Risk Factors Comparison 2024-04-22 to 2023-04-25 Form: 10-K

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Our business is subject to a variety of risks, including, but not limited to, the risks described below, which we believe are the most significant risks and uncertainties facing our business. Additional risks and uncertainties not known to us or not described below may also impair our business operations in the future. If any of the following risks actually occur, our business, financial condition and results of operations and future growth could be negatively or materially impacted. **Carefully consider the risks described below and all of the other information included in this Annual Report on Form 10- K when deciding whether to invest in our securities or otherwise evaluating our business. You should also refer to the explanation of the qualifications and limitations on forward- looking statements contained here under the heading" Forward- Looking Statements."** Risks Related to **Our Business and** Operations Our business segments operate in highly competitive markets. Competition is based on a number of factors, including price. Certain competitors **in each of our segments** may have lower cost structures or larger economies of scale on raw materials and may, therefore, be able to provide their **manufactured solutions** ~~products and services~~ at lower prices than we are able to provide. If our response to competitor pricing actions is not timely, we could be impacted by loss of market share. We cannot be certain that our competitors will not develop the expertise, experience and resources to provide **manufactured solutions** ~~services or products~~ that are superior **to ours** in price, delivery time or quality in the future. Similarly, we cannot be certain that we will be able to maintain or enhance our competitive position within our industries, maintain our customer base at current levels or increase our customer base. Our operating results may vary significantly from quarter to quarter. Our quarterly results may be materially and adversely affected by **the following, among others** : • changes in political **actions and** landscapes across the globe **, including global conflicts** ; • unstable political economic conditions and public health issues **or crisis, such as a pandemic,** delaying **our or our** customer **' s** operations; • timing and volume of work under new or existing agreements; • general economic conditions; • fluctuations in the budgetary spending of customers, including seasonality; • increases in manufacturing or transportation costs; • variations in margins, due to sales price or manufacturing complexities, of projects performed during any particular quarter; • losses experienced in our operations not otherwise covered by insurance; • delays of raw materials or component suppliers; • a change in the demand **of** ~~or~~ **our manufactured solutions** ~~production of our products and our services~~ caused by severe weather conditions; • a change in the mix of our customers, contracts and business; • modifications or changes in customer delivery schedules; • ability or willingness of customers to timely pay their invoices when owed to us; and • changes in interest rates. Accordingly, our operating results in any particular quarter may not be indicative of the results expected for any other quarter or for the entire year. Our business requires skilled labor, and we may be unable to attract and retain qualified employees. Our ability to maintain our productivity and profitability could be limited by an inability to employ, train and retain skilled personnel necessary to meet our labor requirements. ~~We cannot be certain~~ **A significant increase in the wages paid by competing employers could result in a shortage of skilled personnel, increases in labor- related costs, or both. It is necessary** that we ~~will be able to~~ maintain **a** ~~an adequately~~ skilled labor force ~~necessary~~ to operate efficiently and ~~to~~ support our growth strategy ~~or that our labor costs will not increase as a result of a shortage in the supply of skilled personnel~~ . Labor shortages or increased labor- related costs could impair our ability to maintain our profit margins or impact our ability to sustain and grow our sales. Technological innovations by competitors may make existing ~~products and~~ production methods obsolete. The manufactured **solutions** ~~products and services~~ we ~~sell~~ **provide** require evolving technologies for success in the markets we serve. The competitive environments can be highly sensitive to technological innovation. It is possible for our competitors, or new market place entrants, both foreign and domestic, to develop new **manufactured solution** ~~products, production~~ methods or ~~technology~~ **technologies** which could make **our** existing **manufactured solutions** ~~products, services~~ or methods obsolete or at least hasten their obsolescence or materially reduce our competitive advantage in the markets that we serve. Our business segments are cyclical and are sensitive to economic downturns. Our business often aligns with the economic environments that we operate within, ~~and,~~ especially in our Precoat Metals segment, **and** is subject to seasonality within the annual operating cycle of the business. Our customers may delay or cancel new or previously planned projects. If there is a downturn in the general economies in which we operate, there could be a material adverse effect on price levels and the quantity of goods and services purchased by our customers, which could adversely impact our sales, consolidated results from operations and cash flows. A number of factors, including financing conditions and potential bankruptcies in the industries we serve, could adversely affect our customers and their ability or willingness to fund their internal projects in the future and pay for services ~~or equipment~~ . Certain economic conditions may also impact the financial condition of one or more of our key suppliers, which could affect our ability to secure raw materials and components to meet our customers' demand for our ~~products~~ **manufactured solutions** in the future. Other various factors impact demand for our **manufactured solutions** ~~products and services~~ , including the price of commodities (such as zinc, natural gas or other commodities), paint, economic forecasts and financial markets. Uncertainty in the ~~global~~ economy and financial markets could impact our customers and could, in turn, severely impact the demand for corporate infrastructure projects ~~that~~ **which** ~~would~~ **could** result in a reduction in orders for our **manufactured solutions** ~~products and services~~ . All of these factors combined together could materially impact our business, financial condition, cash flows and results of operations ~~and potentially impact the trading price of our common stock~~ . International events and political issues may adversely affect our **operating** ~~AZZ Metal Coatings~~ segments. A portion of the sales from our ~~AZZ Metal Coatings and AZZ Infrastructure Solutions~~ segments are from markets outside the U. S. The occurrence of any of the risks described below could have an adverse effect on our consolidated results of operations, cash flows and financial condition: • political and economic instability in the ~~country~~ **countries where** ~~, Canada,~~ we conduct business; • social unrest, acts of war ~~and~~ terrorism, **severe weather events, other** natural ~~disasters~~ **conditions** , and global outbreaks of contagious diseases; • inflation, or hyper- inflation **or recession** ; • significant currency fluctuations, currency devaluations or restrictions on currency conversions; • governmental activities that limit or disrupt markets, restrict payments or limit the movement of funds; • trade restrictions, tariffs and economic embargoes by the United States or other countries; and • travel restrictions placed upon personnel. Catastrophic events could have a material adverse effect on our business, financial condition, results of operations, or cash flows. The occurrence of catastrophic events ranging from acts of war and terrorism, **severe weather events and other** natural ~~disasters~~ **conditions** such as earthquakes, tsunamis, hurricanes **and other severe weather conditions** , or the outbreaks of epidemic, pandemic or contagious diseases could potentially cause future disruption in our business. At this time, the ongoing **armed conflicts in** ~~war between Russia and~~ Ukraine ~~has~~ **, Israel and the broader Middle East have** not materially impacted our operations. ~~Any~~ **However, any** disruption of our customers or suppliers and their respective contract manufacturers **from the ongoing conflicts or new conflicts** could likely impact our future sales and operating results. In addition, the spread of contagious diseases, could adversely affect the economies and financial markets of many countries, and result in an economic downturn that could affect the demand for our **manufactured solutions** ~~products and services~~ . These situations are outside of the Company' s control and any of these events could have a material adverse effect on our business, financial condition, results of operations, or cash flows. ~~Fluctuations~~ **Supply chain disruptions and inflation** in the price ~~and supply~~ of **energy and certain** raw materials ~~and natural gas~~ for our business segments may adversely affect our operations. Within our AZZ Metal Coatings segment, zinc and natural gas **costs** represent a large portion of our cost of sales. In our AZZ Precoat Metals segment, **paint and** natural gas **costs** ~~represents~~ - **represent** a large portion of our cost of sales. ~~The~~ **For both segments, operating margins could be negatively impacted by supply chain disruptions and adverse** ~~prices~~ - **price** ~~of~~ **movements in the market for** zinc ~~and~~ **,** natural gas **,** ~~are subject to volatility~~ and **paint** ~~we have experienced commodity price escalation over the past year~~ . Unanticipated commodity price increases could significantly increase ~~production~~ **our operating** costs **if we cannot pass the costs to our customers,** and **could** potentially adversely affect profitability. The following factors, which are beyond our control, affect the price of ~~natural gas~~ **raw materials and energy** for **our** ~~the AZZ Metal Coatings segment~~ **segments** : • supply and demand; • freight costs and transportation availability; • trade duties and taxes; and • labor disputes. We seek to maintain our operating margins by increasing the price of our **manufactured solutions** ~~products and services~~ in response to increased costs ~~,~~ but may not be successful in passing these increased costs of operation through to our customers. **Even if successful, there is no guarantee the increased price would not negatively affect the volume of future orders. While the Company is exposed to inflationary pressures for zinc, and energy, the Company evaluates market conditions and follows a general practice of locking in the fixed premiums associated with zinc on annual contracts unless market conditions dictate otherwise, and we enter into energy contracts for gas and electricity normally for durations of six- to twelve- months to reduce risks associated with large fluctuations in these commodities. No other individual material input cost represents a significant portion of our cost of sales other than those previously discussed. We believe for the remaining input costs any price increase would not be able to significantly affect margins even if the increased costs could not be passed on to our customers.** A failure in our operational information systems or **the occurrence of cyber incidents or** cyber security attacks ~~on~~ **at** any of our facilities, or those of **our** third ~~parties~~ **- party suppliers and service providers** , may adversely affect our financial results **. Such incidents or cyber security attacks may also result in faulty business decisions, operational inefficiencies, damage to our reputation or our employee and business relationships, and / or subject us to costs, fines, or lawsuits** . Our business is heavily supported by operational systems to process large amounts of data and support complex transactions. If significant financial, operational, or other data processing systems fail, ~~are~~ **experience actual or attempted cyber-** ~~attacked~~ **attacks** ~~by intruders~~ or have other significant shortcomings, our financial results could be adversely affected. Our financial results could also be adversely affected if an employee causes our operational systems to fail, either as a result of inadvertent error or by deliberately tampering with or manipulating our financial or operational systems **. Third- parties may also attempt to fraudulently induce employees into disclosing sensitive information such as user names, passwords or other information in order to gain access to customer or supplier data or our internal data, including intellectual property, financial, and other confidential business information** . Due to increased technology advances, we are more reliant on technologies to support our operations. We use computer software and programs to run our financial and operational information, and this may subject our business to increased risks. Cyber- attacks are an ever- increasing risk to companies. **We rely on commercially available systems, software, tools, third- party service providers and monitoring to provide security for processing, transmission and storage of confidential information and data. While we have security measures in place, our systems, networks, and third- party service providers have been and will continue to be subject to ongoing threats. We believe our mitigation measures reduce but cannot eliminate the risk of a cyber incident; however, there can be no assurance that our existing and planned precautions of backup systems, regular data backups, security protocols and other procedures will be adequate to prevent significant damage, system failure or data loss and the same is true for our suppliers and other third parties on which we rely. Because techniques used to obtain unauthorized access or sabotage systems change frequently and generally are not identified until they are launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative or mitigating measures. We and our third- party service providers have experienced and expect to continue to experience actual or attempted cyber- attacks of our information systems or networks; however, none of these actual or attempted cyber- attacks had a material impact on our operations or financial condition.** Any significant cyber security attacks that affect our facilities, our customers, our key suppliers, or material financial data could have a material adverse effect on our business. In addition, cyber- attacks on our customers, suppliers and employee data may result in a financial loss, including potential fines for failure to safeguard data, and may negatively impact our reputation. Third- party systems on which we rely could also suffer operational system ~~failure~~ **failures or cyber- attacks** .

~~Any~~ - **An unauthorized disclosure or use** of **information could cause interruptions in our operations and might require us to spend significant management time and other resources investigating** ~~these~~ -- **the event and dealing with local and federal law enforcement.** ~~occurrences~~ **Occurrences of any of the events discussed above** could disrupt our business, result in potential liability or reputational damage or otherwise have an adverse effect on our **business, results of operations or** financial ~~results~~ **condition** . If we are unable to adequately protect our intellectual property, we may lose some of our competitive advantage. We possess intellectual property, which is instrumental in our ability to compete and grow our business. If our intellectual property rights are not adequately protected, we could lose our competitive advantage. ~~There can be no assurance that our patent applications will result in patents being issued or that current or additional patents will afford protection against competitors.~~ We rely on a combination of ~~patents,~~ copyrights, trademarks and trade secret protection and contractual rights to establish and protect our intellectual property. Failure of our ~~patents,~~ copyrights, trademarks and trade secret protection, non-disclosure agreements and other measures to provide protection of our ~~technology~~ **technologies** and our intellectual property rights could enable our competitors to more effectively compete with us and could result in an adverse effect on our business, financial condition ~~and~~ **or** results of operations. In addition, our trade secrets and proprietary know- how may otherwise become known or be independently discovered by others. No guarantee can be given that others will not independently develop substantially equivalent **or superior** proprietary information or manufacturing and service know- how and techniques, or otherwise gain access to our proprietary technology. ~~Product defects~~ **Defects in the solutions we provide** could increase our ~~warranty costs~~ - **cost of quality** and could result in ~~product liability~~ **consequential damage** claims. Our business exposes us to potential ~~product~~ liability risks that are inherent in the ~~design,~~ manufacture and sale of our **solutions. We provide assurance** ~~products and the products of third~~ - **type warranties** ~~party vendors which we use or~~ **for** ~~resell~~ **our coil coating solutions** . Widespread ~~product recalls~~ **manufacturing defects and quality system failures** could result in significant losses due to the costs of **containment** ~~a recall~~ , the destruction of ~~product~~ **customer- owned** inventory, ~~penalties,~~ **consequential damages** and lost sales due to the unavailability of a ~~product~~ **solution** for a period of time ~~. We may also be liable if the use of any of our products causes harm and could suffer losses from a significant product liability judgment against us in excess of its insurance limits~~ . We may not be able to obtain indemnity or reimbursement from our suppliers or other third parties for the ~~warranty~~ costs or liabilities associated with our ~~supplier~~ **suppliers '** products. A significant ~~product recall,~~ warranty claim ~~, or product liability case~~ could also result in adverse publicity, damage to our business reputation, and a loss of consumer confidence in our ~~products~~ **solutions or offerings all of which could have a material adverse effect on our business financial condition or results of operations** . Risks Related to Strategy Our acquisition strategy involves a number of risks. We intend to pursue continued growth through acquiring the assets of target companies that will enable us to (i) expand our product and service offerings and (ii) increase our geographic footprint. We routinely review potential acquisitions. However, we may be unable to implement this growth strategy if we are not able to reach agreement on mutually acceptable terms **to complete the acquisition** . Moreover, our acquisition strategy involves certain risks, including: • risks and liabilities from our acquisitions that may not be discovered during the pre- acquisition due diligence process; • difficulties in the post- acquisition integration of operations and systems; • the termination of relationships with key personnel and customers of the acquired company; • the potential failure to add additional employees to manage the increased volume of business; • additional post- acquisition challenges and complexities in areas such as tax planning, treasury management, financial reporting and legal compliance; • a disruption of our ongoing business or an inability of our ongoing business to receive sufficient management attention; ~~and~~ • a failure to realize the cost savings or other financial benefits we anticipated prior to acquisition **; • expansion through acquisition may expose us to new business, regulatory, political, operational, financial, and economic risks associated with such expansion, both inside and outside of the U. S.; and • counterparties to the transaction may fail to perform** . Future acquisitions may require us to obtain additional equity or debt financing, which may not be available to us, and may increase our leverage ratios. We may be unsuccessful at implementing and generating internal growth from our ~~Strategic~~ **strategic** ~~Growth~~ **growth** ~~Initiatives~~ **initiatives** . Our ability to generate internal growth will be affected by, among other factors, our ability to: • attract new customers, internationally and domestically; • integrate regulatory changes; • increase the number or size of projects performed for existing customers; • hire and retain employees **; • complete construction projects in a timely manner** ; and • increase volume utilizing existing facilities. Many of the factors affecting our ability to generate internal growth through our initiatives may be beyond our control, and we cannot be certain that our strategies will be successful or that we will be able to generate cash flow sufficient to fund our operations and to support internal growth. If we are unsuccessful, we may not be able to achieve internal growth, expand our operations or grow our business. The departure of key personnel could disrupt our business. We depend on the continued efforts of our executive officers and senior management team. We cannot be certain that any individual will continue in such capacity for any particular period of time. The future loss of key personnel, or the inability to hire and retain qualified employees, could negatively impact our ability to manage our business **, which could disrupt our operations or otherwise have a material adverse effect on our business** . Risks Related to Legal Liability **, Taxes,** and Regulations Actual and potential claims, lawsuits, and proceedings could ultimately reduce our profitability and liquidity and negatively impact our financial condition. The Company could be named as a defendant in legal proceedings claiming damages from us in connection with the operation of our business. Most actions filed against our Company typically arise out of the normal course of business related to commercial disputes regarding equipment we manufacture or services we provide. We could potentially be a plaintiff in legal proceedings against our customers, in which we seek to recover payments of contractual amounts we believe are due to us, and indemnity claims for increased costs or damages incurred by our Company. Under applicable accounting literature, and when appropriate, we establish financial provisions for certain legal exposures meeting the criteria of being both probable and reasonably estimable. Where material, we may adjust any such financial provisions from time to time depending on developments related to each case. If our assumptions and estimates related to such exposures prove to be inadequate or incorrect, or we have material adverse claims or lawsuits, ~~they~~ **such events** could harm our business reputation, divert management resources away from operating our business, and result in a material adverse effect on our business, results of operations, cash flow or financial condition. Our operations could be adversely impacted by...... to perform projects in the future. Changes to U. S. trade policy, tariff and import / export regulations and foreign government regulations could adversely affect our business, operating results, foreign operations, sourcing **of materials** and financial condition. Changes in U. S. or international social, political, regulatory and economic conditions or in laws and policies governing foreign trade, manufacturing, development and investment in the territories or countries where we currently manufacture, distribute and / or sell our ~~products~~ **manufactured solutions** or conduct our business, as well as any negative sentiment toward the U. S. as a result of such changes, could adversely affect our business. New tariffs, changes in existing tariffs and other changes in U. S. trade policy have the potential to adversely impact the economies in which we operate or certain sectors thereof, our industry and the ~~global~~ demand for our ~~products~~ **manufactured solutions**, and as a result, could have a material adverse effect on our business, operating results and financial condition ~~. In addition, we cannot predict the full impact trade policy changes that have been asserted by the U. S. presidential administration and Congress, including anticipated changes to current trade policies will be maintained or modified or whether the entry into new bilateral or multilateral trade agreements will occur, nor can we accurately predict the effects that any changes will have on our future business~~. Our business is also subject to risks associated with U. S. and foreign legislation and regulations relating to imports, including quotas, duties, tariffs or taxes, and other charges or restrictions on imports, which could adversely affect our operations and our ability to import or export ~~products~~ **manufactured solutions** at current or increased levels, and substantially all of our import operations are subject to customs duties on imported ~~products~~ **manufactured solutions** imposed by the governments where our production facilities are located, including raw materials. We cannot predict whether additional U. S. and foreign customs quotas, duties (including antidumping or countervailing duties), tariffs, taxes or other charges or restrictions, requirements as to where raw materials must be purchased, reporting obligations pertaining to" conflict minerals" mined from certain countries, additional workplace regulations, or other restrictions on our imports will be imposed upon the importation or exportation of our ~~products~~ **manufactured solutions** in the future or adversely modified, or what effect such actions would have on our costs of operations. Future quotas, duties, or tariffs may have a material adverse effect on our business, financial condition, and results of operations. Future trade agreements could also provide our competitors with an advantage over us, or increase our costs, either of which could potentially have a material adverse effect on our business, financial condition, and results of operations. Regulations related to conflict minerals could adversely impact our business. Pursuant to the Dodd- Frank Act, which established annual disclosure and reporting requirements for publicly- traded companies that use tin, tantalum, tungsten or gold (collectively," conflict minerals") mined from the Democratic Republic of Congo and adjoining countries in their ~~products~~ **manufactured solutions**, we are subject to certain annual disclosures and audit requirements. There are costs associated with complying with these disclosure requirements, including costs for due diligence to determine the source of any conflict minerals used in our ~~products~~ **manufactured solutions** and other potential changes to ~~products~~ **manufactured solutions**, processes, or sources of supply. Despite our continued due diligence efforts, in the future we may be unable to verify the origin of all conflict minerals used in our component products. As a result, we could potentially face reputational and other challenges with our customers that require that all of the components incorporated in our ~~products~~ **manufactured solutions** be certified as conflict- free. Adoption of new or revised employment and labor laws and regulations could make it easier for our employees to obtain union representation and our business could be adversely impacted. As of February ~~28~~ **29**, ~~2023~~ **2024**, ~~approximately 668~~ **624 (or 16. 1 %)** of our full- time employees were represented by unions **under collective bargaining agreements**. Our U. S.- based employees have the right at any time under the National Labor Relations Act to form or affiliate with a union. If a large portion of our **U. S.** workforce were to become unionized and the terms of the collective bargaining agreement were significantly different from our current compensation arrangements, it could increase our operating costs and adversely impact our profitability. Any changes in regulations, the imposition of new regulations, or the enactment of new legislation could have an adverse impact on our business to the extent it becomes easier for workers to obtain union representation. Changes in labor or employment laws, including minimum wage rules, could increase our costs and may adversely affect our business. Various federal, state and international labor and employment laws govern our relationship with employees and affect operating costs. These laws include minimum wage requirements, overtime, unemployment tax rates, workers' compensation rates, leaves of absence, mandated health and other benefits, and citizenship requirements. Significant additional government- imposed increases or new requirements in these areas could materially affect our business, financial condition, operating results or cash flows. Risks Related to Environmental Conditions Climate change could impact our business. Climate ~~changes -~~ **change** could **present risks to** ~~result in an adverse impact on~~ our **future** operations **from severe weather events and other natural conditions**, ~~particularly in~~ **such as** ~~hurricane~~ **hurricanes** ~~prone~~ **, tornadoes, earthquakes, wildfires, droughts or flooding. Consequences of such extreme weather conditions could include physical risks to** ~~or~~ **our** ~~low- lying areas near~~ **facilities, supply chain disruptions, increased operational costs, as well as** the ~~ocean~~ **price and / or availability of insurance coverage** ~~or~~ **for Company assets** ~~heavy snowfall and ice regions~~. We cannot predict the potential timing or impact from potential global warming, winter storms and other **severe weather events and other** natural ~~disasters~~ **conditions**. We carry certain limits of insurance to mitigate the potential effects of events that could impact our businesses, as well as disaster recovery plans related to any potential **severe weather events and other** natural ~~disasters~~ **conditions** that might occur within regions in which we have operations, or at any of the Company locations. Changes in environmental laws and regulations and heightened focus on corporate sustainability initiatives and practices are under increased scrutiny by both governmental and non- governmental bodies, which could cause a change in our business practices by increasing capital, compliance, operating and maintenance costs, which could impact our future operating results. Over the past **several** ~~year~~ **years ,** there has been a heightened focus by both governmental and non- governmental bodies requesting disclosure of information relating to ~~our~~ corporate ~~sustainable~~ **sustainability** practices as well as **an increase in** customers **' preference** ~~are increasingly preferring~~ to source from suppliers who have implemented effective sustainability initiatives. International agreements ~~and~~ **,** national ~~or~~ **and** regional legislation **,** and regulatory measures to further reduce greenhouse gas emissions and require companies to more efficiently use energy, water and reduce waste, are in various stages of discussion and / or implementation across the globe. These laws, regulations and policies, as well **as** other sustainability demands made by governmental and non- governmental bodies may result in the need for future capital, compliance, operating and maintenance costs. We cannot predict the level of expenditures or potential impact to the Company that may be required to comply with these evolving environmental and sustainability laws and regulations due to the uncertainties on the laws enacted in each jurisdiction in which we operate, and our activities in each one of these jurisdictions. The financial impact of the heightened focus on sustainability practices for all companies to increase efficiencies in consumption of resources and ~~future~~ regulations regarding greenhouse gas emissions will depend on a number of factors including, but not limited to: • the sectors covered; • future permitted levels for greenhouse gas emissions; • the extent to which we would be entitled to receive emission allowance allocations or would need to invest in additional compliance equipment or compliance instruments, either on the open market or through auctions; • the price and availability of emission allowances and credits; and • the impact of legislation or other regulation on our ability to recover the costs incurred through the pricing of our **manufactured solutions.** Our operations could be adversely impacted by the effects of future changes to the law and government regulations regarding emissions,the ~~global~~ environment and other sustainability matters.Various regulations have been implemented regarding emissions,the ~~global~~ environment and other sustainability matters.We cannot predict future changes in the law and government regulations regarding emissions,the ~~global~~ environment and other sustainability matters,or what actions may be taken by our customers or other industry participants in response to any future legislation.While the Company actively is engaged in ~~building~~ **enhancing** our environmental,social and governance programs,changes in laws or governmental regulations could negatively impact our business or the demand for our **manufactured solutions** ~~products and services~~ by customers,other industry related participants,or our investors,and could result in a negative impact to our operations,profitability,or our ability to **perform** ~~products~~ **projects** ~~and services~~ **in the future** . Risks Related to Financial Matters **and Our Capital Structure** The Company’ s flexibility to operate its business could be impacted by provisions in its debt obligations. The Company’ s debt instruments, consisting of a term loan and a revolving credit facility, contain covenants which restrict or prohibit certain actions (" negative covenants"), including, but not limited to, the Company' s ability to incur debt, restrict or limit certain liens, capital spending limits, engage in certain merger, acquisition, or divestiture actions, or increase dividends beyond a specific level. The Company’ s debt instruments also contain covenants requiring the Company to, among other things, maintain specified financial ratios (" affirmative covenants"). Failure to comply with these negative covenants and affirmative covenants could result in an event of default that, if not cured or waived, could restrict the Company’ s access to liquidity and have a material adverse effect on the Company’ s business or prospects. If the Company does not have enough cash to service its debt or fund other liquidity needs, the Company may be required to take actions such as requesting a waiver from lenders, reducing or delaying capital expenditures, selling assets, restructuring or refinancing all or part of the existing debt, or seeking additional equity capital. The Company cannot assure that any of these remedies can be effected on commercially reasonable terms or at all. Our ~~substantial~~ indebtedness and restrictive debt covenants could materially adversely affect our financial condition, our ability to raise additional capital to fund our operations, our ability to operate our business, our ability to react to changes in ~~he~~ **the** economy or our industry, our ability to meet our obligations under our outstanding indebtedness and could divert our cash flow from operations for debt payments. Our consolidated indebtedness increased substantially following the completion of the **acquisition of Precoat Metals ("** Precoat Acquisition **") in May 2022** . This increased level of indebtedness could adversely affect us, including by decreasing our business flexibility. Our Credit Agreement contains a number of restrictive covenants that impose significant operating and financial restrictions on us. These covenants may limit our ability to optimally operate our business. In addition, our Credit Agreement requires that we meet certain financial tests, including a leverage ratio test. Our increased indebtedness and these restrictive covenants could adversely affect our ability to: • finance our operations; • make needed capital expenditures; • make strategic acquisitions or investments or enter into joint ventures; • withstand a future downturn in our business, the industry or the economy in general; • engage in business activities, including future opportunities, that may be in our best interest; and • plan for or react to market conditions or otherwise execute our business strategies. The covenant restrictions related to our indebtedness could impact our ability to expand our business, which could have a material adverse effect on our business, financial condition and results of operations. As a result of these restrictions, we could be limited as to how we conduct our business and we may be unable to raise additional debt or equity financing to compete effectively or to take advantage of new business opportunities. The terms of any future indebtedness we may incur could include more restrictive covenants. We cannot assure you that we will be able to maintain compliance with these covenants in the future and, if we fail to do so, that we will be able to obtain waivers from the lenders and / or amend the covenants. Our failure to comply with the restrictive covenants described above and / or the terms of any future indebtedness from time to time could result in an event of default, which, if not cured or waived, could result in our being required to repay these borrowings before their due date and the termination of future funding commitments by our lenders. ~~If~~ **During fiscal 2024, we successfully refinanced our long- term debt to lower interest rates; however, if** we are forced to refinance these borrowings on less favorable terms or cannot refinance these borrowings **in the future** , our results of operations and financial condition could be adversely affected. The Credit Agreement contains cross- default provisions that could result in the acceleration of all of our indebtedness. A breach of the covenants under our Credit Agreement could result in an event of default under the applicable indebtedness. Such a default may allow the creditors to accelerate the related indebtedness and may result in the acceleration of any other indebtedness to which ~~across~~ - **cross** - acceleration or cross- default provision applies. In addition, an event of default under the Credit Agreement would permit the lenders under the Credit Agreement to terminate all commitments to extend further credit under that facility. Furthermore, if we were unable to repay amounts due and payable under the Credit Agreement, those lenders could proceed against the collateral granted to them to secure that indebtedness. In the event our lenders accelerate the repayment of our borrowings, we and our guarantors may not have sufficient assets to repay that indebtedness. Additionally, we may not be able to borrow money from other lenders to enable us to refinance our indebtedness. Increased levels of indebtedness could also create competitive disadvantages for us relative to other companies with lower debt levels. Our investment in the ~~AIS~~ **AVAIL** Joint Venture could be materially and adversely affected by our lack of sole decision- making authority over the majority of the strategic and operational decisions of the business, corporate governance matters, and our reliance on our ~~AIS~~ **AVAIL** Joint Venture partner' s financial condition. On September 30, 2022, we completed a disposition of 60 % of the equity of AIS Investment Holdings LLC, a Delaware limited liability company (the" ~~AIS~~ **AVAIL** JV"), which consists of our former AZZ Infrastructure Solutions Segment (excluding AZZ Crowley Tubing) (the" AIS Business"), with Fernweh AIS Acquisition LP, a Delaware limited partnership. Pursuant to the terms of the agreement, AZZ no longer has a controlling interest in the ~~AIS~~ **AVAIL** JV, and therefore the ~~AIS~~ **AVAIL** JV is operating and will continue to operate independently. As the non- controlling interest holder in the ~~AIS~~ **AVAIL** JV, our influence on all aspects of the AIS Business will continue to diminish. Accordingly, we might not be able to prevent the ~~AIS~~ **AVAIL** JV from taking actions adverse to our interests in the ~~AIS~~ **AVAIL** JV. We cannot exercise sole decision- making authority regarding the AIS Business, including, but not limited to, hiring and retaining employees and executive officers, management of and payments into its multiemployer pension plans, governance issues, entering into new markets or exiting existing markets, making certain acquisitions or dispositions, and other material strategic transactions, which in each case could create the potential risk of creating operational issues and / or impasses on decisions or decisions at the ~~AIS~~ **AVAIL** JV- level not in our best interest. Additionally, investments in joint ventures or partnerships, such as the ~~AIS~~ **AVAIL** JV, may, under certain circumstances, involve risks not present when a third- party is not involved, including the possibility that joint venture partners may become bankrupt, fail to fund their share of required capital contributions to various parties, or otherwise struggle operationally or financially. Disputes between AZZ Inc, and our joint venture partner could result in litigation or arbitration that would increase our expense and distract our executive officers and directors from focusing their time and efforts on AZZ Inc.' s business and could result in subjecting the AIS Business to additional risk. Any of the foregoing operational risks could materially reduce the expected return of our prior investment in the ~~AIS~~ **AVAIL** JV and materially and adversely affect our business, results of operations, financial condition and the trading price of our securities. Adverse changes in the value of assets or obligations associated with our defined benefit pension plan could have a material adverse effect on our financial condition. We have a defined benefit pension plan which is frozen with respect to benefits and the addition of participants. The funded status and our ability to satisfy the future obligations of the plan is affected by, among other things, changes in interest rates, returns from plan asset investments, and actuarial assumptions including the life expectancies of the plan' s participants. **As of February 29, 2024, the plan was underfunded, and we have a liability of $ 31. 1 million on our consolidated balance sheet.** Our ability to adequately fund or meet our future obligations with respect to the plan could have a material adverse effect on our business, results of operations ~~and~~ **,** financial condition **, or cash flows** . A change in a customer' s creditworthiness could result in significant accounts receivable write- offs. As a normal course of business, we extend credit to certain of our customers. The amount of credit extended to customers is based upon the due diligence performed, including, but not limited to, the review of the potential customer' s financial statements and banking information. The Company may perform various credit checks and evaluate the customer' s previous payment history. While we do not believe we have significant concentration of sales with any one customer, we have certain larger customers, which could result in a significant amount of credit exposure if there is a sudden or severe change in the customer' s creditworthiness. We monitor our outstanding receivables on a regular basis; however, if a customer with large credit exposure is unable to make payment on its outstanding receivables, we could experience a significant write- off of accounts receivable **, which could have a material adverse effect on our results of operations, financial condition or cash flows** . If our goodwill **, definite- lived intangible assets** or other indefinite- lived intangible assets were to become impaired, our net income and results of operations could be negatively affected. ~~As of February 28, 2023, we had goodwill totaling $ 702. 5 million and indefinite- lived intangible assets totaling $ 1. 5 million on our consolidated balance sheet.~~ Goodwill represents the excess of cost over the fair market value of net assets acquired in business combinations. Indefinite- lived intangibles are comprised of certain ~~tradenames~~ **trade names** . We test goodwill and intangible assets with an indefinite life for potential impairment annually, in the fourth quarter, and between annual tests if an event occurs or circumstances change that would more- likely- than- not reduce the fair value of the ~~Company~~ **goodwill** below its carrying amount. Factors that could indicate that our goodwill or indefinite- lived intangible assets are impaired include a decline in our stock price and market capitalization, lower than projected operating results and cash flows and economic downturns or slower growth rates in our industry, market downturns or major events like a global pandemic. Our stock price historically has shown volatility and often fluctuates significantly in response to market and other factors. Declines in our stock price, lower operating results and any decline in industry conditions in the future could increase the risk of impairment. The evaluation for impairment includes our estimates of future operating results and cash flows, estimates of allocations of certain assets and cash flows among reporting segments, estimates of future growth rates, and our judgment regarding the applicable discount rates used on estimated operating results and cash flows. **Intangible assets on the consolidated balance sheets are comprised of customer relationships, non- compete agreements, trademarks, technology and certifications. Intangible assets are evaluated for impairment whenever events or changes in circumstances indicate that their carrying value may not be recoverable. Recoverability is measured by a comparison of their carrying amount to the estimated undiscounted cash flows to be generated by those assets. If the undiscounted cash flows are less than the carrying amount, we record impairment losses for the excess of their carrying value over the estimated fair value.** Should a review indicate impairment, a write- down of the carrying value of the goodwill or intangible asset would occur, resulting in a non- cash charge, which could have a material adverse effect on our financial statements, impact our ~~creditability~~ -- **credibility** with our shareholders, or impact our relationships with our customers, suppliers or supporting banks. We are exposed to exchange rate fluctuations in the international markets in which we operate. We operate in the United States and Canada and anticipate that there will be instances in which sales and costs will not be exactly matched with respect to foreign currency denomination. Gains and losses from the remeasurement of assets and liabilities that are receivable or payable in currencies other than our subsidiaries' functional currency are included in our consolidated statements of income. In addition, currency fluctuations cause the U. S. dollar value of our Canadian results of operations and net assets to vary with exchange rate fluctuations. A decrease in the value of the Canadian currency relative to the U. S. dollar could have a negative impact on our business, financial condition, results of operations or cash flows. As we continue to expand geographically, we could experience economic loss and a negative impact on earnings or net assets solely as a result of foreign currency exchange rate fluctuations. ~~In the future, we may utilize derivative instruments to manage the risk of fluctuations in foreign currency exchange rates that could potentially impact our future earnings and forecasted cash flows. However, the markets in which we operate could restrict the removal or conversion of the local or foreign currency, resulting in our inability to hedge against some or all of these risks or increase our cost of conversion of local currency to U. S. dollar.~~ Our operations entail inherent risks that may result in substantial liability. We do not insure against all potential losses and could be seriously harmed by unexpected liabilities. Our manufacturing processes and services provided to our customers entail inherent risks, including ~~equipment~~ defects ~~, malfunctions and failures~~ . The insurance we carry to mitigate many of these risks may not be adequate to cover future claims or losses. In addition, we are substantially self-insured for workers' compensation, employer' s liability, property, general liability and employee group health claims in view of the relatively high per- incident deductibles we absorb under our insurance arrangements for these risks. Further, insurance covering the risks we expect to face or in the amounts we desire may not be available in the future or, if available, the premiums may not be commercially justifiable. If we were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, our business, financial condition and results of operations could be negatively impacted. Tax legislation and administrative initiatives or challenges to our tax positions could adversely affect our results of operations and financial condition. We operate in locations throughout the U. S. and Canada and, as a result, we are subject to the tax laws and regulations of U. S. federal, state, **and** local **governments** and the Canadian ~~governments~~ **government** . From time to time, various legislative or administrative initiatives may be proposed that could adversely affect our tax positions. In addition, U. S. federal, state, local and foreign tax laws and regulations are extremely complex and subject to varying interpretations. Moreover, economic and political pressures to increase tax revenue in various jurisdictions may make resolving any future tax disputes favorably more difficult. There can be no assurance that our tax positions will not be challenged by relevant tax authorities or that we would be successful in any such challenge. Changes to our tax positions resulting from future tax legislation and administrative initiatives or challenges from taxing authorities could adversely affect our results of operations and financial condition. **The insurance coverage that we maintain may not fully cover all operational risks. We maintain property, business interruption, casualty and cyber / information security insurance but such insurance may not cover all of the risks associated with the hazards of our business and is subject to limitations, including deductibles and maximum liabilities covered. We may incur losses beyond the limits, or outside the coverage, of our insurance policies, including liabilities for environmental remediation. In the future, the types of insurance we obtain and the level of coverage we maintain may be inadequate or we may be unable to continue to maintain our existing insurance or obtain comparable insurance at a reasonable cost. The Series A Preferred Stock has a liquidation preference and redemption amount significantly in excess of the carrying amount of the Series A Preferred Stock. The 6. 0 % Series A Convertible Preferred Stock (" Series A Preferred Stock ") has a liquidation preference equal to the greater of (i) the aggregate principal amount of $ 240. 0 million (the " Series A Base Amount ") plus accrued but unpaid dividends and (ii) the amount that would have been received had the shares of Series A Preferred Stock been converted immediately prior to liquidation (or other event giving rise to the payment). As of February 29, 2024, the holders of the shares of Series A preferred stock were entitled to a liquidation preference of approximately $ 312. 5 million, in the event of any liquidation, dissolution or winding up of the Company as of such year end. If the Company undergoes a change of control, bankruptcy, insolvency, liquidation or de- listing of the Company' s common stock (a " Fundamental Change Event "), holders of Series A Preferred Stock may elect to (i) receive the as- converted value of the Company' s common stock at the then- current Conversion Price, (ii) require the Company to redeem the Series A Preferred Stock in cash for the Redemption Amount (as defined below) or (iii) if a non- cash change of control, retain their shares of Series A Preferred Stock. The Company will have the right to redeem the Series A Preferred Stock at a price equal to the greater of (i) the Series A Base Amount plus accrued but unpaid dividends; (ii) the initial Series A Base Amount (excluding any prior PIK dividends) multiplied by the Return Factor less all dividends paid through the redemption date; or (iii) the amount the holder of such share of convertible preferred stock would have received had such holder, immediately prior to such redemption date, converted such shares of convertible preferred stock into common shares (such greater amount, the " Redemption Amount "). The redemption price under option (ii) contains a" Return Factor," which will be equal to 1. 4 until May 13, 2024 and, (a) in each of the three years thereafter, will increase by 0. 15, (b) will increase by an additional 0. 15 after May 13, 2024 (the second anniversary of the issuance date of the Series A Preferred Stock) if (i) the Company' s ratio of net debt to earnings before interest, taxes, depreciation and amortization (" EBITDA ") (as defined in the May 13, 2022 Credit Agreement) on the second anniversary of the issuance date of the Series A Preferred Stock is greater than 3. 5- to- 1 and (ii) prior to May 13, 2024, the Company has not consummated dispositions of assets that, in the aggregate, resulted in proceeds in excess of $ 200. 0 million and (c) will increase by an additional 0. 20 on May 13, 2028, (the sixth anniversary of the issuance date of the Series A Preferred Stock) and each anniversary thereafter. The redemption price under option (iii) is subject to provisions of the Certificate of Designation that limits the Company' s right to redeem to the period following the two year anniversary of the initial issuance, limits the quarterly conversion to up to 25 % of the number of shares of convertible preferred stock outstanding, and requires the Company' s market price per share of**

common stock to exceed 185 % of the conversion price. As of February 29, 2024, the Redemption Amount for the Series A Preferred stock was $ 312. 5 million. Should the Company exercise its right to redeem the Series A Preferred stock, net income and net income per share available to common shareholders would be reduced, as the excess of the Redemption Amount over the carrying value of the Series A Preferred Stock would be paid to the Series A Preferred stockholders as an additional dividend, which would result in decreased net income available to common stockholders and earnings per share. Shares of common stock issuable upon conversion of our Series A Preferred Stock will be dilutive to our existing shareholders upon conversion and adversely affect the market price of our common stock. As of February 29, 2024, we had outstanding 240, 000 shares of Series A Preferred Stock with an aggregate liquidation preference of approximately $ 312. 5 million. As of February 29, 2024, shares of Series A Preferred Stock are convertible into 4. 1 million shares of common stock. The issuance of common stock upon conversion of the Series A Preferred Stock would result in immediate dilution to existing holders of our common stock. Further, the Series A Preferred Stock ranks senior to our common stock, which could affect the value of the common stock on liquidation or on a change in control transaction. Blackstone may sell shares of our common stock in the public market, which may cause the market price of our common stock to decrease, and therefore make it more difficult to raise equity financing or issue equity as consideration in an acquisition. Our registration rights agreement with Blackstone requires us to register all shares of common stock held by Blackstone and its permitted transferees issuable upon conversion of the Series A Preferred Stock under the Securities Act, which we completed on November 4, 2022. The registration rights for Blackstone allow Blackstone to sell its shares without compliance with the volume and manner of sale limitations under Rule 144 promulgated under the Securities Act, and facilitates the resale of such securities into the public market. The market value of our common stock could decline as a result of sales by Blackstone from time to time. In particular, the future sale of a substantial number of the shares of our common stock by Blackstone within a short period of time, or the perception that such sale might occur, could cause our stock price to decrease, make it more difficult for us to raise funds through future offerings of our common stock or acquire other businesses in the future using our common stock as consideration for the purchase price. Interest Rate Risk An increase in interest rates would increase interest costs on variable-rate debt and could adversely impact the ability to refinance existing debt. ~~We currently~~ **As of February 29, 2024, we** have $ 1. ~~13~~ **0** billion of gross debt outstanding that bears interest at variable rates that reset periodically and are generally based on the Secured Overnight Financing Rate (" SOFR") or Base Rate, as defined in the Credit Agreement. We utilize interest rate swaps to mitigate the interest rate risk, and we have hedged approximately one- half of our gross debt outstanding. However, approximately one- half of our gross debt outstanding is unhedged. If interest rates increase, so will ~~the~~ **our** interest costs, which could adversely affect cash flow and the ability to pay principal and interest on our debt and the ability to make distributions to shareholders. In addition, rising interest rates could limit our ability to refinance existing debt when it matures. An increase in interest rates could also affect our ability to make new investments on favorable terms or at all. We may increase our debt or raise additional capital in the future, which could affect our financial condition, may decrease our profitability or could dilute our shareholders. We may increase our debt or raise additional **equity** capital in the future, subject to restrictions in our debt agreements **, whether in a private offering or pursuant to our effective shelf registration statement on Form S- 3, which we filed on January 10, 2024** . If our cash flow from operations is less than we anticipate, or if our cash requirements are more than we expect, we may require more financing. However, debt or equity financing may not be available on terms acceptable to us, if at all. If we incur additional debt or raise equity through the issuance of ~~preferred~~ **additional shares of common** stock **or other equity- linked securities** , the terms of the debt or ~~preferred~~ **any shares of common** stock **or other equity- linked securities** issued may give the holders rights, preferences and privileges senior to those of holders of our common stock, particularly in the event of liquidation. The terms of ~~the~~ **any new** debt may also impose additional and more stringent restrictions on our operations than we currently have. If we raise funds through the issuance of additional equity, our **current** shareholders' ownership in ~~us~~ **the Company** would be diluted. If we are unable to raise additional capital when needed, it could affect our financial ~~health~~ **flexibility** , which could negatively affect our shareholders. General Risks Factors The market price and trading volume of our common stock may be volatile. The market price of our stock may be influenced by many factors, some of which are beyond our control, including the following: • the inability to meet the financial estimates of analysts who follow our common stock; • **investor perceptions of the investment opportunity associated with our Company relative to other investment alternatives; •** strategic actions by us or our competitors; • announcements by us or our competitors of significant contracts, acquisitions, joint marketing relationships, joint ventures or capital commitments; • variations in our quarterly operating results and those of our competitors; • general economic and stock market conditions; • risks relating to our business and our industry, including those discussed above; • changes in conditions or trends in our industry, markets or customers; • cyber- attacks, terrorist acts or armed hostilities; • future sales of our common stock or other securities; • repurchases of our outstanding shares; **and** • material weaknesses in our internal control over financial reporting ~~; and • investor perceptions of the investment opportunity associated with our Company relative to other investment alternatives~~ . These broad market and industry factors may materially reduce the market price of our common stock, regardless of our operating performance. ~~In addition, price volatility may be greater if the public float and trading volume of our common stock is low. 18~~