. In the future, we will continue to identify new geographies to access markets through joint venture relationships with domestic partners in targeted areas.

Capitalize on growth related to the recovery in our primary end markets

We believe we are well positioned to take advantage of renewed growth and recovery in the non-residential and residential construction and infrastructure markets in the United States. As it has in prior cycles, the recovery in non-residential construction has lagged residential recovery but began to improve modestly in 2012. According to the U.S. Census Bureau, the new residential construction market in the United States is in the midst of a recovery after declining to an historic low of 554,000 housing starts in 2009. In 2013, new housing starts were 966,000, and McGraw Hill projects growth of 14% in 2014, 20% in 2015 and 15% in 2016, when total housing starts are expected to reach their 50-year average of 1.5 million, when total housing starts are expected to reach their 50-year average of 1.5 million. Additionally, we believe we have the potential to capitalize on a substantial backlog of deferred infrastructure spending in the United States as a result of upgrades and repairs that were delayed in the recent economic downturn. Spending on the replacement of aging water drainage and sewer infrastructure (estimated to cost approximately $298 billion between 2013 and 2033, according to ASCE), and stricter U.S. Environmental Protection Agency, or EPA, guidelines for stormwater and wastewater management will drive additional demand for our products.

Continue our focus on operational excellence

Our focus on continuously improving operating efficiencies, reducing costs and improving product quality has enabled us to improve our position as a leading low-cost provider. We believe our lower production cost profile and a rapid customer delivery cycle serves as a significant competitive advantage.

We constantly strive to achieve operating and cost efficiencies across all facets of our business. For example, we employ sophisticated resin blending technology to minimize raw material costs and optimize production efficiency, while maintaining a high level of product quality and performance. We have implemented continuous improvement practices across all plants; and currently have three plant sites with comprehensive lean-six sigma-5S programs in early phases of implementation. We are already realizing benefits from these initiatives in many areas including product quality, productivity, safety, uptime and customer service.

Our production lines are built with transportable mold and die tooling, which provides us with the flexibility to maximize production capacity and leverage capital expenditures. We have a dedicated team of approximately 40 skilled tradesmen (tool and die machinists, fabricators, electricians) who build, service and maintain our molds and dies along with various plant equipment. This affords us high levels of uptime, equipment consistency

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and standardization and a low cost basis versus externally sourced machine shop services. We also have a specialized group of approximately 15 mechanical and industrial engineers who focus on optimizing efficiency, outfitting facilities and training employees and ensuring that we employ best practices across all of our locations.

Selectively pursue strategic acquisitions

By utilizing our customer relationships and sales force, we have a demonstrated ability to identify and integrate numerous strategic acquisitions. We believe our strong reputation for product growth, as well as our strong brand recognition, network of customer and distributor relationships and large team of trained salespeople, has allowed us to become the acquirer of choice, as demonstrated by our ability to identify new technologies and product capabilities and thereafter acquire such technologies and products. The acquisitions of strategic product lines such as BaySaver, FleXstorm, Nyloplast, Inserta Tee and StormTech have strengthened our market position while enhancing long-term growth and profitability and are examples of our ability to complete and integrate acquisition opportunities. These strategic additions have allowed us to expand our suite of water management products.

We have remained one of the strongest and best capitalized companies in the industry throughout the recent economic cycle and are well positioned to capitalize on current market dynamics to selectively acquire key products and technologies. We have strong industry relationships and maintain an active acquisition pipeline.

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Product Portfolio

We design, manufacture and market a complete line of high performance thermoplastic corrugated pipe and related water management products for use in a wide range of end markets. Our product line includes: single, double and triple wall corrugated polypropylene and polyethylene pipe, or Pipe, and a variety of Allied Products including: storm and septic chambers, or Chambers; PVC drainage structures, or Structures; fittings and filters, or Fittings; and water quality filters and separators, or Water Quality. We also sell various complementary products distributed through resale agreements, including geotextile soil stabilization products, or Other Resale.

An overview of our product offerings is provided below:

Product Offering	Description	Brands/Offerings	Images
Pipe (76% of Total Net Sales in Fiscal Year 2014)			
	High density polyethylene and polypropylene pipe	Dual Wall Corrugated Pipe, HP Storm Pipe, SaniTite HP Pipe, Single Wall Corrugated Pipe, Triple Wall Corrugated Pipe, Smoothwall HDPE Pipe	
Allied Products (24% of Total Net Sales in Fiscal Year 2014)			
Chambers	Underground chambers made from polypropylene that can function as stormwater detention, retention, and/or first flush storage systems	StormTech, ARC (Septic Chambers), BioDiffuser (Septic Chambers)	
Structures	Drainage structures consisting of inline drains, drain basins, curb inlet structures, and drop-in grates in diameters ranging from 8 to 30	Nyloplast, Inserta Tee	
Fittings	Standard and fabricated joining systems	Fittings	
Water Quality	Water quality structures and filters	BaySeparator, BayFilter, Water Quality Units, FleXstorm	
Other Resale	Complementary products providing services adjacent to core expertise	Geotextiles	

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Pipe

Dual Wall Corrugated Pipe

Our N-12 is a dual wall HDPE pipe with a corrugated exterior for strength and a smooth interior wall for hydraulics and flow capacity. Our N-12 pipe competes in the storm sewer and drainage markets that are also served by concrete pipe.

Our N-12 pipe is available in 17 different diameters ranging from 2 to 60 and in sections ranging from 10 to 30 in length. N-12 provides joint integrity, with integral bell and spigot joints for fast push-together installation, and is also sold with watertight and soil-tight coupling and fitting systems.

Our corrugated polyethylene pipe offers many benefits including ease of installation, job-site handling and resistance to corrosion and abrasion. Corrugated pipe can easily be cut or coupled together, providing precise laying lengths while minimizing installation waste and difficulty.

HP Storm Pipe and SaniTite HP Pipe

Our HP Storm pipe utilizes polypropylene resin, which provides (i) increased pipe stiffness relative to HDPE; (ii) higher Environmental Stress Crack Resistance, or ESCR; and (iii) improved thermal properties, which improves joint performance. These improved physical characteristics result in a reduced need for select backfill, which creates installation savings for customers, and increase the effective service life of the product, which reduces the overall product cost and expands the range of possible product applications.

Our SaniTite HP pipe utilizes the same polypropylene resins as our HP Storm pipe but includes a smooth third exterior wall in 30 to 60 pipe. The highly engineered polypropylene resin along with the triple wall design enables SaniTite HP to surpass the 46 pounds per square inch, or psi, stiffness requirement for sanitary sewer applications. SaniTite HP offers cost and performance advantages relative to reinforced concrete pipe (such as improved hydraulics and better joint integrity) and PVC pipe (such as impact resistance).

Single Wall Corrugated Pipe

Our single-wall corrugated HDPE pipe is ideal for drainage projects where flexibility, light weight and low cost are important. Single wall HDPE pipe products have been used for decades in agricultural drainage, highway edge drains, septic systems and other construction applications. In the agricultural market, improved technology has highlighted the impact of drainage on crop yields. For homeowners, it is an economical and easily-installed solution for downspout run-offs, foundation drains, driveway culverts and general lawn drainage. Single wall pipe is also used for golf courses, parks and athletic fields to keep surfaces dry by channeling away excess underground moisture.

Standard single-wall products are available in 2 to 24 diameters and sold in varying lengths. Pipe with 2 to 6 diameters is typically sold in coils ranging from 25 to 3,000 in length, while larger diameter pipe is typically sold in 20 lengths. Pipe can be either perforated or non-perforated depending on the particular drainage application.

Triple Wall Corrugated Pipe and Smoothwall HDPE Pipe

Our ADS-3000 Triple Wall pipe, small diameter triple wall corrugated pipe, consists of a corrugated polyethylene wall molded between a smooth white outer wall and a smooth black inner wall. This combination of the three wall design adds strength and stiffness, while reducing weight as compared to PVC 2729. Triple Wall is produced in two sizes, 3   and 4 , and sold through our distribution network.

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We also manufacture smoothwall HDPE pipe in 3 , 4 , and 6 diameters that are sold into the residential drainage and on-site septic systems markets.

Allied Products

We produce a range of additional water management products that are complementary to our pipe products. Our Allied Products offer adjacent technologies to our core pipe offering, presenting a complete drainage solution for our clients and customers. This combination of pipe and Allied Products is a key strategy in our sales growth, profitability and market share penetration. The practice of selling a drainage system is attractive for distributors and the end user, by providing a broad package of products that can be sold on individual projects, and strengthens our competitive advantage in the marketplace. We aggressively seek and evaluate new products, technologies and regulatory changes that impact our customers needs for Allied Products.

Using the strength of our overall sales and distribution platform, our Allied Product strategy allows us to more deeply penetrate our end markets and anticipate the evolving needs of our customers. The underground construction industry has historically been project (not product) driven, creating the impetus for owners, engineers and contractors to seek manufacturers that deliver solution-based product portfolios. Many of the components of underground construction are related and require linear compatibility of function, regulatory approval and technology.

Storm and Septic Chambers

Our StormTech chambers are used for stormwater retention, detention and first flush underground water storage systems on non-residential site development and public projects. These highly engineered chambers are injection molded from high density polyethylene and polypropylene resins into a proprietary design which provides strength, durability, and resistance to corrosion. The chambers allow for the efficient storage of stormwater volume at minimum depths, reducing the underground construction footprint and costs to the contractors, developers, and property owners. Our StormTech chambers offer great flexibility in design and layout of underground water storage system. They are an attractive alternative to open ponds by reducing ongoing maintenance and liability and providing more useable land for development. Stormwater runoff is collected and stored in rows of chambers and gradually reenters the water table through a gravel base, reducing erosion and protecting waterways. The chambers are open bottom, which allows for high density stacking in both storage and shipment. This freight-efficient feature drives favorable cost-competitiveness in serving long-distance export markets. These chamber systems typically incorporate our other product lines such as corrugated pipe, fabricated fittings, water quality units and geotextiles.

Our ARC and BioDiffuser products are chambers that are used in on-site septic systems for residential and small volume non-residential wastewater treatment and disposal. Rural homes and communities that do not have access to central sewer lines require an on-site septic solution. Our ARC and BioDiffuser chamber products are installed and perform their septic treatment function without gravel, reducing costs to the contractor and homeowner over traditional pipe and stone systems. States and municipalities have different sizing criteria for on-site septic treatment systems based on soil and site conditions. The innovative design of our ARC chamber is generally approved for a footprint reduction, further reducing the cost of the septic system. Injection-molded from high density polyethylene, these products are strong, durable, and chemical-resistant. These interconnecting chambers are favored by septic contractors because they are lightweight, easy to install and offer articulating features which increase site-specific design flexibility.

Structures

Our Nyloplast PVC drainage structures are used in non-residential, residential and municipal site development, road and highway construction, as well as landscaping, recreational, industrial and mechanical applications. The product family includes inline drains, drain basins, curb inlets and water control structures which move surface-collected stormwater vertically down to pipe conveyance systems. These custom structures are fabricated from sections of PVC pipe using a thermo-forming process to achieve exact site-specific hydraulic design requirements. Our Nyloplast products are a preferred alternative to heavier and larger concrete structures, by offering greater design flexibility and improved ease of installation which reduces overall project costs and timelines. The structures incorporate rubber gaskets to ensure watertight connections, preventing soil infiltration which plagues competitive products.

Our Inserta Tee product line consists of a PVC hub, rubber sleeve and stainless steel band. Inserta Tee is compression fit into the cored wall of a mainline pipe and can be used with all pipe material types and profiles. This product offers an easy tap-in to existing sanitary and storm sewers by limiting the excavation needed for installation compared to competitive materials.

Fittings

We produce fittings and couplings utilizing blow molding, injection molding and custom fabrication in addition to protective filters on our pipe products. Our innovative coupling and fitting products are highly complementary to our broader product suite, and include both soil-tight and water-tight capabilities across the full pipe diameter spectrum. Our fittings are sold in all end markets where we sell our current pipe products.

Water Quality

Our BaySaver product line targets the removal of sediment, debris, oils and suspended solids throughout a stormwater rain event by separating and/or filtering unwanted pollutants. Our BaySeparators can be fabricated into multiple sizing combinations to fit a variety of applications and customer requirements. These products assist owners, developers and design engineers in remaining compliant with discharge requirements set forth by the EPA as well as state and local regulatory agencies. Our BaySaver product line coupled with our pipe, StormTech chambers, fabricated fittings, Nyloplast structures, FleXstorm inlet protection systems and geotextiles make up a comprehensive stormwater management solution.

Construction Fabrics & Geotextiles

We purchase and distribute construction fabrics and other geosynthetic products for soil stabilization, reinforcement, filtration, separation, erosion control, and sub-surface drainage. Constructed of woven and non-woven polypropylene, geotextile products provide permanent, cost-efficient site-development solutions. Construction fabrics and geotextiles have applications in all of our end markets.

Customers

We have a large, active customer base of over 17,000 customers, with no customer representing more than 10% of fiscal year 2014 net sales. Our customer base is diversified across the range of end markets that we serve.

A majority of our sales are made through distributors, including many of the largest national and independent waterworks distributors, with whom we have long-standing distribution relationships. These include Ferguson, HD Supply and WinWholesale, who sell primarily to the storm sewer and sanitary sewer markets. We also utilize a network of hundreds of small to medium-sized independent distributors across the United States. We have strong relationships with major national retailers that carry drainage products, including The Home Depot, Lowe s, Ace Hardware, Menards and Do it Best. We offer the most complete line of HDPE products in the industry and are the only national manufacturer that can service the Big-Box retailers from coast-to-coast. We also sell to buying groups and co-ops in the United States that serve the plumbing, hardware, irrigation and landscaping markets. Selling to buying groups and co-ops provides us a further presence on a national, regional and local basis for the distribution of our products. Our preferred vendor status with these groups allows us to reach thousands of locations in an effective manner. Members of these groups and co-ops generally are

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independent businesses with strong relationships and brand recognition with smaller contractors and homeowners in their local markets. The combination of our large sales force, long-standing retail and contractor customer relationships and extensive network of manufacturing and distribution facilities complements and strengthens our broad customer and market coverage.

An important element of our growth strategy has been our focus on industry education efforts to drive regulatory approvals for our core HDPE products at national, state and local levels. We employ a team of approximately 50 field-based engineers who work closely with government agencies to obtain regulatory approvals for our products, and also with civil engineering firms to specify our products on non-residential construction and road-building projects. We consistently maintain an active dialogue with customers, civil engineers and municipal authorities, continuously educating them on new product innovations and their advantages relative to traditional products. With the introduction of our N-12 HP storm and sanitary pipe, we have refocused our efforts calling on state departments of transportation to enhance their approval of our pipe products. Additional state and local regulatory approvals will continue to present new growth opportunities in new and existing geographic markets for us.

For example, we have recently obtained approval for HP pipe use in several areas that had previously not approved our N-12 HDPE product Colorado DOT, Missouri DOT, City of Atlanta, Metro St. Louis Sewer District, City of Indianapolis, Denver Metro Wastewater Reclamation District, and New York City Department of Buildings.

Our customer service organization of more than 100 employees is supplemented by the employees of our 58 manufacturing plants, 28 distribution centers and drivers of our approximately 625 tractor-trailers. In conjunction with our field sales and engineering team, this highly-trained and competent staff allows us to maintain more customer touch points and interaction than any of our competitors.

We staff and operate four regional customer service call centers located in three time zones where orders are processed. With some of our larger customers, we process orders electronically via electronic data interchange (EDI). Additionally, we send advance shipment notifications and invoices electronically to these customers. These capabilities strengthen the supply chain integration with large customers such as The Home Depot, Lowes, Ferguson and HD Supply. New orders are entered into our Oracle system, assigned to our closest manufacturing plant or distribution center in that geography, and then consolidated to optimize freight efficiency, payload and lead-time performance to meet customer requirements.

Sales and Marketing

We believe we have the largest and most experienced sales force in the industry, with approximately 230 dedicated direct sales professionals that call on engineers, contractors, distributors and developers. Offering the broadest product line in the industry enables our sales force to source the greatest number of new opportunities and more effectively cross-sell products than any of our competitors. We consistently maintain thousands of touch-points with customers, civil engineers and municipal authorities, continuously educating them on new product innovations and their advantages relative to traditional products. We believe we are the industry leader in these efforts and we view this work as an important part of our marketing strategy, particularly in promoting N-12 and SaniTite HP for storm and sanitary sewer systems, as regulatory approvals are essential to the specification and acceptance of these product lines.

Our sales and marketing strategy is divided into four components comprehensive market coverage, diverse product offerings, readily-available local inventory and specification efforts. Our goal is to provide the distributor/owner with the most complete, readily-available product line in our industry. We strive to use our manufacturing footprint, product portfolio and market expertise to efficiently service our customers.

Our sales and engineering objective is to influence, track and quote all selling opportunities as early in the project life cycle as possible. Conceptual project visibility allows sales and engineering professionals the ability to influence design specifications and increase the probability of inclusion of our products in bid documents. We strive to be meaningfully involved in all phases of the project cycle, including design, bidding, award and installation. In addition to direct channel customers, we also maintain and develop relationships with federal agencies, municipal agencies, national standard regulators, private consulting engineers and architects. Our consistent interaction with these market participants enables us to continue our market penetration. This ongoing dialogue has positioned us as an industry resource for design guidance and product development and as a respected expert in water management solutions.

Seasonality

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

In the non-residential, residential and infrastructure markets in the northern United States and Canada, construction activity typically begins to increase in late March and is slower in December, January and February. In the southern and western United States, Mexico, Central America and South America, the construction markets are less seasonal. The agricultural drainage market is concentrated in the early spring just prior to planting and in the fall just after crops are harvested prior to freezing of the ground in winter.

Manufacturing and Distribution Platform

We have a leading domestic and international manufacturing and distribution infrastructure, serving customers in all 50 U.S. states as well as approximately 90 other countries through 58 manufacturing plants and 28 distribution centers including the facilities owned or leased by our joint ventures. We also operate an in-house fleet of 625 tractor-trailers. Our effective shipping radius is approximately 200 miles from one of our manufacturing plants or distribution centers. Our scale and extensive network of facilities provide a critical cost advantage versus our competitors, as we are able to more efficiently transport products to our customers and end users and to promote faster product shipments due to our proximity to the delivery location.

The combination of a dedicated fleet and team of company drivers allows greater flexibility and responsiveness in meeting dynamic customer jobsite delivery expectations. We strive to achieve less than three-day lead-time on deliveries, and have the added benefit of redeploying fleet and driver assets to respond to short-term regional spikes in sales activity. For deliveries that are outside an economic delivery radius of our truck fleet, common carrier deliveries are tendered using Nistevo, a customized software platform to ensure that lowest delivered freight costs are achieved. In addition, in the United States and Canada, more than 10% of our pipe volume is sold on a pick-up or walk-in basis at our plant and yard locations, further leveraging our footprint and lowering freight cost per pound and per revenue dollar.

Our North American truck fleet incorporates approximately 1,100 trailers that are specially designed to haul our lightweight pipe and fittings products. These designs maximize payload versus conventional over the road trailers and facilitate unassisted unloading of our products at the jobsites by our drivers. The scope of fleet operations also includes backhaul of purchased raw materials providing a lower delivered cost to our plant locations.

We have expanded internationally primarily through joint ventures with best-in-class local partners. This joint venture strategy has provided us with local and regional access to markets such as Brazil, Chile, Argentina, Mexico, Peru and Colombia. These international facilities produce pipe and related products to be sold in their respective regional markets. Combining a local partner s customer relationships, brand recognition and local management talent, with our world-class manufacturing and process expertise, broad product portfolio and innovation, creates a powerful platform and exciting opportunities for continued international expansion.

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Manufacturing Process

We manufacture our corrugated pipe products in 17 different diameters ranging from 2 to 60 using a continuous extrusion process, where molten polyethylene or polypropylene is pushed through a die into a moving series of corrugated U-shaped molds. Blow air and vacuum are used to form the corrugations of the pipe which is pulled through a corrugator and then cut to length. We utilize customized and proprietary production equipment, which we believe is faster and more cost efficient than other pipe making equipment generally available in the market.

Domestically, we operate approximately 120 pipe production lines that collectively are capable of producing more than one billion pounds of pipe annually on a standard five-day day per week schedule. Significant unused capacity is in place to support growth in our N-12 pipe sales volume requiring minimal additional capital for molds. Our normal production capacity utilization as a percentage of total capacity was 63%, 65% and 64% for fiscal years 2012, 2013 and 2014, respectively. To produce our broad range of pipe sizes, we own and utilize approximately 250 mold and die setups, which had an original capital cost of approximately $130 million and most of which are moved between manufacturing plants. Our production equipment is built to accept transportable molds and die tooling over a certain range of sizes so each plant is not required to house the full range of tooling at any given time. This transportability provides us with the flexibility to optimize our capacity through centrally-coordinated production planning, which helps to adapt to shifting sales demand patterns while reducing the capital needed for tooling. With our large manufacturing footprint in place, we can support rapid seasonal growth in demand, focusing on customer service while minimizing transportation costs.

The standard fittings products (tees, wyes, elbows, etc.) that we produce and sell to connect our pipe on jobsites are blow molded or injection molded at four domestic plants. In addition, customized fabricated fittings (e.g., more complex dual wall pipe reducers, bends or structures) are produced in 17 of our North American plants. In addition to the extrusion of pipe, and blow molding and injection molding of fittings, we also use a variety of other processes in our manufacturing facilities. These processes include thermoforming, rotational molding, compression molding, and custom plastic welding and fabrication. The wide variety of production processes and expertise allow us to provide cost-effective finished goods at competitive prices delivered in a timely fashion to our customers.

Our manufacturing plants have no process related by-products released into the atmosphere, waterways, or solid waste discharge. During pipe production start-ups and size change-overs, non-compliant scrap and any damaged finished goods pipe are recycled through a grinder for internal re-use.

We have two internal quality control laboratory facilities equipped and staffed to evaluate and confirm incoming raw material and finished goods quality in addition to the quality testing that is done at our manufacturing facilities. We conduct annual safety, product and process quality audits at each of our facilities, using centralized internal resources in combination with external third-party services. In the quality area, various national agencies such as NTPEP, IAPMO, BNQ and CSA (Canada) and numerous state DOT and municipal authorities (e.g., Illinois, Michigan, Massachusetts, City of Columbus) conduct both scheduled and unscheduled inspections of our plants to verify product quality and compliance to applicable standards.

Core to our commitment and enablement of a safe and productive manufacturing environment are our operational and management training programs. Through our ADS Academy, we deliver targeted role-specific training to our operations team members through a blended curriculum of on-line and hands-on training experiences covering safety, quality, product knowledge and manufacturing process. Our learning management system, which hosts over 400 custom modules, serves as the foundation of our operational training programs and provides us with appropriate scale, efficiency, and governance to support our growth. We have a strong commitment to the training of our manufacturing supervisors and managers in technical, management, and leadership subjects through intense role-based assimilation plans, e-learning and classroom-based development experiences.

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Raw Materials

Virgin and recycled resins, which are derived either directly or indirectly from crude oil derivatives and natural gas liquids, are the principal raw materials utilized in our production process. We currently purchase in excess of 700 million pounds of virgin and recycled resin annually from over 450 suppliers in North America. As a high-volume buyer of resin, we are able to achieve economies of scale to negotiate favorable terms and pricing. Our purchasing strategies differ based on the material (virgin resin v. recycled material) ordered for delivery to our production locations. The price movements of the different materials also vary, resulting in the need to use a number of strategies to reduce volatility and successfully pass on cost increases to our customer through timely selling price increases when needed.

In 2008, as the price of crude oil reached unprecedented levels, we began to further augment our raw material blending and processing technologies to produce an HDPE pipe that incorporates recycled resin. This new product, which meets an American Society for Testing and Materials (ASTM) standard, replaces a majority of the virgin resin that is used in the American Association of State Highway and Transportation Officials (AASHTO) product with recycled materials. To further develop our recycled material strategies, we established Green Line Polymers, Inc., or GLP, as our wholly-owned recycling subsidiary in 2012. GLP procures and processes recycled raw materials that can be used in products we produce and sell. Our first production facilities were established in Ohio and Georgia and are focused on processing post-industrial HDPE recycled materials. Based on the success of this strategy, we expanded our efforts toward post-consumer material processing by acquiring the business of a vendor who was supplying clean, post-consumer recycled HDPE to our upper Midwest plants and established a second post-consumer processing plant, in Pennsylvania, to support our plants in Ohio, Michigan and the eastern and southern United States. In fiscal year 2014, 65% of our non-virgin HDPE raw material needs were internally processed (enhanced) through our GLP operations.

We believe that we are well positioned for future growth as we add additional recycled material processing facilities and expand our supplier base for virgin resin. With the significant increase in U.S. shale gas extraction expected to continue, along with related increases in natural gas production, we anticipate continued growth in the availability of ethylene and propylene and their polymer derivatives at competitive prices.

We have managed a resin price hedging program since early in 2010. Our program is designed to target a monthly volume of fixed price contracts that hedge a significant portion of our virgin resin purchases. In conjunction with our forward price hedging program, we also maintain supply agreements with our major resin suppliers that provide multi-year terms and volumes that are in excess of our projected consumption. In addition, we recently began implementing financial hedges for virgin PP resin to reduce the potential price volatility of that material, with a go