



Friedman Industries, Incorporated Announces Second Quarter Results

November 12, 2024

LONGVIEW, Texas, Nov. 12, 2024 (GLOBE NEWSWIRE) -- Friedman Industries, Incorporated (NYSE American: FRD) announced today its results of operations for the second fiscal quarter ended September 30, 2024.

September 30, 2024 Quarter Highlights:

- Sales of approximately \$106.8 million
- Working capital balance at quarter-end of approximately \$111.7 million
- Operating cash flow of approximately \$10.8 million during the quarter
- Debt reduced 22% during the quarter

"We experienced challenging conditions during the second fiscal quarter driven by industry specific and macroeconomic factors," said Michael J. Taylor, President and Chief Executive Officer. "Our margins were affected by industry-wide pricing pressure. Hot-rolled coil ("HRC") prices stabilized during the quarter, after declining since the start of 2024, but a combination of soft demand from some customers and political uncertainty held off upward price momentum and volume. With steel prices reaching a floor and relative stability during the quarter, our inventory price risk decreased, and our hedging activities were reduced accordingly. Despite these circumstances, our team maintained sales volume from the preceding quarter and we reduced debt by 22%. I am confident in the long-term outlook for our industry, and I believe Friedman is well-positioned for success," Taylor concluded.

For the quarter ended September 30, 2024 (the "2024 quarter"), the Company recorded a net loss of approximately \$0.7 million (\$0.10 diluted loss per share) on sales of approximately \$106.8 million compared to net earnings of approximately \$3.5 million (\$0.48 diluted earnings per share) on sales of approximately \$130.7 million for the quarter ended September 30, 2023 (the "2023 quarter"). Sales volume for the 2024 quarter consisted of approximately 121,500 tons of inventory sold and another 18,000 tons of toll processing customer owned material compared to 2023 quarter sales volume consisting of approximately 129,500 tons of inventory sold and another 26,000 tons of toll processing. The decline in sales volume for the 2024 quarter was related to a combination of weaker demand among some customers and hesitancy among others given the political uncertainty at the time.

The table below provides our unaudited statements of operations for the three- and six-month periods ended September 30, 2024 and 2023:

SUMMARY OF OPERATIONS

(unaudited)

(In thousands, except for per share data)

	Three Months Ended September 30,		Six Months Ended September 30,	
	2024	2023	2024	2023
Net Sales	\$ 106,759	\$ 130,748	\$ 221,310	\$ 268,046
Cost of materials sold (excludes items shown separately below)	88,761	110,275	184,656	217,911
Processing and warehousing expense	7,861	7,409	16,558	14,582
Delivery expense	5,381	6,521	11,432	11,966
Selling, general and administrative expense	3,935	4,729	8,446	10,667
Depreciation and amortization	823	759	1,618	1,508
Loss on disposal of property, plant and equipment	222	-	222	-

Earnings (loss) from operations	(224)	1,055	(1,622)	11,412
Gain on economic hedges of risk	194	4,402	5,569	4,832
Interest expense	(869)	(805)	(1,550)	(1,345)
Other income (expense)	(3)	10	-	16
Earnings (loss) before income taxes	(902)	4,662	2,397	14,915
Income tax expense (benefit)	(227)	1,149	505	3,712
Net earnings (loss)	<u>\$ (675)</u>	<u>\$ 3,513</u>	<u>\$ 1,892</u>	<u>\$ 11,203</u>
Net earnings (loss) per share:				
Basic	\$ (0.10)	\$ 0.48	\$ 0.27	\$ 1.52
Diluted	\$ (0.10)	\$ 0.48	\$ 0.27	\$ 1.52

The table below provides summarized unaudited balance sheets as of September 30, 2024 and March 31, 2024:

SUMMARIZED BALANCE SHEETS (unaudited)
(In thousands)

	<u>September 30, 2024</u>	<u>March 31, 2024</u>
ASSETS:		
Current Assets	148,044	170,064
Noncurrent Assets	61,123	59,955
Total Assets	<u>209,167</u>	<u>230,019</u>
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Current Liabilities	36,366	54,107
Noncurrent Liabilities	44,037	48,437
Total Liabilities	<u>80,403</u>	<u>102,544</u>
Total Stockholders' Equity	<u>128,764</u>	<u>127,475</u>
Total Liabilities and Stockholders' Equity	<u>209,167</u>	<u>230,019</u>

FLAT-ROLL SEGMENT OPERATIONS

Flat-roll product segment sales for the 2024 quarter totaled approximately \$97.4 million compared to approximately \$120.5 million for the 2023 quarter. The flat-roll segment had sales volume of approximately 112,000 tons from inventory and another 18,000 tons of toll processing for the 2024 quarter compared to approximately 121,000 tons from inventory and 26,000 tons of toll processing for the 2023 quarter. The average per ton selling price of flat-roll segment inventory decreased from approximately \$983 per ton in the 2023 quarter to approximately \$858 per ton in the 2024 quarter. The flat-roll segment recorded operating profits of approximately \$2.7 million and \$3.1 million for the 2024 quarter and 2023 quarter, respectively.

TUBULAR SEGMENT OPERATIONS

Tubular product segment sales for the 2024 quarter totaled approximately \$9.4 million compared to approximately \$10.2 million for the 2023 quarter. Sales volume was comparable between periods with approximately 9,000 tons for the 2024 quarter and approximately 8,500 tons for the 2023 quarter. The average per ton selling price of tubular segment inventory decreased from approximately \$1,217 per ton for the 2023 quarter to approximately \$1,030 per ton for the 2024 quarter. The tubular segment recorded an operating loss of approximately \$0.6 million for the 2024 quarter compared to a break-even operating profit for the 2023 quarter.

HEDGING ACTIVITIES

We utilize hot-rolled coil ("HRC") futures to manage price risk on unsold inventory and longer-term fixed price sales agreements. We typically account for our hedging activities under mark-to-market ("MTM") accounting treatment and all hedging decisions are intended to protect the value of our inventory and produce more consistent financial results over price cycles. With MTM accounting treatment it is possible that hedging related gains or losses might be recognized in a different period than the

corresponding improvement or contraction in our physical margins. For the 2024 quarter, we recognized a gain on hedging activities of approximately \$0.2 million. The Company's hedging activities were limited during the quarter due to a lack of price volatility.

OUTLOOK

The Company expects sales volume for its third quarter of fiscal 2025 to be slightly lower than the second quarter volume due primarily to the seasonal impact of the holidays. HRC price remained stable to start the third quarter resulting in minimal change to the Company's sales prices and margins. As a result, the Company may experience a generally challenging margin environment in the third quarter.

"Friedman remains in strong financial position and ready to capitalize on both short-term and long-term opportunities" Taylor said. "Despite the current macro-economic headwinds, I see a favorable long-term demand outlook for the industry and our products and believe we have a team uniquely qualified to recognize Friedman's fullest potential."

ABOUT FRIEDMAN INDUSTRIES

Friedman Industries, Incorporated ("Company"), headquartered in Longview, Texas, is a manufacturer and processor of steel products with operating plants in Hickman, Arkansas; Decatur, Alabama; East Chicago, Indiana; Granite City, Illinois; Sinton, Texas and Lone Star, Texas. The Company has two reportable segments: flat-roll products and tubular products. The flat-roll product segment consists of the operations in Hickman, Decatur, East Chicago, Granite City and Sinton where the Company processes hot-rolled steel coils. The Hickman, East Chicago and Granite City facilities operate temper mills and corrective leveling cut-to-length lines. The Sinton and Decatur facilities operate stretcher leveler cut-to-length lines. The tubular product segment consists of the operations in Lone Star where the Company manufactures electric resistance welded pipe and distributes pipe through its Texas Tubular Products division.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This news release contains forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act, and such statements involve risk and uncertainty. 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, future production capacity and product quality. These forward-looking statements may include, but are not limited to, everything under the header "Outlook" above, including sales volumes, margins, hedging results, and potential price increases, expectations as to financial results during the Company's upcoming fiscal quarters, 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 news release.

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, our ability to satisfy our take or pay obligations under certain supply agreements, 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. Such risks and uncertainty are also addressed in our Management's Discussion and Analysis of Financial Condition and Results of Operations and other sections of the Company's filings with the U.S. Securities and Exchange Commission (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. 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.

For further information, please refer to the Company's Form 10-Q as filed with the SEC on November 12, 2024 or contact Alex LaRue, Chief Financial Officer – Secretary and Treasurer, at (903)758-3431.