

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
FOR THE QUARTERLY PERIOD ENDED December 31, 2023**

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
FROM THE TRANSITION PERIOD FROM \_\_\_\_\_ TO \_\_\_\_\_**

COMMISSION FILE NUMBER 1-7521

**FRIEDMAN INDUSTRIES, INCORPORATED**

(Exact name of registrant as specified in its charter)

Texas  
(State or other jurisdiction of  
incorporation or organization)

74-1504405  
(I.R.S. Employer  
Identification Number)

1121 Judson Road, Suite 124, Longview, Texas 75601  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (903)758-3431

Former name, former address and former fiscal year, if changed since last report

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol</u>	<u>Name of each exchange on which registered</u>
Common Stock, \$1 Par Value	FRD	NYSE American

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). (Check one): Yes  No

At February 14, 2024, the number of shares outstanding of the issuer's only class of stock was 6,976,311 shares of Common Stock.



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## Part I — FINANCIAL INFORMATION

## Item 1. Financial Statements

## FRIEDMAN INDUSTRIES, INCORPORATED

CONDENSED CONSOLIDATED BALANCE SHEETS — UNAUDITED  
(In thousands, except for share data)

	DECEMBER 31, 2023	MARCH 31, 2023
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash	\$ 4,009	\$ 2,992
Accounts receivable, net of allowances for bad debts of \$138 and \$183 at December 31, and March 31, 2023, respectively	44,422	49,367
Inventories	113,901	86,246
Current portion of derivative assets	26	536
Other current assets	8,539	4,515
TOTAL CURRENT ASSETS	<u>170,897</u>	<u>143,656</u>
<b>PROPERTY, PLANT AND EQUIPMENT:</b>		
Land	1,670	1,670
Buildings and yard improvements	29,266	28,550
Machinery and equipment	52,021	51,001
Construction in process	4,174	1,167
Less accumulated depreciation	(30,643)	(28,455)
	<u>56,488</u>	<u>53,933</u>
<b>OTHER ASSETS:</b>		
Cash value of officers' life insurance and other assets	377	453
Operating lease right-of-use asset	1,193	1,270
TOTAL ASSETS	<u>\$ 228,955</u>	<u>\$ 199,312</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued expenses	\$ 47,870	\$ 36,847
Income taxes payable	2,174	774
Dividends payable	139	148
Contribution to retirement plan	—	350
Employee compensation and related expenses	3,529	4,650
Current portion of financing lease	81	107
Current portion of derivative liability	808	2,212
TOTAL CURRENT LIABILITIES	<u>54,601</u>	<u>45,088</u>
POSTRETIREMENT BENEFITS OTHER THAN PENSIONS	103	96
DEFERRED INCOME TAX LIABILITY	4,418	4,357
OTHER NON-CURRENT LIABILITIES	1,127	1,222
ASSET BASED LENDING FACILITY	45,963	33,117
TOTAL LIABILITIES	<u>106,212</u>	<u>83,880</u>
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>STOCKHOLDERS' EQUITY:</b>		
Common stock, par value \$1: Authorized shares — 10,000,000; Issued shares — 8,868,716 shares at December 31, and March 31, 2023	8,869	8,869
Additional paid-in capital	35,198	35,005
Accumulated other comprehensive loss	—	(317)
Treasury stock at cost (1,896,892 shares and 1,493,128 shares at December 31, and March 31, 2023, respectively)	(12,929)	(7,778)
Retained earnings	91,605	79,653
TOTAL STOCKHOLDERS' EQUITY	<u>122,743</u>	<u>115,432</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 228,955</u>	<u>\$ 199,312</u>

The accompanying notes are an integral part of these financial statements.

## FRIEDMAN INDUSTRIES, INCORPORATED

**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS — UNAUDITED**  
 (In thousands, except per share data)

	THREE MONTHS ENDED DECEMBER 31,		NINE MONTHS ENDED DECEMBER 31,	
	2023	2022	2023	2022
Net Sales	\$ 115,973	\$ 111,860	\$ 384,019	\$ 423,356
Costs and expenses:				
Costs of products sold	105,531	105,730	351,427	393,876
Selling, general and administrative	4,269	4,701	15,007	15,662
	<u>109,800</u>	<u>110,431</u>	<u>366,434</u>	<u>409,538</u>
EARNINGS FROM OPERATIONS	6,173	1,429	17,585	13,818
Gain (loss) on economic hedges of risk	(4,126)	822	706	7,326
Interest expense	(790)	(448)	(2,135)	(1,498)
Other income	1	4	17	24
EARNINGS BEFORE INCOME TAXES	<u>1,258</u>	<u>1,807</u>	<u>16,173</u>	<u>19,670</u>
Provision for (benefit from) income taxes:				
Current	82	448	3,827	4,686
Deferred	(8)	(17)	(41)	(47)
	<u>74</u>	<u>431</u>	<u>3,786</u>	<u>4,639</u>
NET EARNINGS	<u>\$ 1,184</u>	<u>\$ 1,376</u>	<u>\$ 12,387</u>	<u>\$ 15,031</u>
Net earnings per share:				
Basic	\$ 0.16	\$ 0.19	\$ 1.69	\$ 2.06
Diluted	\$ 0.16	\$ 0.19	\$ 1.69	\$ 2.06
Cash dividends declared per common share	\$ 0.02	\$ 0.02	\$ 0.06	\$ 0.06

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME — UNAUDITED**  
 (In thousands)

	THREE MONTHS ENDED DECEMBER 31,		NINE MONTHS ENDED DECEMBER 31,	
	2023	2022	2023	2022
Net earnings	\$ 1,184	\$ 1,376	\$ 12,387	\$ 15,031
Other comprehensive income:				
Cash flow hedges, net of tax	—	669	317	9,422
	<u>—</u>	<u>669</u>	<u>317</u>	<u>9,422</u>
Comprehensive income	<u>\$ 1,184</u>	<u>\$ 2,045</u>	<u>\$ 12,704</u>	<u>\$ 24,453</u>

The accompanying notes are an integral part of these financial statements.

## FRIEDMAN INDUSTRIES, INCORPORATED

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS — UNAUDITED**

(In thousands)

	NINE MONTHS ENDED DECEMBER	
	31,	
	2023	2022
<b>OPERATING ACTIVITIES</b>		
Net earnings	\$ 12,387	\$ 15,031
Adjustments to reconcile net earnings to cash provided by operating activities:		
Depreciation and amortization	2,293	1,879
Deferred taxes	(41)	(47)
Compensation expense for restricted stock	193	224
Change in postretirement benefits	6	8
Gain recognized on open derivatives not designated for hedge accounting	(894)	(1,353)
Deferred realized gain on derivatives	418	3,156
Decrease (increase) in operating assets, net of amounts acquired in business combination:		
Accounts receivable	4,945	(7,402)
Inventories	(27,656)	47,659
Federal income taxes recoverable	—	1,403
Other current assets	(1,621)	428
Increase (decrease) in operating liabilities, net of amounts assumed in business combination:		
Accounts payable and accrued expenses	11,058	(20,791)
Income taxes payable	1,400	2,631
Contribution to retirement plan	(350)	100
Employee compensation and related expenses	(1,121)	1,173
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>1,017</b>	<b>44,099</b>
<b>INVESTING ACTIVITIES</b>		
Plateplus business combination	—	(71,720)
Purchase of property, plant and equipment	(4,774)	(8,279)
Increase in cash surrender value of officers' life insurance	(10)	(10)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(4,784)</b>	<b>(80,009)</b>
<b>FINANCING ACTIVITIES</b>		
Debt issuance cost	—	(329)
Cash dividends paid	(443)	(442)
Cash paid for principal portion of finance lease	(80)	(79)
Cash paid for share repurchases	(5,151)	(37)
Asset based lending facility proceeds	12,847	26,075
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>7,173</b>	<b>25,188</b>
<b>INCREASE (DECREASE) IN CASH AND RESTRICTED CASH</b>	<b>3,406</b>	<b>(10,722)</b>
<b>CASH AND RESTRICTED CASH AT BEGINNING OF PERIOD</b>	<b>5,386</b>	<b>16,122</b>
<b>CASH AND RESTRICTED CASH AT END OF PERIOD</b>	<b>\$ 8,792</b>	<b>\$ 5,400</b>

Cash and restricted cash at December 31, 2023 and March 31, 2023 included approximately \$4.8 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 December 31, 2023 and March 31, 2023. The Company had approximately \$1.9 million in restricted cash at December 31, 2022.

The accompanying notes are an integral part of these financial statements.

## FRIEDMAN INDUSTRIES, INCORPORATED

## CONDENSED NOTES TO QUARTERLY REPORT — UNAUDITED

## NOTE A — BASIS OF PRESENTATION

The accompanying unaudited, condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and do not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. For further information, refer to the consolidated financial statements and footnotes of Friedman Industries, Incorporated (the "Company") included in its annual report on Form 10-K for the year ended March 31, 2023.

*Business Combinations*

The results of a business acquired in a business combination are included in the Company's consolidated 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.

*Reclassifications*

The unaudited condensed consolidated financial statements for the previous year may include certain reclassifications to conform to the current presentation. To conform with the current year presentation, "Interest expense" on the unaudited condensed consolidated statements of operations was moved below the calculation of "Earnings From Operations". To conform with the current year presentation, gains of approximately \$0.8 million and \$7.3 million for the three and nine months ended December 31, 2022 periods, respectively, reported in the prior year as components of "Other income (loss), net" on the unaudited condensed consolidated statement of operations were moved to the line item "Gain (loss) on economic hedges of risk". These reclassifications had no impact on previously reported net earnings or stockholders' equity.

## NOTE B — 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 \$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 \$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>

The Company recorded one-time transaction specific costs of approximately \$1.2 million in the nine months ended December 31, 2022, as a component of "Selling, general and administrative" expenses on the condensed consolidated statement of operations.

## NOTE C — INVENTORIES

Inventories consist of prime coil, non-standard coil and tubular materials. Prime coil inventory consists primarily of raw materials, non-standard coil inventory consists primarily of raw materials and tubular inventory consists of both raw materials and finished goods. Cost for prime coil inventory is determined using the average cost method. Cost for non-standard coil inventory is determined using the specific identification method. Cost for tubular inventory is determined using the average cost method. All inventories are valued at the lower of cost or net realizable value.

A summary of inventory values by product group follows (in thousands):

	<b>December 31, 2023</b>	<b>March 31, 2023</b>
Prime Coil Inventory	\$ 97,646	\$ 75,917
Non-Standard Coil Inventory	739	278
Tubular Raw Material	8,187	5,193
Tubular Finished Goods	7,329	4,858
	<u>\$ 113,901</u>	<u>\$ 86,246</u>

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.

## NOTE D – 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 December 31, 2023, the Company had a balance of approximately \$46.0 million under the ABL Facility with an applicable interest rate of 7.5%. At December 31, 2023, the Company's applicable borrowing base calculation supported access to approximately \$106.1 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.

**NOTE E — 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 B. The lease called for quarterly rental payments of approximately \$19,000. The Company recognized an initial right-of-use (“ROU”) asset and lease liability of approximately \$1.2 million during the June 30, 2022 quarter related to this lease. The Company renewed this lease in January 2024 through August 31, 2028, with extension provisions that include four additional five year terms. The ROU asset and lease liability will be updated during the quarter ending March 31, 2024. 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. The lease calls for monthly rent payments of approximately \$5,000 and expires on April 30, 2024. 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 acquired 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 for the three and nine months ended December 31, 2023 and 2022 are as follows (in thousands):

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>December 31,</b>		<b>December 31,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Finance lease – amortization of ROU asset	\$ 26	\$ 26	\$ 78	\$ 78
Finance lease – interest on lease liability	1	1	3	3
Operating lease expense	34	34	102	94
	<u>\$ 61</u>	<u>\$ 61</u>	<u>\$ 183</u>	<u>\$ 175</u>

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

	<b>December 31,</b>		<b>Balance Sheet Classification</b>
	<b>2023</b>	<b>March 31, 2023</b>	
<b>Assets</b>			
Operating lease right-of-use asset	\$ 1,193	\$ 1,270	Operating lease right-of-use asset
Finance lease right-of-use asset	411	430	Property, plant & equipment
Total right-of-use assets	<u>\$ 1,604</u>	<u>\$ 1,700</u>	
<b>Liabilities</b>			
Operating lease liability, current	\$ 66	\$ 101	Accrued expenses
Finance lease liability, current	81	107	Current portion of finance lease
Operating lease liability, non-current	1,127	1,168	Other non-current liabilities
Finance lease liability, non-current	—	54	Other non-current liabilities
Total lease liabilities	<u>\$ 1,274</u>	<u>\$ 1,430</u>	

As of December 31, 2023, the weighted-average remaining lease term was 19.4 years for operating leases and 0.8 years for finance leases. The weighted average discount rate was 2.6% for operating leases and 1.9% for finance leases.

Maturities of lease liabilities as of December 31, 2023 were as follows (in thousands):

	<b>Operating Leases</b>	<b>Finance Leases</b>
Fiscal 2024 (remainder of fiscal year)	34	27
Fiscal 2025	80	55
Fiscal 2026	75	—
Fiscal 2027	75	—
Fiscal 2028 and beyond	1,237	—
Total undiscounted lease payments	\$ 1,501	\$ 82
Less: imputed interest	(308)	(1)
Present value of lease liability	\$ 1,193	\$ 81

**NOTE F — 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 December 31, 2023, the Company's construction in process balance of approximately \$4.2 million consisted primarily of projects at the Decatur, AL facility which include approximately \$1.5 million associated with a building expansion and \$1.8 million associated with upgrading a component of the processing line. The total estimated cost of these projects is \$3.8 million with completion of the building expansion expected during the March 31, 2024 quarter and completion of the processing line upgrade expected during the June 30, 2024 quarter. The remaining construction in process balance is comprised of several smaller projects.

**NOTE G — STOCK BASED COMPENSATION**

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 nine months ended December 31, 2023:

	<u>Number of Shares</u>	<u>Weighted Average Grant Date Fair Value Per Share</u>
Unvested at March 31, 2023	100,366	\$ 6.08
Granted	—	—
Vested	(40,366)	6.27
Unvested at December 31, 2023	<u>60,000</u>	<u>\$ 5.95</u>

The Company measures compensation expense for RSUs at the market price of the 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 \$0.2 million in the nine months ended December 31, 2023 and 2022, respectively, relating to the RSUs issued under the Plan. As of December 31, 2023, unrecognized compensation expense related to unvested RSUs was approximately \$0.1 million which is expected to be recognized over a weighted average period of approximately 1.0 years. As of December 31, 2023, a total of 122,485 shares were still available to be issued under the Plan.

**NOTE H — DERIVATIVE FINANCIAL INSTRUMENTS**

From time to time, we expect to use 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 for accounting purposes, 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 with some of its suppliers 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 December 31, 2023, 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 the nine months ended December 31, 2023 and 2022, the Company 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 December 31, 2023 (in thousands):

Derivatives not designated as hedging instruments:	Asset Derivatives		Liability Derivatives	
	Balance Sheet		Balance Sheet	
	Location	Fair Value	Location	Fair Value
Hot-rolled coil steel contracts	Current portion of derivative assets	\$ 26	Current portion of derivative liability	\$ 808

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		Balance Sheet	
	Location	Fair Value	Location	Fair Value
Hot-rolled coil steel contracts	Current portion of derivative assets	\$ 536	Current portion of derivative liability	\$ 2,212

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

At December 31, 2023, the Company reported approximately \$3.0 million in "Accounts payable and accrued expenses" on its Consolidated Balance Sheet related to futures contracts which were closed 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 which were closed but were pending cash settlement.

The following table summarizes the pre-tax gain recognized in other comprehensive income and the loss reclassified from accumulated other comprehensive loss into earnings for derivative financial instruments designated as cash flow hedges for the periods presented (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 three months ended December 31, 2023:			
Hot-rolled coil steel contracts	\$ —	Sales	\$ —
Total	\$ —		\$ —
For the three months ended December 31, 2022:			
Hot-rolled coil steel contracts	\$ 22	Sales	\$ (861)
Total	\$ 22		\$ (861)
For the nine months ended December 31, 2023:			
Hot-rolled coil steel contracts	\$ —	Sales	\$ (418)
Total	\$ —		\$ (418)
For the nine months ended December 31, 2022:			
Hot-rolled coil steel contracts	\$ 9,446	Sales	\$ (2,977)
Total	\$ 9,446		\$ (2,977)

The following table summarizes the gain (loss) recognized in earnings for derivative instruments not designated as hedging instruments during the three and nine months ended December 31, 2023 (in thousands):

	<b>Location of Loss Recognized in Earnings</b>	<b>Loss Recognized in Earnings for the Three Months Ended December 31, 2023</b>
Hot-rolled coil steel contracts	Gain (loss) on economic hedges of risk	\$ (4,126)
	<b>Location of Gain Recognized in Earnings</b>	<b>Gain Recognized in Earnings for the Nine Months Ended December 31, 2023</b>
Hot-rolled coil steel contracts	Gain (loss) on economic hedges of risk	\$ 706

The following table summarizes the gains recognized in earnings for derivative instruments not designated as hedging instruments during the three and nine months ended December 31, 2022 (in thousands):

	<b>Location of Gain Recognized in Earnings</b>	<b>Gain Recognized in Earnings for the Three Months Ended December 31, 2022</b>
Hot-rolled coil steel contracts	Gain (loss) on economic hedges of risk	\$ 822
	<b>Location of Gain Recognized in Earnings</b>	<b>Gain Recognized in Earnings for the Nine Months Ended December 31, 2022</b>
Hot-rolled coil steel contracts	Gain (loss) on economic hedges of risk	\$ 7,326

The notional amount (quantity) of our derivative instruments not designated as hedging instruments at December 31, 2023 consisted of 21,140 tons of short positions with maturity dates ranging from January 2024 to June 2024.

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

	<b>Gain (Loss) on Derivatives</b>
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 December 31, 2023	\$ —

(1) The loss reclassified from AOCI is presented net of tax benefits of approximately \$0.1 million which are included in the provision for income taxes on the Company's Consolidated Statement of Operations for the nine months ended December 31, 2023.

	<b>Gain (Loss) on Derivatives</b>
Balance at March 31, 2022	\$ (10,269)
Other comprehensive income, net of loss, before reclassification	7,164
Total loss reclassified from AOCI (1)	2,258
Net current period other comprehensive income	9,422
Balance at December 31, 2022	\$ (847)

(1) The loss reclassified from AOCI is presented net of tax benefits of approximately \$0.7 million which are included in the provision for income taxes on the Company's Consolidated Statement of Operations for the nine months ended December 31, 2022.

At December 31, 2023 and March 31, 2023, cash of approximately \$4.8 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 December 31, 2023 and March 31, 2023.

## NOTE I — 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 December 31, 2023, our financial liabilities, net, measured at fair value on a recurring basis were as follows (in thousands):

	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>	<b>Total</b>
Commodity futures – financial liabilities, net	\$ (782)	\$ —	\$ —	\$ (782)
Total	<u>\$ (782)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (782)</u>

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

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

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

**NOTE J — SEGMENT INFORMATION** (in thousands)

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.

	<b>Three Months Ended December 31,</b>		<b>Nine Months Ended December 31,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
<b>Net sales</b>				
Flat-roll	\$ 106,424	\$ 100,231	\$ 352,148	\$ 372,830
Tubular	9,549	11,629	31,871	50,526
Total net sales	<u>\$ 115,973</u>	<u>\$ 111,860</u>	<u>\$ 384,019</u>	<u>\$ 423,356</u>
<b>Operating profit (loss)</b>				
Flat-roll	\$ 8,694	\$ 3,259	\$ 23,650	\$ 15,684
Tubular	(116)	692	2,164	6,136
Total operating profit	8,578	3,951	25,814	21,820
General corporate expenses	(2,405)	(2,522)	(8,229)	(8,002)
Gain (loss) on economic hedges of risk	(4,126)	822	706	7,326
Interest expense	(790)	(448)	(2,135)	(1,498)
Other income	1	4	17	24
Total earnings before income taxes	<u>\$ 1,258</u>	<u>\$ 1,807</u>	<u>\$ 16,173</u>	<u>\$ 19,670</u>
			<b>December 31, 2023</b>	<b>March 31, 2023</b>
<b>Segment assets</b>				
Flat-roll			\$ 202,900	\$ 179,780
Tubular			20,419	15,858
			223,319	195,638
Corporate assets			5,636	3,674
			<u>\$ 228,955</u>	<u>\$ 199,312</u>

Operating profit is total net sales less operating expenses, excluding general corporate expenses, gain (loss) on economic hedges of risk, 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 December 31, 2023 and March 31, 2023, Corporate assets consist 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.

**NOTE K — 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 three main product types: Prime Coil, Non-Standard Coil and 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 three and nine months ended December 31, 2023 and 2022, respectively (in thousands):

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>December 31,</b>		<b>December 31,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
<b>Flat-roll Segment:</b>				
Prime Coil	\$ 103,748	\$ 99,100	\$ 346,405	\$ 368,583
Non-standard Coil	1,629	796	2,140	3,219
Processing or Storage of Customer Owned Coil	1,047	335	3,603	1,028
	<u>\$ 106,424</u>	<u>\$ 100,231</u>	<u>\$ 352,148</u>	<u>\$ 372,830</u>
<b>Tubular Segment:</b>				
Manufactured Pipe	\$ 9,549	\$ 11,629	\$ 31,871	\$ 50,526
	<u>\$ 9,549</u>	<u>\$ 11,629</u>	<u>\$ 31,871</u>	<u>\$ 50,526</u>

**NOTE L — STOCKHOLDERS' EQUITY**

During the three months ended December 31, 2023, the Company repurchased 400,041 shares of the Company's common stock from Metal One Corporation for an aggregate purchase price of approximately \$5.1 million. In addition, the Board of Directors of the Company authorized a share repurchase program on December 13, 2023 under which the Company may repurchase up to 1,045,774 shares of the Company's outstanding common stock through December 13, 2026, which equates to 15% of the Company's outstanding shares of common stock after the repurchase of shares from Metal One Corporation. The Company did not make any repurchases under this authorization during the quarter ended December 31, 2023.

The following tables reflect the changes in stockholders' equity for each of the nine months ended December 31, 2023 and December 31, 2022 (in thousands):

	<b>Common</b>	<b>Accumulated</b>	<b>Additional</b>	<b>Treasury</b>	<b>Retained</b>	<b>Total</b>
	<b>Stock</b>	<b>Other</b>	<b>Paid-In</b>	<b>Stock</b>	<b>Earnings</b>	
		<b>Comprehensive</b>	<b>Capital</b>			
		<b>Income,</b>				
		<b>Net of Tax</b>				
BALANCE AT MARCH 31, 2023	\$ 8,869	(317)	\$ 35,005	\$ (7,778)	\$ 79,653	\$ 115,432
Net earnings	—	—	—	—	7,690	7,690
Other comprehensive income	—	317	—	—	—	317
Paid in capital – restricted stock units	—	—	78	—	—	78
Cash dividends (\$0.02 per share)	—	—	—	—	(148)	(148)
BALANCE AT JUNE 30, 2023	<u>\$ 8,869</u>	<u>\$ —</u>	<u>\$ 35,083</u>	<u>\$ (7,778)</u>	<u>\$ 87,195</u>	<u>\$ 123,369</u>
Net earnings	—	—	—	—	3,513	3,513
Paid in capital – restricted stock units	—	—	78	—	—	78
Repurchase of shares	—	—	—	(3)	—	(3)
Cash dividends (\$0.02 per share)	—	—	—	—	(148)	(148)
BALANCE AT SEPTEMBER 30, 2023	<u>\$ 8,869</u>	<u>\$ —</u>	<u>\$ 35,161</u>	<u>\$ (7,781)</u>	<u>\$ 90,560</u>	<u>\$ 126,809</u>
Net earnings	—	—	—	—	1,184	1,184
Paid in capital – restricted stock units	—	—	37	—	—	37
Repurchase of shares	—	—	—	(5,148)	—	(5,148)
Cash dividends (\$0.02 per share)	—	—	—	—	(139)	(139)
BALANCE AT DECEMBER 31, 2023	<u>\$ 8,869</u>	<u>\$ —</u>	<u>\$ 35,198</u>	<u>\$ (12,929)</u>	<u>\$ 91,605</u>	<u>\$ 122,743</u>

	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	(10,268)	\$ 30,442	\$ (7,741)	\$ 58,909	\$ 79,687
Net earnings	—	—	—	—	11,184	11,184
Other comprehensive income	—	7,174	—	—	—	7,174
Paid in capital – restricted stock units	—	—	73	—	—	73
Shares issued - Plateplus business combination	516	—	4,268	—	—	4,784
Repurchase of shares	—	—	—	(29)	—	(29)
Cash dividends (\$0.02 per share)	—	—	—	—	(158)	(158)
BALANCE AT JUNE 30, 2022	\$ 8,861	\$ (3,094)	\$ 34,783	\$ (7,770)	\$ 69,935	\$ 102,715
Net earnings	—	—	—	—	2,471	2,471
Other comprehensive income	—	1,578	—	—	—	1,578
Paid in capital – restricted stock units	—	—	73	—	—	73
Cash dividends (\$0.02 per share)	—	—	—	—	(147)	(147)
BALANCE AT SEPTEMBER 30, 2022	\$ 8,861	\$ (1,516)	\$ 34,856	\$ (7,770)	\$ 72,259	\$ 106,690
Net earnings	—	—	—	—	1,376	1,376
Other comprehensive income	—	669	—	—	—	669
Issuance of restricted stock	8	—	(8)	—	—	—
Paid in capital – restricted stock units	—	—	78	—	—	78
Repurchase of shares	—	—	—	(7)	—	(7)
Cash dividends (\$0.02 per share)	—	—	—	—	(148)	(148)
BALANCE AT DECEMBER 31, 2022	\$ 8,869	\$ (847)	\$ 34,926	\$ (7,777)	\$ 73,487	\$ 108,658

**NOTE M — OTHER COMPREHENSIVE INCOME**

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

	Three Months Ended December 31, 2023		
	Before-Tax	Tax	Net-of-Tax
Cash flow hedges	\$ —	\$ —	\$ —
<b>Other comprehensive income</b>	\$ —	\$ —	\$ —
	Three Months Ended December 31, 2022		
	Before-Tax	Tax	Net-of-Tax
Cash flow hedges	\$ 883	\$ (213)	\$ 670
<b>Other comprehensive income</b>	\$ 883	\$ (213)	\$ 670
	Nine Months Ended December 31, 2023		
	Before-Tax	Tax	Net-of-Tax
Cash flow hedges	\$ 418	\$ (101)	\$ 317
<b>Other comprehensive income</b>	\$ 418	\$ (101)	\$ 317
	Nine Months Ended December 31, 2022		
	Before-Tax	Tax	Net-of-Tax
Cash flow hedges	\$ 12,423	\$ (3,001)	\$ 9,422
<b>Other comprehensive income</b>	\$ 12,423	\$ (3,001)	\$ 9,422

**NOTE N — EARNINGS PER SHARE**

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

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2023	2022	2023	2022
<b>Numerator (basic and diluted)</b>				
Net earnings	\$ 1,184	\$ 1,376	\$ 12,387	\$ 15,031
Less: Allocation to unvested restricted stock units	10	19	131	240
Net earnings attributable to common shareholders	\$ 1,174	\$ 1,357	\$ 12,256	\$ 14,791
<b>Denominator (basic and diluted)</b>				
Weighted average common shares outstanding	7,245,183	7,275,212	7,274,332	7,196,452

For the nine months ended December 31, 2023 and 2022, 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:

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2023	2022	2023	2022
<b>Restricted Stock Units</b>	48,840	56,621	42,709	48,510

**NOTE O — SUPPLEMENTAL CASH FLOW INFORMATION**

The Company paid interest of approximately \$2.1 million and \$1.3 million during the nine months ended December 31, 2023 and 2022, respectively. Additionally, the Company paid income taxes of approximately \$2.8 million and \$0.4 million during the nine months ended December 31, 2023 and 2022, respectively. During the nine months ended December 31, 2022, the Company issued 516,041 shares of common stock as part of the Plateplus business combination resulting in non-cash investing activity of approximately \$4.8 million.

**NOTE P — INCOME TAXES**

For the nine months ended December 31, 2023 and 2022, the Company recorded an income tax provision of approximately \$3.8 million and \$4.6 million, respectively. For the nine months ended December 31, 2023 and 2022, the effective tax rate differed from the federal statutory rate due primarily to the inclusion of state tax expenses in the provision.

## Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

### 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 B to the condensed 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

### Nine Months Ended December 31, 2023 Compared to Nine Months Ended December 31, 2022

During the nine months ended December 31, 2023 (the "2023 period"), sales and costs of goods sold decreased approximately \$39.3 million and \$42.4 million, respectively, and gross profit increased approximately \$3.1 million compared to the amounts recorded during the nine months ended December 31, 2022 (the "2022 period"). 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 the 2023 period consisted of approximately 375,000 tons from inventory and another 72,000 tons of toll processing customer owned material compared to the 2022 period volume consisting of approximately 335,000 tons from inventory and 34,000 tons of toll processing. The growth in sales volume was primarily related to the Sinton, TX facility operating for the full 2023 period compared to commencing operations during October 2022 of the 2022 period. Gross profit increased from approximately \$29.5 million for the 2022 period to approximately \$32.6 million for the 2023 period. Gross profit as a percentage of sales increased from approximately 7.0% for the 2022 period to approximately 8.5% for the 2023 period. Gross profit for the 2023 period included a recognized loss of approximately \$0.4 million related to hedging activities while gross profit for the 2022 period included a recognized loss of approximately \$3.0 million related to hedging activities. Excluding the recognized hedging losses, gross profit related to physical material as a percentage of sales was approximately 8.6% for the 2023 period compared to approximately 7.6% for the 2022 period.

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 the 2023 period and the 2022 period. Entering the 2022 period, 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 late November 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 the end of the 2023 period, HRC prices increased approximately 66%. For both the 2023 and 2022 periods, the Company experienced significant increases in steel prices entering the periods with an inflection point in steel price occurring early in each period. As a result both periods experienced similar margin dynamics with stronger margins for the first quarter followed by lower margins for the second quarter and entering the third quarter with margin improvement towards the end of the third quarter.

### *Flat-roll Segment*

Flat-roll product segment sales for the 2023 period totaled approximately \$352.1 million compared to approximately \$372.8 million for the 2022 period. 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 the 2023 period were reduced by approximately \$0.4 million for the recognition of hedging related losses. Flat-roll segment sales for the 2022 period were reduced by approximately \$3.0 million for the recognition of hedging related losses. Sales generated from processing or storage of customer owned material totaled approximately \$3.6 million for the 2023 period compared to approximately \$1.0 million for the 2022 period. Sales generated from flat-roll segment inventory, excluding the impact of any hedging related gains or losses, totaled approximately \$348.9 million for the 2023 period compared to approximately \$374.8 million for the 2022 period. The average per ton selling price related to these shipments decreased from approximately \$1,222 per ton in the 2022 period to approximately \$995 per ton in the 2023 period. Flat-roll segment sales volume for the 2023 period consisted of approximately 351,000 tons from inventory and another 72,000 tons of toll processing customer owned material compared to the 2022 period volume consisting of approximately 306,500 tons from inventory and 34,000 tons of toll processing. The growth in sales volume was primarily related to the Sinton, TX facility operating for the full 2023 period compared to commencing operations during October 2022 of the 2022 period. Flat-roll segment operations recorded operating profits of approximately \$23.6 million and \$15.7 million for the 2023 period and 2022 period, respectively. The operating profit for the 2023 period includes a recognized loss on hedging activities of approximately \$0.4 million while the 2022 period operating profit included a recognized loss on hedging activities of approximately \$3.0 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 the 2023 period totaled approximately \$31.9 million compared to approximately \$50.5 million for the 2022 period. Tubular segment sales for the 2023 period and 2022 period were not impacted by any hedging related gains or losses. Sales decreased due to a decrease in the average selling price per ton, accompanied by a decline in the volume sold. The average per ton selling price decreased from approximately \$1,785 per ton in the 2022 period to approximately \$1,319 per ton in the 2023 period. Tons sold decreased from approximately 28,500 tons in the 2022 period to approximately 24,000 tons in the 2023 period. The tubular segment recorded operating profits of approximately \$2.2 million and \$6.1 million for the 2023 period and 2022 period, 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.

### ***General, Selling and Administrative Costs***

During the 2023 period, selling, general and administrative costs decreased approximately \$0.7 million compared to the 2022 period. This decrease is primarily related to the 2022 period containing one-time costs associated with the Plateplus transaction with this decrease being partially offset by increased payroll and benefits expense in the 2023 period associated with a higher employee count.

### ***Income Taxes***

Income taxes decreased from a provision for the 2022 period of approximately \$4.6 million to a provision for the 2023 period of approximately \$3.8 million. This decrease was primarily related to the lower earnings before income tax for the 2023 period. The income tax provision as a percentage of earnings before tax was approximately 23.4% and 23.6% for the 2023 period and 2022 period, respectively. For both periods, the effective tax rate differed from the federal statutory rate due primarily to the inclusion of state income taxes in the provision.

### **Three Months Ended December 31, 2023 Compared to Three Months Ended December 31, 2022**

During the three months ended December 31, 2023 (the "2023 quarter"), sales increased approximately \$4.1 million, costs of goods sold decreased approximately \$0.2 million, and gross profit increased approximately \$4.3 million compared to the amounts recorded during the three months ended December 31, 2022 (the "2022 quarter"). The increase in sales was primarily related to an increase in sales volume partially offset by a decrease in the average selling price per ton. Sales volume for the 2023 quarter consisted of approximately 118,000 tons from inventory and another 22,000 tons of toll processing customer owned material compared to the 2022 quarter volume consisting of approximately 113,000 tons from inventory and 13,000 tons of toll processing. The growth in sales volume was primarily related to the increased production at the Company's Sinton, TX facility which commenced operations in October 2022. Gross profit increased from approximately \$6.1 million for the 2022 quarter to approximately \$10.4 million for the 2023 quarter. Gross profit as a percentage of sales increased from approximately 5.5% for the 2022 quarter to approximately 9.0% for the 2023 quarter. Gross profit for the 2022 quarter included a recognized loss of approximately \$0.9 million related to hedging activities, while the 2023 quarter gross profit was not impacted by any hedging activities. Excluding the recognized hedging losses, gross profit related to physical material as a percentage of sales was approximately 6.2% for the 2022 quarter.

Our operating results are significantly impacted by the market price of HRC. The Company experienced an inflection point in HRC price during the 2023 quarter with prices increasing approximately 66% from early October 2023 and through the end of the 2023 quarter. As a result, the Company experienced considerable physical margin improvement in the second half of the 2023 quarter. In the 2022 quarter, HRC price declined approximately 22% until rising in the second half of December 2022. With the prevailing downward price trend during the 2022 quarter the Company experienced lower physical margins.

### ***Flat-roll Segment***

Flat-roll product segment sales for the 2023 quarter totaled approximately \$106.4 million compared to approximately \$100.2 million for the 2022 quarter. 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 the 2022 quarter were reduced by approximately \$0.9 million for the recognition of hedging related losses, while 2023 quarter sales were not impacted by any hedging related gains or losses. Sales generated from processing or storage of customer owned material totaled approximately \$1.0 million for the 2023 quarter compared to approximately \$0.3 million for the 2022 quarter. Sales generated from flat-roll segment inventory, excluding the impact of any hedging related gains or losses, totaled approximately \$105.4 million for the 2023 quarter compared to approximately \$100.8 million for the 2022 quarter. The average per ton selling price related to these shipments increased from approximately \$949 per ton in the 2022 quarter to approximately \$960 per ton in the 2023 quarter. Sales volume for the 2023 quarter consisted of approximately 110,000 tons from inventory and another 22,000 tons of toll processing customer owned material compared to the 2022 quarter volume consisting of approximately 106,000 tons from inventory and 13,000 tons of toll processing. The growth in sales volume was primarily related to the increased production at the Company's Sinton, TX facility which commenced operations in October 2022. Flat-roll segment operations recorded operating profits of approximately \$8.7 million and \$3.3 million for the 2023 quarter and 2022 quarter, respectively. The operating profit for the 2022 quarter included a recognized loss on hedging activities of approximately \$0.9 million, while operating profit for the 2023 quarter was not impacted by any hedging related gains or losses.

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 the 2023 quarter totaled approximately \$9.5 million compared to approximately \$11.6 million for the 2022 quarter. Tubular segment sales for the 2023 quarter and 2022 quarter were not impacted by any hedging related gains or losses. Sales decreased due to a decrease in the average selling price per ton, partially offset by an increase in the volume sold. The average per ton selling price decreased from approximately \$1,648 per ton in the 2022 quarter to approximately \$1,164 per ton in the 2023 quarter. Tons sold increased from approximately 7,000 tons in the 2022 quarter to approximately 8,000 tons in the 2023 quarter. The tubular segment recorded an operating loss of approximately \$0.1 million for the 2023 quarter compared to recording operating profit of approximately \$0.7 million for the 2022 quarter.

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.

### ***General, Selling and Administrative Costs***

During the 2023 quarter, selling, general and administrative costs decreased approximately \$0.4 million compared to the 2022 quarter. This decrease is primarily related to decreased payroll and benefits expense in the 2023 quarter.

### ***Income Taxes***

Income taxes decreased from a provision for the 2022 quarter of approximately \$0.4 million to a provision for the 2023 quarter of approximately \$0.1 million. This decrease was primarily related to lower earnings before taxes for the 2023 quarter and adjustment to interim tax estimates

during the 2023 quarter. The income tax provision as a percentage of earnings before tax was approximately 5.9% and 23.9% for the three months ended December 31, 2023 and 2022, respectively. For the 2023 quarter, the effective tax rate differed from the federal statutory rate due primarily to the adjustment of tax estimates mentioned above. For the 2022 quarter, the effective tax rate differed from the federal statutory rate due primarily to the inclusion of state income taxes in the provision.

## FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES

The Company's current ratio was 3.1 at December 31, 2023 and 3.2 at March 31, 2023. Working capital was approximately \$116.3 million at December 31, 2023 and \$98.6 million at March 31, 2023.

During the nine months ended December 31, 2023, 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. Cash and restricted cash increased due primarily to cash generated from operating activities and cash drawn on the Company's credit facility being greater than cash used for investing activities. 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") which 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 December 31, 2023, the Company had a balance of approximately \$46.0 million under the ABL Facility with an applicable interest rate of 7.5%. At December 31, 2023, the Company's applicable borrowing base calculation supported access to approximately \$106.1 million of the ABL Facility. As of the filing date of this Form 10-Q, the Company had borrowings of approximately \$49.9 million outstanding under the ABL Facility and the Company's most recent borrowing base calculation provided access to approximately \$110.6 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 the nine months ended December 31, 2023 with all of this recognition occurring during the first fiscal quarter ended June 30, 2023. For the three months ended December 31, 2023, the Company recognized a loss related to economic hedges of risk of approximately \$4.1 million. For the nine months ended December 31, 2023, the Company recognized a gain related to economic hedges of risk of approximately \$0.7 million. With MTM accounting treatment it is possible that hedging related gains or losses might be recognized in a different fiscal quarter than the corresponding improvement or contraction in our physical margins. The Company experienced an inflection point in steel prices during the quarter ended December 31, 2023 with both HRC price and the futures prices increasing. This resulted in physical margins improving in the second half of the quarter with this margin improvement being partially offset by hedging losses. The Company expects to recognize the appreciation of its inventory value through increased physical margins on fiscal fourth quarter sales. See Note H for additional information related to the Company's hedging activities.

## OUTLOOK

The Company expects to conclude fiscal year March 31, 2024 with a strong fourth fiscal quarter characterized by solid margins associated with a considerable increase in HRC price entering the fourth quarter. Sales volume for the fourth quarter of fiscal 2024 is expected to be slightly higher than the third quarter volume.

## 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 B. 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, including the adequacy of cash and expectations as to future sales, prices and margins. 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 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. 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 and trends in the oil and natural gas industry. 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.

### Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not required.

### Item 4. Controls and Procedures

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) and 15(d)-15(f) promulgated under the Securities Exchange Act of 1934, as amended). We have established disclosure controls and procedures designed to ensure that material information required to be disclosed in our reports filed under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the Securities and Exchange Commission and that any material information relating to us is recorded, processed, summarized and reported to our management including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures. In designing and evaluating our disclosure controls and procedures, our management recognizes that controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving desired control objectives. In reaching a reasonable level of assurance, our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As required by Rule 13a-15(b) under the Exchange Act, we have evaluated, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, the effectiveness of the design and operation of our disclosure controls and procedures (as defined in rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this quarterly report. Based upon our evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures were not effective as of the end of the period covered by this Quarterly Report on Form 10-Q because the Company has not yet completed its remediation of the material weaknesses previously identified and disclosed in the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2023.

Notwithstanding the identified material weaknesses, the Company's management, including our Chief Executive Officer and Chief Financial Officer, believes that the consolidated financial statements included in this Quarterly Report on Form 10-Q fairly present in all material respects our financial condition and results of operations for the three months ended December 31, 2023 in accordance with U.S. Generally Accepted Accounting Principles.

### *Material Weakness in Internal Control Over Financial Reporting*

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

During the audit process related to our fiscal year ended March 31, 2023, management, in connection with our independent auditors, identified the following material weaknesses:

- The Company did not design relevant control activities necessary to address all identified risks of material misstatement or in some circumstances, controls were designed appropriately but were implemented late in the fiscal year not allowing a sufficient period of time to evidence operating effectiveness.
- The Company did not design and implement control activities to ensure completeness and accuracy of key reports used in the performance of certain controls.
- Management review were not designed to operate at a level of precision sufficient to identify all potential material errors.
- Certain controls were not executed or performed or were performed without sufficient documentation supporting the execution of the controls.
- The Company had inadequate segregation of duties for certain business transactions.

***Plan for Remediation of Material Weakness***

In the prior year, the Company identified that the number of accounting personnel and the limited utilization of information technology in its control structure were the primary contributing factors to the material weaknesses identified. The Company hired additional personnel during the fiscal year ended March 31, 2023 ("fiscal 2023") and believes it is adequately staffed to execute the remediation plans developed by management. The previously identified material weaknesses have not been remediated due to ongoing post-acquisition integration during fiscal 2023. The operation of the full business in a new enterprise resource planning ("ERP") system is the most significant piece of this integration. All of the Company's flat-roll segment locations were integrated into the new ERP system as of February 2023. The Company's tubular segment went live under the new ERP system at the start of August 2023. The Company expects the new ERP system to allow for many of the Company's current manual controls and missing controls to be performed by the design and capabilities of the ERP system rather than relying on manual human execution. With most of the post-acquisition integration completed, the Company expects its additional personnel will be able to dedicate the necessary time during the fiscal year ended March 31, 2024 to improve the design, documentation and execution of internal controls. The Company has also engaged a consultant to assist with remediation efforts and to support the Company's design, documentation and testing of internal controls.

We will continue to monitor the design and effectiveness of these procedures and controls and make any further changes the Company determines appropriate. We believe the additional investment in human capital and technology described above will allow the Company to remediate the material weaknesses identified. However, the material weaknesses will not be considered remediated until the applicable remedial actions operate effectively for a sufficient period of time.

***Changes in Internal Controls over Financial Reporting***

Except as discussed above, there were no changes in the Company's internal control over financial reporting that occurred during the fiscal quarter ended December 31, 2023 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

**FRIEDMAN INDUSTRIES, INCORPORATED**  
**Three Months Ended December 31, 2023**

**Part II — OTHER INFORMATION****Item 5. Other Information**

During the three months ended December 31, 2023, none of our officers or directors adopted, modified or terminated a “Rule 10b5-1 trading arrangement” or a “non-Rule 10b5-1 trading arrangement,” as each term is defined in Item 408(a) and (c), respectively, of Regulation S-K, for the purchase or sale of our securities.

**Item 6. Exhibits****Exhibits**

- |         |   |  |
|---------|---|--|
| 3.1     | — | <a href="#">Articles of Incorporation of the Company, as amended (incorporated by reference from Exhibit 3.1 to the Company’s Form S-8 filed on December 21, 2016).</a>  |
| 3.2     | — | <a href="#">Articles of Amendment to the Articles of Incorporation of the Company, as filed with the Texas Secretary of State on September 22, 1987 (incorporated by reference from Exhibit 3.1 to the Company’s Form S-8 filed on December 21, 2016).</a> |
| 3.3     | — | <a href="#">Amended and Restated Bylaws of the Company, as amended on November 8, 2021. (incorporated by reference from Exhibit 3.3 to the Company's Form 10-Q filed on November 19, 2021).</a>  |
| 31.1    | — | <a href="#">Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, signed by Michael J. Taylor.</a>  |
| 31.2    | — | <a href="#">Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, signed by Alex LaRue.</a>   |
| 32.1    | — | <a href="#">Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, signed by Michael J. Taylor.</a>   |
| 32.2    | — | <a href="#">Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, signed by Alex LaRue.</a>  |
| 101.INS | — | Inline XBRL Instance Document.   |
| 101.SCH | — | Inline XBRL Taxonomy Schema Document.  |
| 101.CAL | — | Inline XBRL Calculation Linkbase Document.   |
| 101.DEF | — | Inline XBRL Definition Linkbase Document.  |
| 101.LAB | — | Inline XBRL Label Linkbase Document.   |
| 101.PRE | — | Inline XBRL Presentation Linkbase Document.  |
| 104     | — | Cover Page Interactive File (formatted as Inline XBRL and contained in Exhibit 101)  |



I, Michael J. Taylor, certify that:

1. I have reviewed this report on Form 10-Q of Friedman Industries, Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: February 14, 2024

/s/ MICHAEL J. TAYLOR  
*President and Chief Executive Officer*

I, Alex LaRue, certify that:

1. I have reviewed this report on Form 10-Q of Friedman Industries, Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: February 14, 2024

/s/ ALEX LARUE

*Chief Financial Officer – Secretary and Treasurer*

**Certification Pursuant to  
18 U.S.C. Section 1350,  
as Adopted Pursuant to Section 906  
of The Sarbanes-Oxley Act of 2002**

**Not Filed Pursuant to the Securities Exchange Act of 1934**

In connection with the Quarterly Report of Friedman Industries, Incorporated (the "Company") on Form 10-Q for the period ended December 31, 2023, as filed with the U.S. Securities and Exchange Commission on the date hereof (the "Report"), I, Michael J. Taylor, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, as amended, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 14, 2024

By /s/ Michael J. Taylor  
Name: Michael J. Taylor  
Title: President and Chief Executive Officer

