



2024 ANNUAL REPORT

FINANCIAL HIGHLIGHTS

(In thousands, except per share data)

	<u>Fiscal 2024</u>	<u>Fiscal 2023</u>
Net sales	\$ 516,251	\$ 547,542
Net earnings.....	\$ 17,345	\$ 21,344
Net earnings per share (Basic).....	\$ 2.39	\$ 2.91
Cash dividends per share	\$ 0.10	\$ 0.08
Stockholders' equity	\$ 127,475	\$ 115,432
Working capital	\$ 115,957	\$ 98,568

TO OUR SHAREHOLDERS:

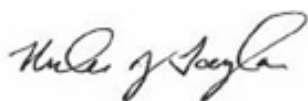
Fiscal year 2024 was the second most profitable year in our Company's history with \$17.3 million of net income. We continued to grow sales volume and successfully navigated another year of considerable steel price volatility.

Our sales volume increased approximately 19% in fiscal 2024 compared to our previous fiscal year with the growth driven by output from our new Sinton, TX facility. We expect further growth from our Sinton facility in fiscal 2025 as we approach full production capacity. At the end of fiscal 2024, we neared completion of an upgrade to our Decatur, AL processing line that will allow us to increase the sales volume from that facility in fiscal 2025. The Company's market share continues to expand with our products being a vital part of the defined supply chain for more of the country's top steel consumers.

Fiscal 2024 was another volatile year for hot-rolled coil ("HRC") prices. The year started with prices around \$1,200 per ton which then declined to approximately \$650 per ton by the end of the second fiscal quarter. Prices then increased significantly during the third fiscal quarter reaching approximately \$1,100 per ton at the end of the quarter. The fiscal fourth quarter concluded the fiscal year with a pricing decline to approximately \$800 per ton. We maintained profitability in each quarter of fiscal 2024, demonstrating our ability to analyze and respond appropriately to changing market conditions.

I am pleased that investors are starting to recognize the value of our Company. Our stock began fiscal year 2024 trading in the \$11 per share range and ended the fiscal year considerably higher. We have more value to unlock by delivering consistent profitability across price cycles and maximizing output from our current assets. In addition, our strategy remains focused on opportunities that will deliver long-term value to the Company and its shareholders. Our dividend increase in March reflects our favorable outlook; I see value in Friedman today along with significant opportunities for growth in the future.

Sincerely,



Michael J. Taylor
President and Chief Executive Officer
Chairman of the Board of Directors

OFFICERS

Michael J. Taylor
President and Chief Executive Officer

Jonathan Holcomb
Vice President of Sales — Flat Roll Divisions and Vice President of Purchasing

Alex LaRue
Chief Financial Officer — Secretary and Treasurer

Paul Rottmann
Vice President of Operations — Flat Roll Divisions

Steve Teeter
Vice President of Operations — Southeast Flat Roll Divisions

Michael Thompson
Vice President and General Manager — Tubular Division

COMPANY OFFICES AND WEBSITES

CORPORATE OFFICE & FLAT ROLL PRODUCTS SALES OFFICE
1121 Judson Road, Suite 124
Longview, Texas 75601
903-758-3431

TUBULAR PRODUCTS SALES OFFICE
3681 FM 250
Lone Star, Texas 75668
903-639-2511

WEBSITES*
www.friedmanindustries.com
www.texastubular.com

COUNSEL
Norton Rose Fulbright US LLP
1550 Lamar, Suite 2000
Houston, Texas 77010

AUDITORS
Moss Adams LLP
500 Dallas Street, Suite 1900
Houston, TX 77002

TRANSFER AGENT AND REGISTRAR
Equiniti Trust Company LLC
55 Challenger Road, Floor 2
Ridgefield Park, NJ 07660

* Information on our websites is expressly not incorporated by reference into this document.

DIRECTORS

Durga D. Agrawal
President, Piping Technology & Products, Inc. (pipe fabrication)
Houston, Texas

Max Reichenthal
President, Texas Iron and Metal (steel product sales)
Houston, Texas

Sandy Scott
Retired, formerly, Chief Executive Officer of Sprint Industrial Holdings (rental equipment and transportation company), currently serving on the boards of directors of Terra Nova Solutions, Rowland Inc., CEDA International, DWD International, LLC and Goodwill of Houston
Houston, Texas

Joel Spira
Private investor; formerly, Partner, Weinstein Spira & Company (accounting firm)
Houston, Texas

Tim Stevenson
Chief Executive Officer and Founder, Metal Edge Partners (metals price risk management and strategic advisory services)
Plymouth, Minnesota

Michael J. Taylor, *Chairman of the Board*
President and Chief Executive Officer of the Company
Houston, Texas

Sharon Taylor
Executive Vice President and Chief Financial Officer, Martin Midstream Partners L.P. and Martin Resource Management Corporation (terminalling, processing, transportation, storage and packaging services for petroleum products and by-products)
Kilgore, Texas

Joe L. Williams
Partner, Pozmantier, Williams and Stone Insurance Consultants, LLC (insurance and risk management consultants)
Houston, Texas

ANNUAL REPORT ON FORM 10-K

Shareholders may obtain without charge a copy of the Company's Annual Report on Form 10-K for the year ended March 31, 2024, as filed with the U.S. Securities and Exchange Commission. Written requests should be addressed to: Alex LaRue, Chief Financial Officer — Secretary and Treasurer, Friedman Industries, Incorporated, P.O. Box 2192, Longview, Texas 75606.

DESCRIPTION OF BUSINESS

Friedman Industries, Incorporated (the “Company”) is a manufacturer and processor of steel products and operates in two product segments: flat-roll products and tubular products. The flat-roll segment was previously referred to as the coil segment. The Company is now using flat-roll to describe the segment due to it being a more common term used in the Company's industry.

Flat-Roll Products

The flat-roll product segment consists of the operation of five hot-rolled coil processing facilities located in Hickman, Arkansas; Decatur, Alabama; East Chicago, Indiana; Granite City, Illinois and Sinton, Texas. The facilities in Granite City and East Chicago were acquired on April 30, 2022 from Plateplus, Inc (“Plateplus”). More information about the Plateplus transaction can be found in Note 2. The facility in Sinton is a newly constructed facility that commenced operations during October 2022. The Hickman, Granite City and East Chicago facilities operate temper mills and cut-to-length lines. The Decatur and Sinton facilities operate stretcher leveler cut-to-length lines. The equipment at all locations improve the flatness and surface quality of the coils and cut the coils into sheet and plate of prescribed lengths. On a combined basis, the facilities are capable of cutting sheet and plate with thicknesses ranging from 16 gauge to 1” thick in widths ranging from 36” wide to 96” wide. The vast majority of flat-roll product segment revenue is generated from sales of Company owned inventory but the segment also generates revenue from the processing or storage of customer owned coils on a fee basis.

The processing facilities are substantially similar with respect to products produced. The Company makes shipments of flat-roll products based on which facility offers the desired product or, if the product is available at multiple facilities, based on other factors, such as customer location, freight conditions and the ability of the facility to fulfill the order on a timely basis. Flat-roll products are sold on a wholesale, rapid-delivery basis in competition with other processors of hot-rolled steel coils. Shipments are made via unaffiliated truckers or by rail.

The flat-roll segment purchases its inventory from a limited number of suppliers. Loss of any of these suppliers could have a material adverse effect on the Company’s business.

The Company sells flat-roll products and processing services to approximately 480 customers located primarily in the midwestern, southwestern and southeastern regions of the United States. The Company’s principal customers for these products and services are steel distributors and customers manufacturing steel products such as steel buildings, railroad cars, barges, tanks and containers, trailers, component parts and other fabricated steel products.

Tubular Products

The tubular product segment consists of the Company’s Texas Tubular Products division (“TTP”) located in Lone Star, Texas. TTP operates two electric resistance welded pipe mills with a combined outside diameter (“OD”) size range of 2 3/8” OD to 8 5/8” OD. Both pipe mills are American Petroleum Institute (“API”) licensed to manufacture line pipe and oil country pipe and also manufacture pipe for structural purposes that meets other recognized industry standards. TTP has a pipe finishing facility capable of applying threads and couplings to oil country tubular goods and performing other services that are customary in the pipe finishing process. The pipe finishing facility is currently idled. All of the tubular segment's revenue is generated from sales of Company owned inventory.

The Company sells its tubular products nationally to approximately 92 customers. The Company’s principal customers for these products are steel and pipe distributors.

TTP purchases its inventory from a limited number of suppliers. Loss of any of these suppliers could have a material adverse effect on the Company’s business.

Significant financial information relating to the Company’s two product groups, flat-roll and tubular products, is contained in Note 13 of the Notes to the Company’s Consolidated Financial Statements appearing herein.

RANGE OF HIGH AND LOW SALES PRICES OF COMMON STOCK

	Fiscal 2024		Fiscal 2023	
	High	Low	High	Low
First Quarter	\$ 12.70	\$ 9.53	\$ 10.51	\$ 7.84
Second Quarter.....	18.31	11.97	11.36	6.74
Third Quarter.....	16.48	9.50	10.25	7.05
Fourth Quarter.....	19.33	15.01	13.38	9.56

CASH DIVIDENDS DECLARED PER SHARE OF COMMON STOCK

	Fiscal 2024	Fiscal 2023
First Quarter	\$ 0.02	\$ 0.02
Second Quarter.....	0.02	0.02
Third Quarter.....	0.02	0.02
Fourth Quarter.....	0.04	0.02

The Company's Common Stock is traded principally on the NYSE American (trading symbol FRD).

The approximate number of shareholders of record of Common Stock of the Company as of April 26, 2024 was 156. Because many of the Company's common shares are held by brokers and other institutions on behalf of shareholders, the Company is unable to estimate the total number of individual shareholders represented by these record holders.

CONSOLIDATED BALANCE SHEETS

(In thousands, except for share data)

ASSETS

	March 31,	
	2024	2023
CURRENT ASSETS:		
Cash.....	\$ 2,891	\$ 2,992
Accounts receivable, net of allowances for credit losses and cash discounts of \$97 and \$183 at March 31, 2024 and 2023, respectively	47,329	49,367
Inventories.....	115,804	86,246
Current portion of derivative assets.....	74	536
Other current assets.....	3,966	4,515
TOTAL CURRENT ASSETS.....	170,064	143,656
PROPERTY, PLANT AND EQUIPMENT:		
Land	1,670	1,670
Buildings and yard improvements.....	30,900	28,550
Machinery and equipment.....	53,607	51,001
Construction in process.....	1,977	1,167
Less accumulated depreciation.....	<u>(31,396)</u>	<u>(28,455)</u>
	56,758	53,933
OTHER ASSETS:		
Cash value of officers' life insurance and other assets.....	356	453
Operating lease right-of-use asset	2,841	1,270
TOTAL ASSETS.....	\$ 230,019	\$ 199,312

LIABILITIES AND STOCKHOLDERS' EQUITY

	March 31,	
	2024	2023
CURRENT LIABILITIES:		
Accounts payable and accrued expenses.....	\$ 43,886	\$ 36,847
Income taxes payable	2,213	774
Dividends payable.....	279	148
Contribution to retirement plan.....	—	350
Employee compensation and related expenses.....	5,989	4,650
Current portion of financing lease.....	54	107
Current portion of derivative liability	1,686	2,212
TOTAL CURRENT LIABILITIES	54,107	45,088
POSTRETIREMENT BENEFITS OTHER THAN PENSIONS	105	96
DEFERRED INCOME TAX LIABILITY.....	5,257	4,357
NON-CURRENT LEASE LIABILITIES	2,782	1,222
ASSET BASED LENDING FACILITY	40,293	33,117
TOTAL LIABILITIES.....	102,544	83,880
COMMITMENTS AND CONTINGENCIES (SEE NOTE 12)		
STOCKHOLDERS' EQUITY:		
Common stock, par value \$1:		
Authorized shares — 10,000,000		
Issued shares — 8,873,203 shares and 8,868,716 shares at March 31, 2024 and 2023, respectively	8,873	8,869
Additional paid-in capital.....	35,247	35,005
Accumulated other comprehensive loss.....	—	(317)
Treasury stock at cost (1,896,892 shares and 1,493,128 shares at March 31, 2024 and 2023, respectively).....	(12,929)	(7,778)
Retained earnings.....	96,284	79,653
TOTAL STOCKHOLDERS' EQUITY.....	127,475	115,432
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY.....	\$ 230,019	\$ 199,312

See accompanying notes.

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

	Year Ended March 31,	
	2024	2023
Net Sales.....	\$ 516,251	\$ 547,542
Costs and expenses:		
Cost of materials sold.....	417,143	456,419
Processing and warehousing expense.....	26,690	21,146
Delivery expense.....	23,791	24,483
Selling, general and administrative	21,039	21,894
Depreciation and amortization	3,070	2,526
	<u>491,733</u>	<u>526,468</u>
EARNINGS FROM OPERATIONS	24,518	21,074
Gain on economic hedges of risk	1,848	9,306
Interest expense	(3,072)	(2,218)
Other income	20	27
EARNINGS BEFORE INCOME TAXES.....	<u>23,314</u>	<u>28,189</u>
Provision for income taxes:		
Current	5,175	3,519
Deferred	794	3,326
	<u>5,969</u>	<u>6,845</u>
NET EARNINGS.....	<u>\$ 17,345</u>	<u>\$ 21,344</u>
Net earnings per share:		
Basic	\$ 2.39	\$ 2.91
Diluted	\$ 2.39	\$ 2.91
Cash dividends declared per common share.....	\$ 0.10	\$ 0.08

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

	Year Ended March 31,	
	2024	2023
Net earnings	\$ 17,345	\$ 21,344
Other comprehensive income:		
Cash flow hedges, net of tax.....	317	9,952
	<u>317</u>	<u>9,952</u>
Comprehensive income	<u>\$ 17,662</u>	<u>\$ 31,296</u>

See accompanying notes.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In thousands, except per share data)

	Common Stock	Accumulated Other Comprehensive Income, Net of Tax	Additional Paid-In Capital	Treasury Stock	Retained Earnings	Total
BALANCE AT						
MARCH 31, 2022.....	\$ 8,345	\$ (10,269)	\$ 30,442	\$ (7,741)	\$ 58,909	\$ 79,686
Net earnings	—	—	—	—	21,344	21,344
Other comprehensive income	—	9,952	—	—	—	9,952
Issuance of restricted stock.....	8	—	(8)	—	—	—
Paid in capital – restricted stock units	—	—	303	—	—	303
Shares issued - Plateplus business combination	516	—	4,268	—	—	4,784
Repurchase of shares	—	—	—	(37)	—	(37)
Cash dividends (\$0.08 per share) .	—	—	—	—	(600)	(600)
BALANCE AT						
MARCH 31, 2023.....	\$ 8,869	\$ (317)	\$ 35,005	\$ (7,778)	\$ 79,653	\$ 115,432
Net earnings	—	—	—	—	17,345	17,345
Other comprehensive income	—	317	—	—	—	317
Issuance of restricted stock.....	4	—	(4)	—	—	—
Paid in capital – restricted stock units	—	—	246	—	—	246
Repurchase of shares	—	—	—	(5,151)	—	(5,151)
Cash dividends (\$0.10 per share) .	—	—	—	—	(714)	(714)
BALANCE AT						
MARCH 31, 2024.....	<u>\$ 8,873</u>	<u>\$ —</u>	<u>\$ 35,247</u>	<u>\$ (12,929)</u>	<u>\$ 96,284</u>	<u>\$ 127,475</u>

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Year Ended March 31,	
	2024	2023
OPERATING ACTIVITIES		
Net earnings	\$ 17,345	\$ 21,344
Adjustments to reconcile net earnings to cash provided by operating activities:		
Depreciation and amortization	3,070	2,526
Deferred taxes	794	3,326
Compensation expense for restricted stock	246	303
Change in post-retirement benefits	9	8
(Gain) loss recognized on open derivatives not designated for hedge accounting	(64)	459
Deferred realized gain on derivatives.....	418	4,773
Right-of-use asset.....	41	—
Decrease (increase) in operating assets, net of amounts acquired in business combination:		
Accounts receivable	2,038	(13,696)
Inventories.....	(29,558)	59,247
Federal income taxes recoverable	—	1,404
Other current assets	1,173	(1,363)
Decrease (increase) in operating liabilities, net of amounts acquired in business combination:		
Accounts payable and accrued expenses.....	7,039	(18,875)
Income taxes payable	1,439	774
Employee compensation and related expenses	1,339	3,564
Contribution to retirement plan.....	(350)	100
NET CASH PROVIDED BY OPERATING ACTIVITIES.....	<u>4,979</u>	<u>63,894</u>
INVESTING ACTIVITIES		
Plateplus business combination.....	—	(71,720)
Purchase of property, plant and equipment.....	(5,792)	(16,454)
Increase in cash surrender value of officers' life insurance	(13)	(13)
NET CASH USED IN INVESTING ACTIVITIES.....	<u>(5,805)</u>	<u>(88,187)</u>
FINANCING ACTIVITIES		
Debt issuance cost.....	—	(393)
Cash dividends paid	(581)	(589)
Cash paid for principal portion of finance lease.....	(107)	(105)
Cash paid for share repurchases	(5,151)	(37)
Borrowings on asset based lending facility	831,436	740,944
Repayments on asset based lending facility	(824,260)	(726,263)
NET CASH PROVIDED BY FINANCING ACTIVITIES.....	<u>1,337</u>	<u>13,557</u>
INCREASE (DECREASE) IN CASH AND RESTRICTED CASH	<u>511</u>	<u>(10,736)</u>
CASH AND RESTRICTED CASH AT BEGINNING OF PERIOD	<u>5,386</u>	<u>16,122</u>
CASH AND RESTRICTED CASH AT END OF PERIOD	<u>\$ 5,897</u>	<u>\$ 5,386</u>

Cash and restricted cash at March 31, 2024 and 2023 included approximately \$3.0 million and \$2.4 million, respectively, of cash required to collateralize open derivative positions. These amounts are reported in "Other current assets" on the Company's consolidated balance sheets at March 31, 2024 and 2023.

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF CONSOLIDATION: The consolidated financial statements include the accounts of Friedman Industries, Incorporated and its subsidiary (collectively, the “Company”). All material intercompany amounts and transactions have been eliminated.

RECLASSIFICATIONS: The consolidated financial statements for the previous fiscal year may include certain reclassifications to conform to the current presentation. To conform with the current year presentation, “*Cost of products sold*” on the consolidated statements of operations was broken down into four separate line items: “*Cost of materials sold*”, “*Processing and warehousing expense*”, “*Delivery expense*” and “*Depreciation and Amortization*”. The Company believes this increased level of detail provides financial statement users with a better understanding of the Company's expenses. “*Cost of materials sold*” represent the delivered cost of inventory sold. “*Processing and warehousing expense*” represents the operating costs at our processing facilities. “*Delivery expense*” represents the costs of delivering products to customers. The amount the Company charged customers for delivery of products is reported within “*Net sales*” on the consolidated statements of operations. This reclassifications had no impact on previously reported net earnings or stockholder's equity.

BUSINESS COMBINATIONS: The results of a business acquired in a business combination are included in the Company’s financial statements from the date of acquisition. The Company allocates the purchase price to the identifiable assets and liabilities of the acquired business at their acquisition date fair values. The excess of the purchase price over the amount allocated to the identifiable assets and liabilities, if any, is recorded as goodwill. Determining the fair value of assets acquired and liabilities assumed requires management to make significant judgments and estimates, including the selection of valuation methodologies, estimates of future revenue and cash flows, discount rates and selection of comparable companies. Acquisition-related transaction costs are expensed in the period in which the costs are incurred. Please refer to Note 2 for additional discussion of the acquisition completed by the Company during the fiscal year ended March 31, 2023.

REVENUE RECOGNITION: Revenue is generated primarily from contracts to manufacture or process steel products and is recognized when performance obligations are complete. Generally, the Company’s performance obligations are satisfied, control of our products is transferred, and revenue is recognized at a single point in time, when title transfers to our customer for product shipped or when services are provided. Revenue is recorded in an amount that reflects the consideration expected to be received in exchange for those goods or services. See Note 14 for further information.

TRADE RECEIVABLES: The Company’s receivables are recorded when billed, advanced or accrued and represent claims against third parties that will be settled in cash. The carrying value of the Company’s receivables, net of the allowance for credit losses and cash discounts allowed, represents their estimated net realizable value. The Company estimates its allowance for credit losses based on historical collection trends, the age of outstanding receivables and existing economic conditions. Trade receivables are generally considered past due after 30 days from invoice date. Past-due receivable balances are written-off when the Company’s internal collection efforts have been unsuccessful in collecting the amount due. The balance of the Company’s allowance for doubtful accounts was approximately \$0.1 million and \$0.2 million at March 31, 2024 and 2023, respectively.

INVENTORIES: Both flat-roll segment and tubular segment inventories consist of raw material and finished goods. Cost for substantially all of the Company's inventory is determined using the average cost method. All inventories are valued at the lower of cost or net realizable value. The Company did not have any lower of cost or net realizable value adjustments during fiscal 2024 or fiscal 2023. Obsolete or slow-moving inventories are not significant based on the Company’s review of inventories. Accordingly, no allowance has been provided for such items. Flat-roll raw material inventory consists of steel coils the Company will process into sheet and plate. Flat-roll finished goods consists of processed sheet and plate inventory. Tubular raw material inventory consists of hot-rolled steel coils that the Company will manufacture into pipe. Tubular finished goods inventory consists of pipe the Company has manufactured.

The following is a summary of inventory by product group (in thousands):

	<u>March 31,</u>	
	<u>2024</u>	<u>2023</u>
Flat-Roll raw material	\$ 85,483	\$ 63,113
Flat-Roll finished goods	17,030	13,082
Tubular raw material	4,185	5,193
Tubular finished goods	9,106	4,858
	<u>\$ 115,804</u>	<u>\$ 86,246</u>

DERIVATIVE INSTRUMENTS: From time to time, the Company may use futures contracts to partially manage exposure to price risk. All of the futures contracts entered into during fiscal 2024 were classified as economic hedges of risk with mark-to-market ("MTM") accounting treatment. In prior fiscal years, the Company elected hedge accounting for some of its derivatives. For derivatives designated for hedge accounting and classified as cash flow hedges, changes in fair value are recognized as a component of other comprehensive income and reclassified into earnings during the period in which the hedged transaction affects earnings. For derivatives designated for hedge accounting and classified as fair value hedges, changes in fair value are recognized in the same balance sheet line as the hedged item until the hedged item affects earnings. For derivatives where hedge accounting is not elected, changes in fair value are immediately recognized in earnings. The Company has forward physical purchase supply agreements in place for a portion of its monthly physical steel needs. These supply agreements are not subject to mark-to-market accounting due to the Company electing the normal purchase normal sales exclusion provided in Accounting Standards Codification 815 - Derivatives and Hedging. See Note 7 for further information about the Company's derivative instruments.

PROPERTY, PLANT AND EQUIPMENT: Property, plant and equipment is stated at cost except for assets acquired through business combination which are stated at their acquisition date fair value. Depreciation is calculated primarily by the straight-line method over the estimated useful lives of the various classes of assets as follows:

Buildings (in years).....	20 to 40
Machinery and equipment (in years).....	10 to 35
Yard improvements (in years).....	5 to 15
Loaders and other rolling stock (in years).....	5 to 15

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. The Company assesses recoverability by comparing the carrying amount of the asset or asset group to estimated undiscounted future cash flows expected to be generated by the asset or asset group. If an asset or asset group is considered impaired, the impairment loss to be recognized is measured as the amount by which the asset's or asset group's carrying amount exceeds its estimated fair value. The Company did not identify any indicators of impairment during fiscal 2024 or fiscal 2023.

When property, plant and equipment is sold or otherwise disposed of, any gains or losses are reflected in income. If a loss on disposal is expected, such losses are recognized when the assets are reclassified as assets held for sale.

Maintenance and repairs are expensed as incurred.

POSTRETIREMENT BENEFITS OTHER THAN PENSIONS: The Company maintains life insurance policies on each officer. From time to time and in its discretion, the Board of Directors of the Company has approved the transfer of the applicable policy to an officer upon their retirement. The Company's accrued liability for these potential future transfers was approximately \$0.1 million and \$0.1 million at March 31, 2024 and 2023, respectively.

SHIPPING COSTS: Sales are increased for freight billed to customers and freight costs are a component of cost of products sold and shown discretely as "Delivery expense" on the consolidated statements of operations.

SUPPLEMENTAL CASH FLOW INFORMATION: The Company paid interest of approximately \$3.0 million and \$2.0 million in fiscal 2024 and fiscal 2023, respectively. The Company paid income taxes of approximately \$3.9 million and \$0.4 million in fiscal 2024 and fiscal 2023, respectively. During fiscal 2023, the Company issued 516,041 shares of common stock as part of the Plateplus business combination discussed in Note 2, resulting in non-cash investing activity of approximately \$4.8 million. During fiscal 2023, there was a non-cash transaction of approximately \$31,000 for the transfer of ownership of a life insurance policy maintained by the Company with respect to an officer from the Company to such officer upon his retirement.

INCOME TAXES: The Company accounts for income taxes under the liability method, whereby the Company recognizes deferred tax assets and liabilities, which represent differences between the financial and income tax reporting bases of its assets and liabilities. Deferred tax assets and liabilities are determined based on temporary differences between income and expenses reported for financial reporting and tax reporting. The Company has assessed, using all available positive and negative evidences, the likelihood that the deferred tax assets will be recovered from future taxable income.

The Company has also analyzed tax positions taken on tax returns filed and does not believe that any are more likely than not to be overturned by the respective tax jurisdiction. Therefore, no liability for uncertain tax positions has been recognized.

USE OF ESTIMATES: The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The more significant estimates and judgements for the Company include determining the fair value of assets acquired and liabilities assumed in the business combination discussed in Note 2. The determination of fair value requires management to make significant judgments and estimates, including the selection of valuation methodologies, estimates of future revenue and cash flows, discount rates and selection of comparable companies. Actual results could differ from these estimates.

FINANCIAL INSTRUMENTS: Since the Company's financial instruments are considered short-term in nature, their carrying values approximate fair value.

EARNINGS PER SHARE: The Company uses the two-class method of calculating earnings per share, which determines earnings per share for each class of common stock and participating security as if all earnings of the period had been distributed. As the holders of restricted stock are entitled to receive non-forfeitable dividends during the restriction period, unvested shares of restricted stock qualify as participating securities. Unvested restricted shares participate on an equal basis with common shares; therefore, there is no difference in undistributed earnings allocated to each participating security. Unvested restricted stock is forfeitable until earned and therefore not considered outstanding for basic earnings per share. Net income per basic common share is computed using the weighted average number of common shares outstanding during the period and net income attributable to common stockholders is adjusted to allocate dividends paid to unvested shares as well as undistributed earnings. Net income per diluted common share is computed using the weighted average number of common shares and participating securities outstanding during the period.

ECONOMIC RELATIONSHIP: The Company purchases its inventory from a limited number of suppliers. Loss of any of these suppliers could have a material adverse effect on the Company.

Flat-roll segment sales to O'Neal Steel accounted for approximately 16% and 15% of total Company sales in fiscal 2024 and fiscal 2023, respectively. No other customers accounted for 10% or more of total Company sales for either fiscal year.

The Company's sales are concentrated primarily in the midwestern, southwestern, and southeastern regions of the United States and are primarily to customers in the steel distributing and fabricating industries. The Company performs periodic credit evaluations of the financial conditions of its customers and generally does not require collateral. Generally, receivables are due within 30 days.

2. BUSINESS COMBINATIONS

On April 30, 2022, (the "Acquisition Date"), the Company acquired certain assets and liabilities of Plateplus, Inc. ("Plateplus"), a wholly owned subsidiary of Metal One, Inc. ("Metal One" or "Seller"), whereby the Company acquired the real estate, buildings, equipment, inventory, and other assets of Plateplus' East Chicago, IN and Granite City, IL facilities and certain steel inventory at Plateplus' Loudon, TN and Houston, TX facilities (the "Transaction"). The East Chicago and Granite City facilities are steel coil processing facilities that produce the same type of products as the Company's facilities in Hickman, AR; Decatur, AL and Sinton, TX. As a result of the Transaction, the Company expanded its footprint and distribution capabilities in the mid-western United States.

The Transaction resulted in the Company acquiring the assets noted above, for a total consideration of approximately \$76.5 million, of which \$71.7 million was cash consideration and \$4.8 million related to 516,041 shares of the Company's common stock issued to the Seller. The fair value of the 516,041 shares issued was determined based on the closing market price of the Company's common stock on April 29, 2022, the last trading day prior to the Acquisition Date. The Transaction was funded with net borrowings of approximately \$71.9 million made under the Company's asset-based lending facility ("ABL Facility") provided by JPMorgan Chase Bank.

The Transaction was accounted for using the acquisition method of accounting, in accordance with Topic 805, Business Combinations, whereby the consideration transferred and the acquired identifiable assets and liabilities assumed are recorded at their respective fair values. The excess of the consideration transferred over the fair values of these identifiable net assets is recorded as goodwill. The Transaction resulted in no residual goodwill.

Fair value of assets acquired and liabilities assumed (in thousands)

Inventory	\$	77,546
Property, plant and equipment		18,022
Operating lease right-of-use asset		1,237
Accounts payable		(19,065)
Operating lease liability		(1,237)
Total	\$	<u>76,503</u>

In fiscal 2023, the Company recorded one-time transaction specific costs of approximately \$1.2 million as a component of "Selling, general and administrative" expenses on the consolidated statement of operations. Information about the debt issuance costs associated with the acquisition financing is provided in Note 4.

3. EQUITY COMPENSATION PLANS AND CAPITAL STOCK

The Company maintains the Friedman Industries, Incorporated 2016 Restricted Stock Plan (the "Plan"). The Plan is administered by the Compensation Committee (the "Committee") of the Board of Directors (the "Board") and continues indefinitely until terminated by the Board or until all shares allowed by the Plan have been awarded and earned. The aggregate number of shares of the Company's Common Stock eligible for award under the Plan is 500,000 shares. Subject to the terms and provisions of the Plan, the Committee may, from time to time, select the employees, directors or consultants to whom awards will be granted and shall determine the amount and applicable restrictions of each award. Restricted awards entitle recipients to vote and receive non-forfeitable dividends during the restriction period. Because dividends are non-forfeitable, they are reflected in retained earnings. Forfeitures are accounted for upon their occurrence. Because the Company accounts for forfeitures as they occur, the non-forfeitable dividends are reclassified from retained earnings to additional stock compensation for the actual forfeitures that occurred.

The following table summarizes the activity related to restricted stock units ("RSUs") for the two years ended March 31, 2024:

	Number of Shares	Weighted Average Grant Date Fair Value Per Share
Unvested at March 31, 2022	139,523	\$ 5.96
Granted.....	7,700	9.10
Vested.....	<u>(46,857)</u>	<u>6.21</u>
Unvested at March 31, 2023	100,366	\$ 6.08
Granted.....	4,487	15.61
Vested.....	<u>(40,366)</u>	<u>6.27</u>
Unvested at March 31, 2024	64,487	\$ 6.62

We measure compensation expense for RSUs at the market price of our common stock as of the grant date. Compensation expense is recognized over the requisite service period applicable to each award. The Company recorded compensation expense of approximately \$0.2 million and \$0.3 million in fiscal 2024 and fiscal 2023, respectively, relating to the RSUs issued under the Plan.

At March 31, 2024 and 2023 unrecognized compensation expense related to unvested RSUs was approximately \$0.1 million and \$0.3 million, respectively, which is expected to be recognized over a weighted average period of approximately 0.8 years and 1.4 years, respectively.

As of March 31, 2024, a total of 117,998 shares were still available to be issued under the Plan.

The Company has 1,000,000 authorized shares of Cumulative Preferred Stock with a par value of \$1 per share. The stock may be issued in one or more series, and the Board of Directors is authorized to fix the designations, preferences, rights,

qualifications, limitations and restrictions of each series, except that any series must provide for cumulative dividends and must be convertible into Common Stock. There were no shares of Cumulative Preferred Stock issued as of March 31, 2024 or March 31, 2023.

On December 13, 2023, the Company repurchased 400,041 shares of the Company's common stock from Metal One Corporation for an aggregate repurchase of approximately \$5.1 million. Also on December 13, 2023, the Board of Directors authorized the repurchase, for retirement, of up to 1,045,774 additional shares of our common stock in open-market transactions or otherwise with the authorization expiring December 13, 2026. The Company did not repurchase any shares through the open market during fiscal 2024 or fiscal 2023 but did acquire 3,723 shares and 4,162 shares during fiscal 2024 and fiscal 2023, respectively, as employee withholding taxes paid on vested restricted stock.

4. DEBT

The Company has a \$150 million asset-based lending facility ("ABL Facility") in place with JPMorgan Chase Bank, N.A. as the arranging agent and BMO Harris Bank, N.A. as a one-third syndicated participant. The ABL Facility matures on May 19, 2026 and is secured by substantially all of the assets of the Company. The Company can elect borrowings on a floating rate basis or a term basis. Floating rate borrowings accrue interest at a rate equal to the prime rate minus 1% per annum. Term rate borrowings accrue interest at a rate equal to the SOFR rate applicable to the selected term plus 1.8% per annum. Availability of funds under the ABL Facility is subject to a borrowing base calculation determined as the sum of (a) 90% of eligible accounts receivable, plus (b) the product of 85% multiplied by the net orderly liquidating value percentage identified in the most recent inventory appraisal multiplied by eligible inventory. The ABL Facility contains a springing financial covenant whereby the financial covenant is only tested when availability falls below the greater of 15% of the revolving commitment or \$22.5 million. The financial covenant restricts the Company from allowing its fixed charge coverage ratio to be, as of the end of any calendar month, less than 1.10 to 1.00 for the trailing twelve-month period then ending. The fixed charge coverage ratio is calculated as the ratio of (a) EBITDA, as defined in the ABL Facility, minus unfinanced capital expenditures to (b) cash interest expense plus scheduled principal payments on indebtedness plus taxes paid in cash plus restricted payments paid in cash plus capital lease obligation payments plus cash contributions to any employee pension benefit plans. The ABL Facility contains other representations and warranties and affirmative and negative covenants that are usual and customary. If certain conditions precedent are satisfied, the ABL facility may be increased by up to an aggregate of \$25 million, in minimum increments of \$5 million. At March 31, 2024, the Company had a balance of approximately \$40.3 million under the ABL Facility with an applicable interest rate of 7.5%. At March 31, 2024, the Company's applicable borrowing base calculation supported access to approximately \$103.0 million of the ABL Facility.

The Company incurred debt issuance costs of approximately \$0.4 million in connection with the ABL Facility. The Company recorded these debt issuance costs as non-current other assets and is amortizing these costs on an equal monthly basis over the remaining term of the ABL facility.

5. LEASES

The Company was assigned an operating lease associated with the real property and leasehold improvements for the Granite City, IL facility acquired from Plateplus pursuant to the transaction disclosed in Note 2. In January 2024, this lease was renewed with an expiration date of August 31, 2028 with optional renewal provisions for up to 4 renewal terms of five years each. The lease calls for monthly rental payments that adjust on an annual basis. The monthly rental payment in place at March 31, 2024 and remaining in place until adjustment in September 2024 is approximately \$13,000 per month. The anticipated execution of renewal options for this lease is included in the ROU asset and lease liability calculation. In February 2024, the Company commenced an operating lease for administrative office space in The Woodlands, TX. This lease is for 60 months with an expiration date of February 28, 2029 and a renewal option for one additional 60 month term. The lease calls for monthly rental payments that adjust on an annual basis. The monthly rental payment in place at March 31, 2024 and remaining in place until adjustment in March 2025 is approximately \$11,000 per month. The Company's lease of its office space in Longview, Texas is the only other operating lease included in the Company's ROU assets and lease liabilities. This lease was renewed in April 2024 for a 36 month term expiring on April 30, 2027 with monthly rental payments of approximately \$5,000. The Company's other operating leases for items such as IT equipment and storage space are either short-term in nature or immaterial.

In October 2019, the Company received a new heavy-duty forklift under a 5-year finance lease arrangement with a financed amount of approximately \$0.5 million and a monthly payment of approximately \$9,000.

The components of expense related to leases were as follows for the fiscal years ended March 31, 2024 and 2023 (in thousands):

	<u>Fiscal 2024</u>	<u>Fiscal 2023</u>
Finance lease – amortization of ROU asset.....	\$ 106	\$ 105
Finance lease – interest on lease liability	3	4
Operating lease expense.....	234	127
	<u>\$ 343</u>	<u>\$ 236</u>

The following table illustrates the balance sheet classification for ROU assets and lease liabilities as of March 31, 2024 and 2023 (in thousands):

	<u>March 31, 2024</u>	<u>March 31, 2023</u>	<u>Balance Sheet Classification</u>
Assets			
Operating lease right-of-use asset.....	\$ 2,841	\$ 1,270	Operating lease right-of-use asset
Finance lease right-of-use asset	404	430	Property, plant & equipment
Total right-of-use assets.....	<u>\$ 3,245</u>	<u>\$ 1,700</u>	
Liabilities			
Operating lease liability, current.....	\$ 101	\$ 101	Accrued expenses
Finance lease liability, current	54	107	Current portion of finance lease
Operating lease liability, non-current.....	2,782	1,168	Non-current lease liabilities
Finance lease liability, non-current.....	—	54	Non-current lease liabilities
Total lease liabilities.....	<u>\$ 2,937</u>	<u>\$ 1,430</u>	

As of March 31, 2024, the weighted-average remaining lease term was 20.4 years for operating leases and 0.5 years for finance leases. The weighted average discount rate was 7.5% for operating leases and 1.9% for finance leases.

Maturities of lease liabilities as of March 31, 2024 were as follows (in thousands):

	<u>Operating Leases</u>	<u>Finance Leases</u>
Fiscal 2025	299	54
Fiscal 2026	303	—
Fiscal 2027	311	—
Fiscal 2028	319	—
Fiscal 2029 and beyond.....	5,043	—
Total undiscounted lease payments.....	\$ 6,275	\$ 54
Less: imputed interest	(3,392)	—
Present value of lease liability.....	\$ 2,883	\$ 54

6. PROPERTY, PLANT AND EQUIPMENT

In October 2022, the Company completed its new facility in Sinton, Texas, which is part of the flat-roll product segment (previously referred to as the coil product segment) at a total completed cost of approximately \$22.2 million. The new facility is on the campus of Steel Dynamics, Inc.'s ("SDI") new flat roll steel mill in Sinton, Texas and consists of an approximately 70,000 square foot building located on approximately 26.5 acres leased from SDI under a 99-year agreement with an annual rental payment of \$1. The facility is equipped with a stretcher leveler cut-to-length line that is capable of handling material up to 1" thick, widths up to 96" and yields exceeding 100,000 psi.

At March 31, 2024, the Company's construction in process balance of approximately \$2.0 million consisted primarily of approximately \$1.8 million associated with a processing line upgrade at the Decatur, AL facility. The total estimated cost of this project is \$2.2 million with completion expected during the June 30, 2024 quarter. The remaining construction in process balance is comprised of several smaller projects.

Depreciation expense was approximately \$3.0 million and \$2.5 million for fiscal 2024 and fiscal 2023, respectively.

7. DERIVATIVE FINANCIAL INSTRUMENTS

From time to time, we expect to utilize derivative financial instruments to minimize our exposure to commodity price risk that is inherent in our business. At the time derivative contracts are entered into, we assess whether the nature of the instrument qualifies for hedge accounting treatment according to the requirements of ASC 815 – Derivatives and Hedging (“ASC 815”). By using derivatives, the Company is exposed to credit and market risk. The Company’s exposure to credit risk includes the counterparty’s failure to fulfill its performance obligations under the terms of the derivative contract. The Company attempts to minimize its credit risk by entering into transactions with high quality counterparties, and uses exchange-traded derivatives when available. Market risk is the risk that the value of the financial instrument might be adversely affected by a change in commodity prices. The Company manages market risk by continually monitoring exposure within its risk management strategy and portfolio. For those transactions designated as hedging instruments, we document all relationships between hedging instruments and hedged items, as well as our risk-management objective and strategy for undertaking the various hedge transactions. We also assess, both at the hedge’s inception and on an ongoing basis, whether the derivatives used in hedging transactions are highly effective in offsetting changes in cash flows or fair value of hedged items.

From time to time, derivatives designated for hedge accounting may be closed prior to contract expiration. The accounting treatment of closed positions depends on whether the closure occurred due to the hedged transaction occurring early or if the hedged transaction is still expected to occur as originally forecasted. For hedged transactions that occur early, the closure results in the realized gain or loss from closure being recognized in the same period the accelerated hedged transaction affects earnings. For hedged transactions that are still expected to occur as originally forecasted, the closure results in the realized gain or loss being deferred until the hedged transaction affects earnings.

If it is determined that hedged transactions associated with cash flow hedges are no longer probable of occurring, the gain or loss associated with the instrument is recognized immediately into earnings.

From time to time, we may have derivative financial instruments for which we do not elect hedge accounting.

The Company has forward physical purchase supply agreements in place for a portion of its monthly physical steel needs. These supply agreements are not subject to mark-to-market accounting due to the Company electing the normal purchase normal sale exclusion provided in ASC 815.

At March 31, 2024, the Company did not have any hot-rolled coil futures contracts designated as hedging instruments and classified as cash flow hedges. At March 31, 2023, the Company held hot-rolled coil futures contracts which were designated as hedging instruments and classified as cash flow hedges, as hedges of variable sales prices. Accordingly, realized and unrealized gains and losses associated with the instruments were reported as a component of other comprehensive income and reclassified into earnings during the period in which the hedged transaction affects earnings.

During fiscal 2024 and fiscal 2023, the Company also entered into hot-rolled coil futures contracts that were not designated as hedging instruments for accounting purposes. Accordingly, the change in fair value related to these instruments was immediately recognized in earnings for these periods.

The following table summarizes the fair value of the Company’s derivative financial instruments and the respective line in which they were recorded in the Consolidated Balance Sheet as of March 31, 2024 (in thousands):

	<u>Asset Derivatives</u>		<u>Liability Derivatives</u>	
	<u>Balance Sheet Location</u>	<u>Fair Value</u>	<u>Balance Sheet Location</u>	<u>Fair Value</u>
Derivatives not designated as hedging instruments:	Current portion of derivative		Current portion of derivative	
Hot-rolled coil steel contracts	assets	\$ 74	liability	\$ 1,686

The following table summarizes the fair value of the Company's derivative financial instruments and the respective line in which they were recorded in the Consolidated Balance Sheet as of March 31, 2023 (in thousands):

Derivatives not designated as hedging instruments:	Asset Derivatives		Liability Derivatives	
	Balance Sheet	Fair Value	Balance Sheet	Fair Value
	Location		Location	
	Current portion of derivative assets		Current portion of derivative liability	
Hot-rolled coil steel contracts.....		\$ 536		\$ 2,212

All derivatives are presented on a gross basis on the Consolidated Balance Sheet.

At March 31, 2024, the Company reported approximately \$33,000 in "Accounts payable and accrued expenses" on its Consolidated Balance Sheet related to futures contracts for the month of March 2024 that had reached expiration but were pending cash settlement. At March 31, 2023, the Company reported approximately \$1.6 million in "Other current assets" on its Consolidated Balance Sheet related to futures contracts for the month of March 2023 that had reached expiration but were pending cash settlement.

The Company did not have any open cash flow hedges at March 31, 2024 or March 31, 2023.

The following table summarizes the pre-tax gain recognized in other comprehensive income and the loss reclassified from accumulated other comprehensive income into earnings for derivative financial instruments designated as cash flow hedges for the twelve months ended March 31, 2024 and 2023 (in thousands):

	Pre-Tax Gain Recognized in OCI	Location of Loss Reclassified from AOCI into Net Earnings	Pre-Tax Loss Reclassified from AOCI into Net Earnings
For the twelve months ended March 31, 2024			
Hot-rolled coil steel contracts.....	\$ —	Sales	\$ (418)
Total.....	\$ —		\$ (418)
For the twelve months ended March 31, 2023			
Hot-rolled coil steel contracts.....	\$ 9,005	Sales	\$ (4,116)
Total.....	\$ 9,005		\$ (4,116)

The following table summarizes the gain recognized in earnings for derivative instruments not designated as hedging instruments during fiscal 2024 (in thousands):

	Location of Gain Recognized in Earnings	Gain Recognized in Earnings for Fiscal Year Ended March 31, 2024
Hot-rolled coil steel contracts.....	Gain on economic hedges of risk	\$ 1,848

The following table summarizes the gain recognized in earnings for derivative instruments not designated as hedging instruments during fiscal 2023 (in thousands):

	Location of Gain Recognized in Earnings	Gain Recognized in Earnings for Fiscal Year Ended March 31, 2023
Hot-rolled coil steel contracts.....	Gain on economic hedges of risk	\$ 9,306

The notional amount (quantity) of our derivative instruments not designated as hedging instruments at March 31, 2024 consisted of 24,300 tons of short positions with maturity dates ranging from May 2024 to December 2024 and 4,500 tons of long positions with maturity dates ranging from April 2024 to May 2024.

The following tables reflect the change in accumulated other comprehensive income (loss), net of tax, for the periods presented (in thousands):

	Gain (Loss) on Derivatives
Balance at March 31, 2023.....	\$ (317)
Other comprehensive income, net of loss, before reclassification.....	—
Total loss reclassified from AOCI (1)	317
Net current period other comprehensive income.....	317
Balance at March 31, 2024.....	<u>\$ —</u>

(1) The loss reclassified from AOCI is presented net of taxes of approximately \$0.1 million which are included in provision for income taxes on the Company's Consolidated Statement of Operations for the fiscal year ended March 31, 2024.

	Gain (Loss) on Derivatives
Balance at March 31, 2022.....	(10,269)
Other comprehensive income, net of loss, before reclassification.....	6,830
Total loss reclassified from AOCI (1)	3,122
Net current period other comprehensive income.....	9,952
Balance at March 31, 2023.....	<u>(317)</u>

(1) The loss reclassified from AOCI is presented net of taxes of approximately \$1.0 million which are included in provision for income taxes on the Company's Consolidated Statement of Operations for the fiscal year ended March 31, 2023.

At March 31, 2024 and 2023, cash of approximately \$3.0 million and \$2.4 million, respectively, was held by our clearing agent to collateralize our open derivative positions. These cash requirements are included in "Other current assets" on the Company's Consolidated Balance Sheets at March 31, 2024 and 2023.

8. FAIR VALUE MEASUREMENTS

Accounting standards provide a comprehensive framework for measuring fair value and sets forth a definition of fair value and establishes a hierarchy prioritizing the inputs to valuation techniques, giving the highest priority to quoted prices in active markets for identical assets and liabilities and the lowest priority to unobservable value inputs. Levels within the hierarchy are defined as follows:

- Level 1 – Quoted prices for identical assets and liabilities in active markets.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the assets and liabilities, either directly or indirectly.
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

Recurring Fair Value Measurements

At March 31, 2024, our financial liabilities, net, measured at fair value on a recurring basis were as follows (in thousands):

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Commodity futures – financial liabilities, net	\$ (1,612)	\$ —	\$ —	\$ (1,612)
Total	<u>\$ (1,612)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (1,612)</u>

At March 31, 2023, our financial liabilities, net, measured at fair value on a recurring basis were as follows (in thousands):

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Commodity futures – financial liabilities, net	\$ (1,676)	\$ —	\$ —	\$ (1,676)
Total	<u>\$ (1,676)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (1,676)</u>

At March 31, 2024 and 2023, the Company did not have any fair value measurements on a non-recurring basis.

9. EARNINGS PER SHARE

Basic and dilutive net earnings per share is computed based on the following information (in thousands, except for share data):

	Year Ended March 31,	
	2024	2023
Numerator (basic and diluted)		
Net earnings	\$ 17,345	\$ 21,344
Less: Allocation to unvested restricted stock units	\$ 177	\$ 329
Net earnings attributable to common shareholders	<u>17,168</u>	<u>21,015</u>
Denominator (basic and diluted)		
Weighted average common shares outstanding	<u>7,183,702</u>	<u>7,216,142</u>

For fiscal 2024 and fiscal 2023, the Company allocated dividends and undistributed earnings to the unvested restricted stock units.

As the restricted stock qualifies as participating securities, the following restricted stock units were not accounted in the computation of weighted average diluted common shares outstanding under the two-class method:

	Year Ended March 31,	
	2024	2023
Restricted Stock Units.....	48,049	55,546

10. INCOME TAXES

Components of tax expense (benefit) are as follows (in thousands):

	Year Ended March 31,	
	2024	2023
Federal		
Current	\$ 4,248	\$ 2,135
Deferred	473	3,425
	<u>4,721</u>	<u>5,560</u>
State		
Current	927	1,384
Deferred	321	(99)
	<u>1,248</u>	<u>1,285</u>
Total	<u>\$ 5,969</u>	<u>\$ 6,845</u>

The U.S. federal statutory income tax rate is reconciled to the effective rate as follows:

	Year Ended March 31,	
	2024	2023
Income tax expense at U.S. federal statutory rate	21.0%	21.0%
Current year state and local income taxes net of federal income tax benefit.....	4.3	3.5
Other.....	0.3	(0.3)
Provision for income taxes	<u>25.6%</u>	<u>24.2%</u>

The Company's tax returns may be subject to examination by the Internal Revenue Service for the fiscal years ended March 31, 2021 through March 31, 2023. State and local returns may be subject to examination for fiscal years ended March 31, 2020 through March 31, 2023.

Deferred income taxes are provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's consolidated deferred tax assets (liabilities) are as follows (in thousands):

	March 31,	
	2024	2023
Deferred tax liabilities:		
Depreciation.....	\$ (6,451)	\$ (5,786)
Total deferred tax liabilities	<u>(6,451)</u>	<u>(5,786)</u>
Deferred tax assets:		
Unrealized derivative loss - OCI.....	—	106
Inventory capitalization	552	548
Postretirement benefits other than pensions.....	26	25
Restricted stock compensation.....	77	91
Unrealized loss - mark to market derivatives.....	403	526
Other	136	133
Total deferred tax assets	<u>1,194</u>	<u>1,429</u>
Net deferred tax liability.....	<u>\$ (5,257)</u>	<u>\$ (4,357)</u>

11. OTHER COMPREHENSIVE INCOME

The following table summarizes the tax effects on each component of Other Comprehensive Income for the periods presented (in thousands):

	Twelve Months Ended March 31, 2024		
	<u>Before-Tax</u>	<u>Tax Provision</u>	<u>Net-of-Tax</u>
Cash flow hedges	\$ 418	\$ (101)	\$ 317
Other comprehensive income	<u>\$ 418</u>	<u>\$ (101)</u>	<u>\$ 317</u>

	Twelve Months Ended March 31, 2023		
	<u>Before-Tax</u>	<u>Tax Provision</u>	<u>Net-of-Tax</u>
Cash flow hedges	\$ 13,121	\$ (3,169)	\$ 9,952
Other comprehensive income	<u>\$ 13,121</u>	<u>\$ (3,169)</u>	<u>\$ 9,952</u>

12. RETIREMENT PLAN

The Company maintains the Friedman Industries, Inc. Employees' Retirement and 401(k) Plan (the "Plan"). Employees fully vest in the Plan upon six years of service.

Employees may elect to participate in the 401(k) portion of the Plan. Employees are eligible to participate in the Plan when the employee has completed six months of service. Under the Plan, participating employees may defer a portion of their earnings up to certain limits prescribed by the Internal Revenue Service. The Company provides matching contributions under the provisions of the Plan. Contribution expense related to the 401(k) portion of the Plan was approximately \$0.5 million and \$0.1 million for the years ended March 31, 2024 and 2023, respectively.

The retirement portion of the Plan covers substantially all employees, including officers. Any contributions are determined at the discretion of the Board of Directors in an amount not to exceed 15% of the total compensation paid during the year to all eligible employees. The Company did not make a contribution to the retirement portion of the Plan in fiscal 2024. For fiscal 2023, the Company's contribution expense was approximately \$0.4 million. Contributions, plan earnings and forfeitures of non-vested accounts of terminated participants are allocated to the remaining individual accounts determined by a point schedule based on years of employment with the Company.

13. INDUSTRY SEGMENT DATA

The Company is engaged in the steel processing, pipe manufacturing and processing and steel and pipe distribution business. Within the Company, there are two product groups: flat-roll and tubular. The Company's flat-roll operations consists primarily of converting steel coils into flat sheet and plate steel cut to customer specifications. Through its tubular operations, the Company purchases, processes, manufactures and markets tubular products. The following is a summary of significant financial information relating to the product groups (in thousands):

	Year Ended March 31,	
	2024	2023
NET SALES:		
Flat-Roll.....	\$ 472,774	\$ 485,641
Tubular	43,477	61,901
TOTAL NET SALES	<u>\$ 516,251</u>	<u>\$ 547,542</u>
OPERATING PROFIT:		
Flat-Roll.....	\$ 33,226	\$ 23,421
Tubular	2,980	8,641
TOTAL OPERATING PROFIT.....	<u>36,206</u>	<u>32,062</u>
General corporate expenses	(11,688)	(10,988)
Gain on economic hedges of risk.....	1,848	9,306
Interest expense	(3,072)	(2,218)
Other income	20	27
TOTAL EARNINGS BEFORE INCOME TAXES	<u>\$ 23,314</u>	<u>\$ 28,189</u>
IDENTIFIABLE ASSETS:		
Flat-Roll.....	\$ 205,797	\$ 179,780
Tubular	19,589	15,858
	<u>225,386</u>	<u>195,638</u>
General corporate assets	4,633	3,674
TOTAL ASSETS.....	<u>\$ 230,019</u>	<u>\$ 199,312</u>
DEPRECIATION:		
Flat-Roll.....	\$ 2,637	\$ 2,097
Tubular	317	330
Corporate and other	116	99
	<u>\$ 3,070</u>	<u>\$ 2,526</u>
CAPITAL EXPENDITURES:		
Flat-Roll.....	\$ 5,176	\$ 16,328
Tubular	510	125
Corporate and other	106	1
	<u>\$ 5,792</u>	<u>\$ 16,454</u>

Operating profit is total net sales less operating expenses, excluding general corporate expenses, gain on economic hedges, interest expense and other income. General corporate expenses reflect general and administrative expenses not directly associated with segment operations and consist primarily of corporate and accounting salaries, professional fees and services, bad debts, retirement plan contribution expense, corporate insurance expenses, restricted stock plan compensation expense and office supplies. At March 31, 2024 and 2023, corporate assets consisted primarily of cash, restricted cash, unamortized debt issuance costs and the cash value of officers' life insurance. Although inventory is transferred at cost between product groups, there are no sales between product groups.

14. REVENUE

Revenue is generated primarily from contracts to manufacture or process steel products. Most of the Company's revenue is generated by sales of material out of the Company's inventory but a portion of the Company's revenue is derived from processing or storage of customer owned material. Generally, the Company's performance obligations are satisfied, control of our products is transferred, and revenue is recognized at a single point in time, when title transfers to our customer for product shipped or when services are provided. Revenues are recorded net of any sales incentives. Shipping and other transportation costs charged to customers are treated as fulfillment activities and are recorded in both revenue and cost of sales at the time control is transferred to the customer. Costs related to obtaining sales contracts are incidental and expensed when incurred. Because customers are invoiced at the time title transfers and the Company's rights to consideration are unconditional at that time, the Company does not maintain contract asset balances. Additionally, the Company does not maintain contract liability balances, as performance obligations are satisfied prior to customer payment for product. The Company offers industry standard payment terms.

The Company has two reportable segments: Flat-Roll and Tubular. Flat-roll primarily generates revenue from cutting to length hot-rolled steel coils. Flat-roll segment revenue consists of two product types: Company Owned Flat-Roll Products and Processing or Storage of Customer Owned Coil. Tubular primarily generates revenue from selling steel pipe it has manufactured resulting in a single product type: Manufactured Pipe.

The following table disaggregates our revenue by product for each of our reportable business segments for the fiscal years ended March 31, 2024 and 2023, respectively (in thousands):

	Fiscal Year Ended March 31,	
	2024	2023
Flat-Roll Segment:		
Company Owned Flat-Roll Products.....	\$ 467,510	\$ 482,890
Processing or Storage of Customer Owned Coil	5,264	2,751
	<u>\$ 472,774</u>	<u>\$ 485,641</u>
Tubular Segment:		
Manufactured Pipe	\$ 43,477	\$ 61,901
	<u>\$ 43,477</u>	<u>\$ 61,901</u>

SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS
FRIEDMAN INDUSTRIES, INCORPORATED
(In thousands)

<u>Description</u>	<u>Balance at Beginning of Period</u>	<u>Additions (A)</u>	<u>Deductions (B)</u>	<u>Balance at End of Period</u>
Year ended March 31, 2024				
Allowance for credit losses and cash discounts (deducted from related asset account).....	\$ 183	\$ —	(86)	\$ 97
Year ended March 31, 2023				
Allowance for credit losses and cash discounts (deducted from related asset account).....	\$ 85	\$ 98	—	\$ 183

(A) Additions consist of charges to bad debt expense of approximately \$98 in fiscal 2023.

(B) Deductions consist of accounts receivable written off of approximately \$38, accompanied with collections of previously reserved accounts of \$48 for fiscal 2024.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of
Friedman Industries, Incorporated

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Friedman Industries, Incorporated and subsidiary (the “Company”) as of March 31, 2024 and 2023, the related consolidated statements of operations, comprehensive income, stockholders’ equity, and cash flows for the years then ended, and the related notes and schedule (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of March 31, 2024 and 2023, and the consolidated results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the Company’s internal control over financial reporting as of March 31, 2024, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated June 11, 2024 expressed an unqualified opinion on the Company’s internal control over financial reporting.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures to respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

Critical audit matters are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. We determined that there are no critical audit matters.

/s/ Moss Adams LLP

Houston, Texas
June 11, 2024

We have served as the Company’s auditor since 2017.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of
Friedman Industries, Incorporated

Opinion on Internal Control over Financial Reporting

We have audited Friedman Industries, Incorporated and subsidiary's (the "Company") internal control over financial reporting as of March 31, 2024, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 31, 2024, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets of Friedman Industries, Incorporated and subsidiary as of March 31, 2024 and 2023, the related consolidated statements of operations, comprehensive income, stockholders' equity, and cash flows for the years then ended, and the related notes and schedule (collectively referred to as the "consolidated financial statements") and our report dated June 11, 2024 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Moss Adams LLP

Houston, Texas
June 11, 2024

We have served as the Company's auditor since 2017.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as is defined in the Exchange Act. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external reporting purposes in accordance with GAAP.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management conducted an evaluation, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our internal control over financial reporting based on the framework in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on this evaluation, our management concluded that our internal control over financial reporting was effective at March 31, 2024.

Changes in Internal Control over Financial Reporting

For our prior fiscal year, management concluded certain material weaknesses existed relating to our financial closing and reporting process. During fiscal 2024, the Company executed a remediation plan which involved a combination of implementing new internal controls and improving the performance and documentation of previously existing controls. As a result of these efforts, management was able to conclude that all previously identified material weaknesses were remediated and no additional material weaknesses were identified.

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

COMPANY OVERVIEW

Friedman Industries, Incorporated is a manufacturer and processor of steel products and operates in two reportable segments: flat-roll products and tubular products. The flat-roll segment was previously referred to as the coil segment. The Company is now using flat-roll to describe the segment due to it being a more common term used in the Company's industry.

The flat-roll product segment consists of the operation of five hot-rolled coil processing facilities located in Hickman, Arkansas; Decatur, Alabama; East Chicago, Indiana; Granite City, Illinois and Sinton, Texas. The facilities in Granite City and East Chicago were acquired on April 30, 2022 from Plateplus, Inc ("Plateplus"). More information about the Plateplus transaction can be found in Note 2 to the consolidated financial statements. The facility in Sinton is a newly constructed facility that commenced operations during October 2022. The Hickman, Granite City and East Chicago facilities operate temper mills and cut-to-length lines. The Decatur and Sinton facilities operate stretcher leveler cut-to-length lines. The equipment at all locations improve the flatness and surface quality of the coils and cut the coils into sheet and plate of prescribed lengths. On a combined basis, the facilities are capable of cutting sheet and plate with thicknesses ranging from 16 gauge to 1" thick in widths ranging from 36" wide to 96" wide. The vast majority of flat-roll product segment revenue is generated from sales of Company owned inventory but the segment also generates revenue from the processing or storage of customer owned coils on a fee basis.

The tubular product segment consists of the Company's Texas Tubular Products division ("TTP") located in Lone Star, Texas. TTP operates two electric resistance welded pipe mills with a combined outside diameter ("OD") size range of 2 3/8" OD to 8 5/8" OD. Both pipe mills are American Petroleum Institute ("API") licensed to manufacture line pipe and oil country pipe and also manufacture pipe for structural purposes that meets other recognized industry standards. TTP has a pipe finishing facility capable of applying threads and couplings to oil country tubular goods and performing other services that are customary in the pipe finishing process. The pipe finishing facility is currently idled. All of the tubular segment's revenue is generated from sales of Company owned inventory.

RESULTS OF OPERATIONS

Year ended March 31, 2024 compared to year ended March 31, 2023

During the year ended March 31, 2024 ("fiscal 2024"), sales and costs of materials sold decreased approximately \$31.3 million and \$39.3 million, respectively, and gross margin increased approximately \$8.0 million from the comparable amounts recorded during the year ended March 31, 2023 ("fiscal 2023"). The decrease in sales was primarily related to a decline in the average selling price per ton partially offset by an increase in sales volume. Sales volume for fiscal 2024 consisted of approximately 509,000 tons from inventory and another 101,000 tons of toll processing customer owned material compared to fiscal 2023 volume consisting of approximately 467,000 tons from inventory and 48,000 tons of toll processing. The growth in sales volume was primarily related to the Sinton, TX facility operating for the full fiscal 2024 period compared to commencing operations in October 2022 of the fiscal 2023 period. Gross margin increased from approximately \$91.1 million for fiscal 2023 to approximately \$99.1 million for fiscal 2024. Gross margin is calculated as net sales minus cost of materials sold. Gross margin as a percentage of sales increased from approximately 16.6% in fiscal 2023 to approximately 19.2% in fiscal 2024.

Our operating results are significantly impacted by the market price of hot-rolled steel coil ("HRC"). The Company experienced significant volatility in steel price during both fiscal 2024 and fiscal 2023. Entering fiscal 2023, HRC prices experienced a sharp and abrupt increase in reaction to the Russian invasion of Ukraine increasing approximately 60% from March 2022 to April 2022. HRC prices then declined approximately 60% until the middle of December 2022. From December 2022 until April 2023, domestic steel producers announced several rounds of price increases with HRC prices increasing approximately 95% during this time. From the middle of April 2023 and until early October 2023, HRC prices declined approximately 45%. From early October 2023 through December 2023, HRC prices increased approximately 66%. From January 2024 through the end of fiscal 2024, HRC prices decreased approximately 25%. For both fiscal 2024 and fiscal 2023, the Company experienced the strongest margins in the first quarter of each year followed by lower margins in the second and third quarters and concluding with margin improvement for the fourth quarter.

Flat-Roll Segment

Flat-roll product segment sales for fiscal 2024 totaled approximately \$472.8 million compared to approximately \$485.6 million for fiscal 2023. For a more complete understanding of the average selling prices of goods sold, it is helpful to exclude any hedging related gains or losses that are captured in sales and any sales generated from processing or storage of customer owned material. Flat-roll segment sales for fiscal 2024 were reduced by approximately \$0.4 million for the recognition of hedging related losses. Flat-roll segment sales for fiscal 2023 were reduced by approximately \$4.1 million for the recognition of hedging related losses. Sales generated from processing or storage of customer owned material totaled approximately \$5.3 million for fiscal 2024 compared to approximately \$2.8 million for fiscal 2023. Sales generated from flat-roll segment inventory, excluding the impact of any hedging related gains or losses, totaled approximately \$467.9 million for fiscal 2024 compared to approximately \$486.9 million for fiscal 2023. The average per ton selling price related to these shipments decreased from approximately \$1,131 per ton in fiscal 2023 to approximately \$987 per ton in fiscal 2024. Flat-roll segment sales volume for fiscal 2024 consisted of approximately 474,000 tons from inventory and another 101,000 tons of toll processing customer owned material compared to fiscal 2023 volume consisting of approximately 430,500 tons from inventory and 48,000 tons of toll processing. The growth in sales volume was primarily related to the Sinton, TX facility operating for the full fiscal 2024 period compared to commencing operations in October 2022 of the fiscal 2023 period. Flat-roll segment operations recorded operating profits of approximately \$33.2 million and \$23.4 million in fiscal 2024 and fiscal 2023, respectively. Operating profit for fiscal 2024 includes recognized net losses on hedging activities of approximately \$0.4 million while fiscal 2023 operating profit included recognized net losses on hedging activities of approximately \$4.1 million.

The Company's flat-roll segment purchases its inventory from a limited number of suppliers. Loss of any of these suppliers could have a material adverse effect on the Company's business.

Tubular Segment

Tubular product segment sales for fiscal 2024 totaled approximately \$43.5 million compared to approximately \$61.9 million for fiscal 2023. Tubular segment sales for fiscal 2024 and fiscal 2023 were not impacted by any hedging related gains or losses. Sales decreased due to a decline in the average selling price per ton, accompanied by a slight decline in the volume sold. The average per ton selling price decreased from approximately \$1,700 per ton for fiscal 2023 to approximately \$1,239 per ton for fiscal 2024. Tons sold decreased from approximately 36,500 tons in fiscal 2023 to approximately 35,000 tons in fiscal 2024. Tubular segment operations recorded operating profits of approximately \$3.0 million and \$8.6 million for fiscal 2024 and 2023, respectively.

The tubular segment purchases its inventory from a limited number of suppliers. Loss of any of these suppliers could have a material adverse effect on the Company's business.

Selling, General and Administrative Costs

During fiscal 2024, selling, general and administrative costs decreased approximately \$0.8 million compared to fiscal 2023. This decrease is primarily related to fiscal 2023 containing one-time costs associated with the Plateplus transaction with this decrease being partially offset by increased payroll and benefits in fiscal 2024 associated with a higher employee count.

Income Taxes

Income taxes decreased from a provision for fiscal 2023 of approximately \$6.8 million to a provision for fiscal 2024 of approximately \$6.0 million. This decrease was related primarily to lower earnings before tax for fiscal 2024 compared to fiscal 2023.

FINANCIAL CONDITION, LIQUIDITY AND SOURCES OF CAPITAL

The Company's current ratio was 3.1 and 3.2 at March 31, 2024 and 2023, respectively. Working capital was approximately \$116.0 million at March 31, 2024 and \$98.6 million at March 31, 2023.

During the year ended March 31, 2024, the Company maintained assets and liabilities at levels it believed were commensurate with operations. Changes in balance sheet amounts occurred in the ordinary course of business. The ending balance of cash and restricted cash was comparable year over year with cash generated from operating activities and cash provided by financing activities slightly exceeding cash used for the purchase of property, plant and equipment. The Company expects to continue to monitor, evaluate and manage balance sheet components depending on changes in market conditions and the Company's operations.

The Company has a \$150 million asset-based lending facility ("ABL Facility") in place with JPMorgan Chase Bank, N.A. as the arranging agent and BMO Harris Bank, N.A. as a one-third syndicated participant. The ABL Facility matures on May 19, 2026 and is secured by substantially all of the assets of the Company. The Company can elect borrowings on a floating rate basis or a term basis. Floating rate borrowings accrue interest at a rate equal to the prime rate minus 1% per annum. Term rate borrowings accrue interest at a rate equal to the SOFR rate applicable to the selected term plus 1.8% per annum. Availability of funds under the ABL Facility is subject to a borrowing base calculation determined as the sum of (a) 90% of eligible accounts receivable, plus (b) the product of 85% multiplied by the net orderly liquidating value percentage identified in the most recent inventory appraisal multiplied by eligible inventory. The ABL Facility contains a springing financial covenant whereby the financial covenant is only tested when availability falls below the greater of 15% of the revolving commitment or \$22.5 million. The financial covenant restricts the Company from allowing its fixed charge coverage ratio to be, as of the end of any calendar month, less than 1.10 to 1.00 for the trailing twelve-month period then ending. The fixed charge coverage ratio is calculated as the ratio of (a) EBITDA, as defined in the ABL Facility, minus unfinanced capital expenditures to (b) cash interest expense plus scheduled principal payments on indebtedness plus taxes paid in cash plus restricted payments paid in cash plus capital lease obligation payments plus cash contributions to any employee pension benefit plans. The ABL Facility contains other representations and warranties and affirmative and negative covenants that are usual and customary. If certain conditions precedent are satisfied, the ABL facility may be increased by up to an aggregate of \$25 million, in minimum increments of \$5 million. At March 31, 2024, the Company had a balance of approximately \$40.3 million under the ABL Facility with an applicable interest rate of 7.5%. At March 31, 2024, the Company's applicable borrowing base calculation supported access to approximately \$103.0 million of the ABL Facility. As of the filing date of this Form 10-K, the Company had borrowings of approximately \$34.9 million outstanding under the ABL Facility and the Company's most recent borrowing base calculation provided access to approximately \$114.5 million of the ABL Facility.

The Company believes that its current cash position along with cash flows from operations and borrowing capability due to its financial position are adequate to fund its expected cash requirements for the next 12 months.

HEDGING ACTIVITIES

The Company utilizes hot-rolled coil futures to manage price risk on unsold inventory and longer-term fixed price sales agreements. The Company has elected hedge accounting for some of its hedging activities previously but most recently the Company has classified its hedging activities as economic hedges of risk with mark-to-market ("MTM") accounting treatment. Hedging decisions are intended to protect the value of the Company's inventory and produce more consistent financial results over price cycles. The Company recognized a loss related to futures designated for hedge accounting of approximately \$0.4 million for fiscal 2024 with all of this recognition occurring during the first fiscal quarter ended June 30, 2023. For fiscal 2024, the Company recognized a gain related to economic hedges of risk of approximately \$1.8 million. With MTM accounting treatment it is possible that hedging related gains or losses might be recognized in a different fiscal quarter or fiscal year than the corresponding improvement or contraction in our physical margins. See Note 7 for additional information related to the Company's hedging activities.

OUTLOOK

The Company expects sales volume for its first quarter of fiscal 2025 to be similar to the sales volume for the fourth quarter of fiscal 2024 despite the first quarter having half a month of planned downtime for new equipment installation at our Decatur facility and our Sinton facility having a week of planned maintenance downtime. The Company expects first quarter margins to be lower than fourth quarter margins due to declining HRC prices during the first quarter but anticipates the lower margin to be offset by hedging gains. As of the filing date of this Form 10-K, hedging gains for the first quarter of fiscal 2025 totaled approximately \$5.3 million.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

INFLATION

During fiscal 2024 and fiscal 2023, the Company believes that the general level of inflation did not have a material effect on the Company's operations.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The more significant estimates and judgements for the Company include determining the fair value of assets acquired and liabilities assumed in the business combination discussed in Note 2. The determination of fair value requires management to make significant judgments and estimates, including the selection of valuation methodologies, estimates of future revenue and cash flows, discount rates and selection of comparable companies. Actual results could differ from these estimates.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

From time to time, the Company may make certain statements that contain forward-looking information (as defined in the Private Securities Litigation Reform Act of 1996, as amended) and that involve risk and uncertainty. Such statements may include those risks disclosed in the Management's Discussion and Analysis of Financial Condition and Results of Operations section of this report. These forward-looking statements may include, but are not limited to, future changes in the Company's financial condition or results of operations, future production capacity, product quality and proposed expansion plans. Forward-looking statements may be made by management orally or in writing including, but not limited to, this Management's Discussion and Analysis of Financial Condition and Results of Operations and other sections of the Company's filings with the SEC under the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended (the "Exchange Act"), including the Company's Annual Report on Form 10-K and its other Quarterly Reports on Form 10-Q. Forward-looking statements include those preceded by, followed by or including the words "will," "expect," "intended," "anticipated," "believe," "project," "forecast," "propose," "plan," "estimate," "enable," and similar expressions, including, for example, statements about our business strategy, our industry, our future profitability, growth in the industry sectors we serve, our expectations, beliefs, plans, strategies, objectives, prospects and assumptions, and estimates and projections of future activity. These forward-looking statements are not guarantees of future performance. These statements are based on management's expectations that involve a number of business risks and uncertainties, any of which could cause actual results to differ materially from those expressed in or implied by the forward-looking statements. Although forward-looking statements reflect our current beliefs, reliance should not be placed on forward-looking statements because they involve known and unknown risks, uncertainties and other factors, which may cause our actual results, performance or achievements to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements. Actual results and trends in the future may differ materially depending on a variety of factors including, but not limited to, changes in the demand for and prices of the Company's products, changes in government policy regarding steel, changes in the demand for steel and steel products in general and the Company's success in executing its internal operating plans, changes in and availability of raw materials, unplanned shutdowns of our production facilities due to equipment failures or other issues, increased competition from alternative materials and risks concerning innovation, new technologies, products and increasing customer requirements. Accordingly, undue reliance should not be placed on our forward-looking statements. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events, changed circumstances or otherwise, except to the extent law requires.

TEN YEAR FINANCIAL SUMMARY (Unaudited)

(In thousands, except for share, per share and percentage data)

	Year Ended March 31									
	2024	2023	2022	2021	2020	2019	As Adjusted	2017*	2016*	2015*
Net sales.....	\$ 516,251	\$ 547,542	\$ 285,235	\$ 126,103	\$ 142,102	\$ 187,154	\$ 121,157	\$ 77,756	\$ 81,631	\$ 108,323
Net earnings (loss).....	\$ 17,345	\$ 21,344	\$ 14,066	\$ 11,424	\$ (5,249)	\$ 5,100	\$ 3,934	\$ (2,679)	\$ 294	\$ 382
Current assets.....	\$ 170,064	\$ 143,656	\$ 125,362	\$ 77,535	\$ 65,212	\$ 74,456	\$ 67,269	\$ 45,433	\$ 49,702	\$ 50,117
Current liabilities.....	\$ 54,107	\$ 45,088	\$ 60,811	\$ 29,072	\$ 9,645	\$ 12,365	\$ 11,031	\$ 2,357	\$ 2,866	\$ 2,651
Working capital.....	\$ 115,957	\$ 98,568	\$ 64,551	\$ 48,462	\$ 55,566	\$ 62,091	\$ 56,239	\$ 43,076	\$ 46,836	\$ 47,466
Total assets.....	\$ 230,019	\$ 199,312	\$ 159,275	\$ 95,009	\$ 77,344	\$ 86,602	\$ 81,653	\$ 63,263	\$ 66,890	\$ 66,958
Stockholders' equity.....	\$ 127,475	\$ 115,432	\$ 79,687	\$ 65,340	\$ 66,865	\$ 72,482	\$ 68,575	\$ 60,356	\$ 63,239	\$ 63,217
Net earnings (loss) as a percentage of Net sales.....	3.4	3.9	4.9	9.1	(3.7)	2.7	3.2	(3.4)	0.4	0.4
Weighted average number of common shares outstanding:										
Basic.....	7,183,702	7,216,142	6,623,769	7,027,707	7,000,403	7,010,266	7,009,444	6,851,944	6,799,444	6,799,444
Per share.....										
Net earnings (loss) per share:										
Basic.....	\$ 2.39	\$ 2.91	\$ 2.04	\$ 1.63	\$ (0.75)	\$ 0.73	\$ 0.56	\$ (0.39)	\$ 0.04	\$ 0.06
Cash dividends per common share.....	\$ 0.10	\$ 0.08	\$ 0.08	\$ 0.08	\$ 0.10	\$ 0.19	\$ 0.05	\$ 0.04	\$ 0.04	\$ 0.07

* The figures for fiscal years 2015 to 2017 have not been adjusted for a change in accounting principle where the Company changed its valuation method for prime coil inventory from the LIFO method to the average cost method. The change in accounting principle was effective for fiscal 2019 and fiscal 2018 figures were adjusted to meet comparative financial statement reporting requirements. The impact of the change in accounting principle on fiscal years 2015 to 2017 has not been quantified by the Company and could be material, therefore, the figures may not be comparable to fiscal years 2018 to 2023.

