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 September 30, 2024

Commission file number 1-32737

KOPPERS HOLDINGS INC.

(Exact name of registrant as specified in its charter)

Pennsylvania	20-1878963
(State of incorporation)	(IRS Employer Identification No.)

436 Seventh Avenue
Pittsburgh, Pennsylvania 15219
(Address of principal executive offices)

(412) 227-2001
(Registrant's telephone number, including area code)

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	KOP	The New York Stock Exchange

Securities registered pursuant to Section 12(b) of the Act. 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 ☐ Accelerated filer ☒ Non-accelerated filer ☐ Smaller reporting company ☐ Emerging growth company ☐

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 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). Yes ☐ No ☒

Common Stock, par value $0.01 per share, outstanding at October 31, 2024 amounted to 20,268,927 shares.

PART I—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

KOPPERS HOLDINGS INC.
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
(Dollars in millions, except share and per share amounts)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Net sales	$ 554.3	$ 550.4	$ 1,615.1	$ 1,641.0
Cost of sales	433.1	439.0	1,276.1	1,313.0
Depreciation and amortization	17.9	14.3	52.2	42.7
Selling, general and administrative expenses	43.9	43.8	135.3	129.1
Loss (gain) on sale of assets	9.7	0.0	9.7	(1.8)
Operating profit	49.7	53.3	141.8	158.0
Other income, net	0.1	0.2	0.1	0.2
Interest expense	20.2	19.0	57.9	53.3
Income before income taxes	29.6	34.5	84.0	104.9
Income tax expense	10.6	8.3	25.2	28.1
Net income	19.0	26.2	58.8	76.8
Net (loss) income attributable to noncontrolling interests	(3.8)	(0.1)	(3.8)	0.5
Net income attributable to Koppers	$ 22.8	$ 26.3	$ 62.6	$ 76.3
Earnings per common share attributable to Koppers common shareholders:				
Basic	$ 1.12	$ 1.27	$ 3.01	$ 3.66
Diluted	$ 1.09	$ 1.22	$ 2.92	$ 3.54
Weighted average shares outstanding (in thousands):				
Basic	20,409	20,828	20,790	20,838
Diluted	20,961	21,659	21,448	21,546

KOPPERS HOLDINGS INC.
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
(Dollars in millions)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Net income	$ 19.0	$ 26.2	$ 58.8	$ 76.8
Changes in other comprehensive income (loss):				
Currency translation adjustment	13.8	(10.1)	0.4	(9.6)
Cash flow hedges, net of tax of $3.0, $(0.6), $(1.1) and $(1.0)	(7.5)	1.6	2.9	2.5
Pension adjustments, net of tax of $0.0, $0.1, $0.1 and $0.2	0.3	0.4	1.0	1.0
Comprehensive income	25.6	18.1	63.1	70.7
Comprehensive (loss) income attributable to noncontrolling interests	(3.8)	0.0	(3.8)	0.4
Comprehensive income attributable to Koppers	$ 29.4	$ 18.1	$ 66.9	$ 70.3

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

KOPPERS HOLDINGS INC.
CONDENSED CONSOLIDATED BALANCE SHEET

(Dollars in millions, except share and per share amounts)		September 30, 2024 *(Unaudited)*		December 31, 2023
Assets				
Cash and cash equivalents	$	44.5	$	66.5
Accounts receivable, net of allowance of $7.1 and $6.5		238.0		202.4
Inventories, net		405.9		395.7
Derivative contracts		12.7		7.1
Other current assets		29.0		27.3
Total current assets		730.1		699.0
Property, plant and equipment, net of accumulated depreciation of $504.4 and $473.2		673.1		631.7
Goodwill		319.8		294.4
Intangible assets, net		123.2		102.2
Operating lease right-of-use assets		91.9		90.5
Deferred tax assets		9.9		10.4
Other assets		11.6		7.3
Total assets	$	1,959.6	$	1,835.5
Liabilities				
Accounts payable	$	169.5	$	202.9
Accrued liabilities		86.8		95.1
Current operating lease liabilities		25.7		22.9
Current maturities of long-term debt		5.0		5.0
Total current liabilities		287.0		325.9
Long-term debt		975.9		835.4
Operating lease liabilities		66.0		67.4
Accrued postretirement benefits		25.3		31.6
Deferred tax liabilities		27.3		25.9
Other long-term liabilities		45.5		46.3
Total liabilities		1,427.0		1,332.5
Commitments and contingent liabilities (Note 13)				
Equity				
Senior Convertible Preferred Stock, $0.01 par value per share; 10,000,000 shares authorized; no shares issued		0.0		0.0
Common Stock, $0.01 par value per share; 80,000,000 shares authorized; 25,717,647 and 25,163,238 shares issued		0.3		0.3
Additional paid-in capital		311.7		291.1
Retained earnings		502.0		444.0
Accumulated other comprehensive loss		(84.5)		(88.8)
Treasury stock, at cost, 5,450,278 and 4,302,996 shares		(197.2)		(147.7)
Total Koppers shareholders’ equity		532.3		498.9
Noncontrolling interests		0.3		4.1
Total equity		532.6		503.0
Total liabilities and equity	$	1,959.6	$	1,835.5

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

KOPPERS HOLDINGS INC.
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
(Dollars in millions)	(Unaudited)	(Unaudited)
Cash provided by (used in) operating activities:		
Net income	$ 58.8	$ 76.8
Adjustments to reconcile net cash used in operating activities:		
Depreciation and amortization	52.2	42.7
Stock-based compensation	16.1	13.0
Change in derivative contracts	(3.0)	0.0
Non-cash interest expense	2.5	4.1
Loss (gain) on sale of assets	9.4	(2.0)
Insurance proceeds	(1.0)	(0.8)
Deferred income taxes	1.0	1.6
Change in other liabilities	(7.8)	0.6
Other - net	0.3	(1.0)
Changes in working capital:		
Accounts receivable	(32.1)	(27.5)
Inventories	4.7	(16.8)
Accounts payable	(31.3)	4.3
Accrued liabilities	(19.8)	(10.0)
Other working capital	(5.3)	(5.5)
Net cash provided by operating activities	44.7	79.5
Cash (used in) provided by investing activities:		
Capital expenditures	(58.8)	(91.3)
Insurance proceeds received	1.0	0.8
Acquisitions	(99.4)	0.0
Cash provided by sale of assets	2.8	2.2
Net cash (used in) investing activities	(154.4)	(88.3)
Cash provided by (used in) financing activities:		
Borrowings of credit facility	599.1	909.8
Repayments of credit facility	(555.7)	(749.9)
Borrowings of long-term debt	100.0	388.0
Repayments of long-term debt	(4.5)	(501.0)
Issuances of Common Stock	4.5	3.2
Repurchases of Common Stock	(49.5)	(9.8)
Payment of debt issuance costs	(0.9)	(4.9)
Dividends paid	(4.6)	(3.8)
Net cash provided by financing activities	88.4	31.6
Effect of exchange rate changes on cash	(0.7)	(2.6)
Net (decrease) increase in cash and cash equivalents	(22.0)	20.2
Cash and cash equivalents at beginning of period	66.5	33.3
Cash and cash equivalents at end of period	$ 44.5	$ 53.5
Supplemental disclosure of non-cash investing and financing activities:		
Right-of-use assets obtained in exchange for new operating lease liabilities	$ 17.8	$ 16.1
Accrued capital expenditures	2.2	5.6
Acquisition non-cash consideration	2.6	0.0

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

KOPPERS HOLDINGS INC.
CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
(Dollars in millions, except per share amounts)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Common Stock				
Balance at beginning and end of period	$ 0.3	$ 0.2	$ 0.3	$ 0.2
Additional paid-in capital				
Balance at beginning of period	306.1	273.7	291.1	263.9
Employee stock plans	5.2	5.1	16.1	13.0
Issuance of common stock	0.4	1.3	4.5	3.2
Balance at end of period	311.7	280.1	311.7	280.1
Retained earnings				
Balance at beginning of period	480.7	407.3	444.0	360.2
Net income attributable to Koppers	22.8	26.3	62.6	76.3
Common Stock dividends ($0.07, $0.06, $0.21 and $0.18 per share)	(1.5)	(1.2)	(4.6)	(4.1)
Balance at end of period	502.0	432.4	502.0	432.4
Accumulated other comprehensive loss				
Balance at beginning of period	(91.1)	(95.1)	(88.8)	(97.3)
Currency translation adjustment	13.8	(10.2)	0.4	(9.5)
Cash flow hedges, net of tax(1)	(7.5)	1.6	2.9	2.5
Pension adjustments, net of tax(2)	0.3	0.4	1.0	1.0
Balance at end of period	(84.5)	(103.3)	(84.5)	(103.3)
Treasury stock				
Balance at beginning of period	(186.8)	(133.5)	(147.7)	(127.6)
Purchases	(10.4)	(3.9)	(49.5)	(9.8)
Balance at end of period	(197.2)	(137.4)	(197.2)	(137.4)
Noncontrolling interests				
Balance at beginning of period	4.1	4.0	4.1	3.6
Net (loss) income attributable to noncontrolling interests	(3.8)	(0.1)	(3.8)	0.5
Currency translation adjustment	0.0	0.1	0.0	(0.1)
Balance at end of period	0.3	4.0	0.3	4.0
Total equity – beginning of period	$ 513.3	$ 456.6	$ 503.0	$ 403.0
Total equity – end of period	$ 532.6	$ 476.0	$ 532.6	$ 476.0

(1) Amounts reclassified from accumulated other comprehensive income to net income related to derivative financial instruments, net of tax, were $3.3 million and $0.2 million during the three months ended September 30, 2024 and 2023, respectively, and $9.6 million and $2.5 million during the nine months ended September 30, 2024 and 2023, respectively.

(2) Amounts reclassified from accumulated other comprehensive income to net income consist of amounts shown for pension adjustments. This component of accumulated other comprehensive income is included in the computation of net periodic pension cost as disclosed in Note 10 – Pensions and Post-Retirement Benefit Plans.

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

1. Basis of Presentation and New Accounting Pronouncements

The accompanying unaudited condensed consolidated financial statements and related disclosures have been prepared in accordance with accounting principles generally accepted in the United States applicable to interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation of Koppers Holdings Inc.'s and its subsidiaries' (Koppers, Koppers Holdings, the Company, we or us) financial position and interim results as of and for the periods presented have been included. All such adjustments are of a normal recurring nature unless disclosed otherwise. Because our business is seasonal, results for interim periods are not necessarily indicative of those that may be expected for a full year. The Condensed Consolidated Balance Sheet as of December 31, 2023 has been summarized from the audited balance sheet contained in the Annual Report on Form 10-K as of and for the year ended December 31, 2023. Certain prior period amounts in the condensed consolidated financial statements and notes to the condensed consolidated financial statements have been reclassified to conform to the current period's presentation.

The financial information included herein should be read in conjunction with our audited consolidated financial statements and related notes included in our Annual Report on Form 10-K for the year ended December 31, 2023.

In November 2023, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures. This ASU updates reportable segment disclosures by expanding the frequency and extent of segment disclosures. ASU No. 2023-07 is effective for fiscal years beginning after December 15, 2023, and for interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The amendments should be applied retrospectively to all prior periods presented in the financial statements. We are currently evaluating this ASU to determine its impact on our disclosures.

In December 2023, the FASB issued ASU No. 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures. This ASU updates income tax disclosures by requiring annual disclosures of consistent categories and greater disaggregation of information in the rate reconciliation and income taxes paid disaggregated by jurisdiction. ASU No. 2023-09 is effective for fiscal years beginning after December 15, 2024. Early adoption is permitted. The amendments should be applied on a prospective basis. We are currently evaluating this ASU to determine its impact on our disclosures.

In November 2024, the FASB issued ASU No. 2024-03, Income Statement - Reporting Comprehensive Income (Topic 220): Expense Disaggregation Disclosures. This ASU requires the disaggregation of certain expenses into specific categories, such as purchases of inventory, employee compensation, deprecation and intangible asset amortization. Additionally, the amendments require disclosure of the total amount of selling expenses and an annual disclosure of the definition of selling expenses. ASU No. 2024-03 is effective for fiscal years beginning after December 15, 2026, and for interim periods within fiscal years beginning after December 15, 2027. Early adoption is permitted. The amendments should be applied either prospectively to financial statements issued for reporting periods after the effective date of this ASU or retrospectively to any and all prior periods presented in the financial statements. We are currently evaluating this ASU to determine its impact on our disclosures.

2. Acquisition and Loss on Sale of Assets

Acquisition

On April 1, 2024, we completed our acquisition of substantially all of the assets of Brown Wood Preserving Company, Inc. and certain of its affiliates (Brown Wood) for approximately $100 million in cash, after post-closing working capital adjustments. We financed the acquisition with cash and available borrowings under our Credit Facility (as defined in Note 11 – Debt). Brown Wood is a utility pole treating business with principal operating locations in Alabama and Mississippi. The business we acquired, as well as the sales function, has been operationally integrated into our existing network of utility pole plants and distribution yards. We believe the acquisition, which is included in our RUPS segment, increased our presence in existing markets and offers an attractive entry point to new geographic markets for our utility pole business. Transaction costs, revenue and profit related to the acquisition were not material for the three and nine months ended September 30, 2024.

We accounted for the transaction as a business combination. The following table summarizes the preliminary purchase price and estimated fair value of assets acquired and liabilities assumed as of April 1, 2024. Certain information necessary to complete the purchase price allocation is not yet available, including, but not limited to, final appraisals of assets acquired and liabilities assumed. We expect to finalize the purchase price allocation once we have received all necessary information, at which time the value of the assets acquired and liabilities assumed will be revised, if necessary. Accordingly, the unaudited condensed consolidated financial statements include a preliminary fair value determination based on assumptions and estimates that, while considered reasonable, are subject to changes, which may be material.

(Dollars in millions)		
Cash consideration[(1)]	$	102.0
Accounts receivable		5.2
Inventories		14.4
Property, plant and equipment		28.0
Customer relationship intangible assets		32.2
Operating lease right-of-use assets		2.4
Fair value of assets acquired		82.2
Accounts payable and accrued liabilities		3.1
Current operating lease liabilities		1.1
Operating lease liabilities		1.3
Fair value of liabilities assumed		5.5
Goodwill	$	25.3

(1) The difference between total cash consideration and cash paid on the condensed consolidated statement of cash flows relates to the settlement of pre-existing relationships with our PC segment and Brown Wood, as the settlement was deemed additional consideration.

The customer relationship intangible assets have a useful life of 15 years and are amortized on a straight-line basis. Goodwill has been allocated to the Company's RUPS segment. The Company expects the goodwill recognized will be deductible for tax purposes. Recognized goodwill is attributable to the expected synergies and other intangible assets that do not qualify for separate recognition.

Loss on Sale of Assets

Koppers (China) Carbon & Chemical Company Limited (KCCC), which ceased operations in 2015, is owned 60 percent by a wholly owned subsidiary of Koppers and 40 percent by Tangshan Iron & Steel Group Co. Ltd. (TISCO). In July 2024, Koppers and TISCO signed an agreement to effectuate the ultimate liquidation of KCCC later in 2024 whereby TISCO will assume the remaining assets, including land, and liabilities of KCCC. As a result, we recorded a loss of approximately $6 million, net of non-controlling interest, during the three months ending September 30, 2024.

3. Fair Value Measurements

The following table presents the estimated fair values and the related carrying amounts of our financial instruments:

	September 30, 2024		**December 31, 2023**	
(Dollars in millions)	**Fair Value**	**Carrying Value**	**Fair Value**	**Carrying Value**
Financial assets:				
Investments and other assets	$ 1.3	$ 1.3	$ 1.3	$ 1.3
Financial liabilities:				
Long-term debt (including current portion)	$ 999.4	$ 989.4	$ 860.4	$ 849.4

Investments and other assets – Represents the broker-quoted cash surrender value on universal life insurance policies. This asset is classified as Level 2 in the valuation hierarchy.

Debt – The fair value of our long-term debt is estimated based on the market prices for the same or similar issuances or on the current rates offered to us for debt of the same remaining maturities (Level 2). The fair value of our Credit Facility approximates carrying value due to the variable rate nature of this instrument.

See Note 12 – Derivative Financial Instruments, for the fair value of our derivative financial instruments.

4. Common Stock

The following table presents changes in common stock and treasury stock:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
(Shares in thousands)				
Common Stock:				
Balance at beginning of period	25,696	24,838	25,163	24,547
Issued for employee stock plans	22	52	555	343
Balance at end of period	25,718	24,890	25,718	24,890
Treasury Stock:				
Balance at beginning of period	(5,176)	(3,965)	(4,303)	(3,784)
Shares repurchased	(274)	(102)	(1,147)	(283)
Balance at end of period	(5,450)	(4,067)	(5,450)	(4,067)
Common Stock Outstanding	20,268	20,823	20,268	20,823

5. Earnings and Dividends per Common Share

The following table sets forth the computation of basic and diluted earnings per common share:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
(Dollars in millions, except share and per share amounts)				
Net income attributable to Koppers	$ 22.8	$ 26.3	$ 62.6	$ 76.3
Weighted average common shares outstanding (in thousands):				
Basic	20,409	20,828	20,790	20,838
Effect of dilutive securities	552	831	658	708
Diluted	20,961	21,659	21,448	21,546
Earnings per common share:				
Basic	$ 1.12	$ 1.27	$ 3.01	$ 3.66
Diluted	1.09	1.22	2.92	3.54
Other data:				
Antidilutive securities excluded from computation of diluted earnings per common share	274	311	61	496

On November 7, 2024, we declared a quarterly dividend of $0.07 per common share, payable on December 16, 2024 to shareholders of record as of November 29, 2024.

6. Stock-based Compensation

The board of directors granted restricted stock units and performance stock units (collectively, the stock units) to certain employee participants in January 2024. No stock options were granted in 2024. Starting in 2023, most grants of restricted stock units vest in three years. Performance stock units have vesting based upon either a performance condition or a market condition. Performance stock units granted with a performance condition have a cumulative three-year performance objective based on adjusted EBITDA (see Note 7 – Segment Information). For performance stock units granted with a market condition, the applicable objective is based on our total shareholder return relative to the Standard & Poor’s SmallCap 600 Materials Index and has multi-year performance objectives. Both types of performance stock units have a three-year period for vesting, if the applicable performance objectives are achieved.

The number of performance stock units granted represents the target award and participants have the ability to earn between zero and 200 percent of the target award based upon actual performance. If minimum performance criteria are not achieved, no performance stock units will vest. For the awards granted in January 2024, target shares for units with a market condition totaled 56,796 and target shares for units with a performance condition totaled 124,481.

We calculated the fair value of the restricted stock units and performance stock units with a performance condition using the market price of the underlying common stock on the date of grant. We calculated the fair value of the performance stock units with a market condition on the date of grant using a Monte Carlo valuation model and the assumptions listed below:

	January 2024 Grant
Grant date price per share of performance award	$ 46.68
Expected volatility	38.14 %
Risk-free interest rate	4.14 %
Look-back period in years	3.00
Grant date fair value per share	$ 59.41

The following table shows a summary of the status and activity of non-vested stock units:

	Restricted Stock Units	Performance Stock Units	Total Stock Units	Weighted Average Grant Date Fair Value per Unit
Non-vested at December 31, 2023	531,339	580,763	1,112,102	$ 33.62
Granted	148,127	182,196	330,323	$ 48.86
Credited from dividends	199	9	208	$ 41.99
Vested	(230,644)	(136,560)	(367,204)	$ 30.88
Forfeited	(10,034)	(4,113)	(14,147)	$ 34.56
Non-vested at September 30, 2024	438,987	622,295	1,061,282	$ 39.30

The following table shows a summary of the status and activity of stock options:

	Options	Weighted Average Exercise Price per Option	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in millions)
Outstanding at December 31, 2023	706,868	$ 27.51		
Exercised	(149,131)	$ 25.74		
Outstanding at September 30, 2024	557,737	$ 27.98	4.45	$ 5.4
Exercisable at September 30, 2024	485,962	$ 27.47	4.08	$ 5.0

The following table presents total stock-based compensation expense recognized in the condensed consolidated statement of operations:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
(Dollars in millions)				
Selling, general and administrative expenses	$ 5.2	$ 5.2	$ 16.1	$ 13.0
Less related income tax benefit	1.5	1.5	4.5	3.7
Decrease in net income attributable to Koppers	$ 3.7	$ 3.7	$ 11.6	$ 9.3

7. Segment Information

We have three reportable segments: Railroad and Utility Products and Services (RUPS), Performance Chemicals (PC) and Carbon Materials and Chemicals (CMC). Our reportable segments contain multiple aggregated business units since management believes the long-term financial performance of these business units is affected by similar economic conditions. The reportable segments are each managed separately because they manufacture and distribute distinct products with different production processes.

Our RUPS segment primarily sells pressure-treated railroad ties to the railroad industry and treated utility poles to utility markets. Railroad products and services include procuring and treating items such as crossties, switch ties and various types of lumber used for railroad bridges and crossings. Utility products include the pressure treatment of transmission and distribution poles for electric, telephone and broadband utilities. In addition, we provide untreated wood products and rail joint bars, which are steel bars used to join rails together for railroads, to the railroad markets and inspection services to the utility markets. We also operate a railroad services business that conducts engineering, design, repair and inspection services for railroad bridges and a business related to the recovery of used crossties, serving the same customer base as our North American railroad business.

Our PC segment develops, manufactures, and markets wood preservation chemicals and wood treatment technologies and services to a diverse range of end-markets including residential, industrial, commercial construction and agricultural applications.

Our CMC segment is primarily a manufacturer of creosote, carbon pitch, naphthalene, phthalic anhydride and carbon black feedstock. Creosote is used in the treatment of wood and carbon black feedstock is used in the production of carbon black. Carbon pitch is a critical raw material used in the production of aluminum and steel. Naphthalene is used for the production of phthalic anhydride and as a surfactant in the production of concrete. Phthalic anhydride is used in the production of plasticizers, polyester resins and alkyd paints.

Our primary measure of segment profitability is adjusted EBITDA which we define as income before interest, income taxes, depreciation, amortization and certain non-cash and/or non-recurring items that do not contribute directly to management's evaluation of our operating results. These items include impairment, restructuring and plant closure costs, mark-to-market commodity hedging, gain or loss on sale of assets and LIFO inventory effects. This presentation is consistent with how our chief operating decision maker evaluates the results of operations and makes strategic decisions about the business. In addition, adjusted EBITDA is the primary measure used to determine the level of achievement of management's short-term incentive goals and related payout, as well as one of the measures used to determine performance and related payouts for certain performance share units granted to management. For these reasons, we believe that adjusted EBITDA represents the most relevant measure of segment profit and loss.

Adjusted EBITDA is reconciled to net income on a consolidated basis, the most directly comparable financial measure determined and reported in accordance with U.S. GAAP. The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies. Intersegment transactions are eliminated in consolidation.

Contract Balances

The timing of revenue recognition results in both billed accounts receivable and unbilled receivables, both classified as accounts receivable, net of allowance within the condensed consolidated balance sheet. Contract assets of $4.0 million and $7.8 million are recorded within accounts receivable, net of allowance within the condensed consolidated balance sheet as of September 30, 2024 and December 31, 2023, respectively.

The following table sets forth revenues for significant product lines, net of all intersegment transactions, for our segments:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
(Dollars in millions)				
Railroad and Utility Products and Services:				
Railroad treated products	$ 146.2	$ 142.7	$ 443.7	$ 408.7
Utility poles	77.0	68.9	217.6	203.4
Railroad infrastructure products and services	24.9	22.4	65.8	69.4
Total Railroad and Utility Products and Services	248.1	234.0	727.1	681.5
Performance Chemicals:				
Wood preservative products	165.4	166.9	468.8	470.4
Other products	11.3	12.5	34.9	36.8
Total Performance Chemicals	176.7	179.4	503.7	507.2
Carbon Materials and Chemicals:				
Pitch and related products	82.7	89.6	229.0	305.3
Phthalic anhydride, naphthalene and other chemicals	29.2	27.9	98.2	86.9
Carbon black feedstock and distillates	17.6	19.5	57.1	60.1
Total Carbon Materials and Chemicals	129.5	137.0	384.3	452.3
Total	$ 554.3	$ 550.4	$ 1,615.1	$ 1,641.0
Intersegment revenues:				
Performance Chemicals	$ 8.3	$ 8.4	$ 24.5	$ 21.2
Carbon Materials and Chemicals	23.6	24.3	73.3	66.5
Total	$ 31.9	$ 32.7	$ 97.8	$ 87.7

The following table sets forth certain operating data, net of all intersegment transactions, for our segments:

	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
(Dollars in millions)				
Depreciation and amortization expense:				
Railroad and Utility Products and Services	$ 8.7	$ 6.2	$ 25.1	$ 17.9
Performance Chemicals	3.8	3.5	10.7	10.5
Carbon Materials and Chemicals	5.4	4.6	16.4	14.3
Total	$ 17.9	$ 14.3	$ 52.2	$ 42.7
Adjusted EBITDA:				
Railroad and Utility Products and Services	$ 24.7	$ 25.1	$ 64.8	$ 63.2
Performance Chemicals	40.0	35.2	114.1	93.8
Carbon Materials and Chemicals	12.7	10.4	27.5	45.5
Items excluded from the determination of segment profit:				
LIFO (expense) benefit[1]	1.2	(2.8)	(2.9)	(3.3)
Impairment, restructuring and plant closure costs	(0.4)	(0.1)	(0.4)	(0.1)
(Loss) gain on sale of assets	(9.7)	0.0	(9.7)	1.8
Mark-to-market commodity hedging gains	0.0	0.0	3.0	0.0
Acquisition inventory step-up amortization	(0.8)	0.0	(2.3)	0.0
Interest expense	(20.2)	(19.0)	(57.9)	(53.3)
Depreciation and amortization	(17.9)	(14.3)	(52.2)	(42.7)
Income tax expense	(10.6)	(8.3)	(25.2)	(28.1)
Net income	$ 19.0	$ 26.2	$ 58.8	$ 76.8

(1) The LIFO expense adjustment removes the entire impact of LIFO and effectively reflects the results as if we were on a FIFO inventory basis.

The following table sets forth assets and goodwill allocated to each of our segments:

	September 30, 2024	December 31, 2023
(Dollars in millions)		
Segment assets:		
Railroad and Utility Products and Services	$ 866.2	$ 743.7
Performance Chemicals	530.4	520.6
Carbon Materials and Chemicals	532.5	538.9
All other	30.5	32.3
Total	$ 1,959.6	$ 1,835.5
Goodwill:		
Railroad and Utility Products and Services[1]	$ 145.9	$ 120.6
Performance Chemicals	173.9	173.8
Total	$ 319.8	$ 294.4

(1) See Note 2 - Acquisition and Loss on Sale of Assets for increase in goodwill due to business acquisition.

8. Income Taxes

Effective Tax Rate

The income tax provision for interim periods is comprised of an estimated annual effective income tax rate applied to current year ordinary income and tax associated with discrete items. These discrete items generally relate to excess stock compensation deductions, changes in tax laws, adjustments to unrecognized tax benefits and changes of estimated tax liability to the actual liability determined upon filing income tax returns. To determine the annual effective tax rate, management is required to make estimates of annual pretax income in each domestic and foreign jurisdiction in which we conduct business. Entities that have historical pre-tax losses and current year estimated pre-tax losses that are not projected to generate a future benefit are excluded from the estimated annual effective income tax rate.

The estimated annual effective income tax rate differs from the U.S. federal statutory tax rate due to:

	September 30,	
	2024	2023
Federal income tax rate	21.0 %	21.0 %
Foreign earnings taxed at different rates	4.1	4.8
Nondeductible expenses	1.9	1.4
State income taxes, net of federal tax benefit	1.1	1.3
Change in tax contingency reserves	0.1	0.1
GILTI inclusion, net of foreign tax credits	(0.2)	(0.3)
Estimated annual effective income tax rate	28.0 %	28.3 %

Income taxes as a percentage of pretax income were 35.8 percent and 30.0 percent for the three and nine months ended September 30, 2024, respectively, and 24.1 percent and 26.8 percent for the three and nine months ended September 30, 2023, respectively. The effective income tax rates for the three and nine months ended September 30, 2024 were higher than the 2024 estimated annual effective income tax rate due to the loss on the sale of KCCC's assets. This loss has no corresponding tax benefit since KCCC will not have future income to offset this loss. The effective income tax rates for the three and nine months ended September 30, 2023 were slightly different than the 2023 estimated annual effective income tax rate due to various discrete items, which were not material in the aggregate or individually.

During the year, management regularly updates estimates of pre-tax income and income tax expense based on changes in pre-tax income projections by taxable jurisdiction, repatriation of foreign earnings, unrecognized tax benefits and other tax matters. Effective January 1, 2024, certain jurisdictions in which we operate have enacted legislation that is consistent with one or more Organization for Economic Co-operation and Development Global Anti-Base Erosion Model Rules (commonly referred to as "Pillar Two"). These Pillar Two rules include minimum domestic top up taxes, income inclusion rules and undertaxed profit rules all aimed to ensure that multinationals pay a minimum effective corporate tax rate of 15 percent in each jurisdiction in which they operate. We do not expect these Pillar Two rules to materially impact our annual effective rate in 2024.

To the extent that actual results vary from these estimates, the actual annual effective income tax rate at the end of the year could be materially different from the estimated annual effective income tax rate for the nine months ended September 30, 2024.

Unrecognized Tax Benefits

We file income tax returns in the U.S. federal jurisdiction, individual U.S. state jurisdictions and non-U.S. jurisdictions. With few exceptions, we are no longer subject to U.S. federal, U.S. state, or non-U.S. income tax examinations by tax authorities for years prior to 2017.

As of September 30, 2024 and December 31, 2023, unrecognized tax benefits of $1.6 million and $1.5 million, respectively, would affect the effective tax rate if recognized. We do not anticipate material changes to the amount of unrecognized tax benefits within the next twelve months.

9. Inventories, net

	September 30, 2024	December 31, 2023
(Dollars in millions)		
Raw materials	$ 350.3	$ 348.4
Work in process	15.6	17.9
Finished goods	152.5	139.0
Total	$ 518.4	$ 505.3
Less revaluation to LIFO	112.5	109.6
Net	$ 405.9	$ 395.7

10. Pensions and Post-Retirement Benefit Plans

We maintain a number of defined benefit and defined contribution plans to provide retirement benefits for employees in the United States, as well as employees outside the United States.

We have commenced with a plan to terminate our United States qualified pension plan and are targeting the completion of this effort in the first quarter of 2025. We estimate that a termination will require additional cash funding of $25 million in 2025 and will result in an estimated settlement loss of $40 million, before tax, subject to changes to certain assumptions including the discount rate, which could have a material impact on the settlement loss. Of the estimated settlement loss, we expect that $4 million, before tax, will be incurred in the fourth quarter of 2024 with the remainder being recognized in the first quarter of 2025.

In connection with the planned termination of our defined benefit pension plan in the United Kingdom, in 2021, we entered into a buy-in bulk annuity insurance policy in exchange for a premium payment of $67.8 million, which is subject to adjustment as a result of subsequent data cleansing activities. Under the terms of this buy-in insurance policy, the insurer is liable to pay the benefits of the plan, but the plan still retains full legal responsibility to pay the benefits to members using the insurance payments. The buy-in policy will be treated as a plan asset going forward until such time as the buy-in policy is converted to a buy-out policy, which is when individual insurance policies will be assigned to each member of the plan and the plan will no longer have legal responsibility to pay the benefits to the members. The data cleansing effort has been substantially completed and we expect to recognize a pre-tax pension settlement loss of approximately $20 million upon the pension obligation becoming irrevocably settled.

The timing of the conversion to a buy-out policy and related recognition of the estimated pension settlement loss may be impacted by a ruling from the High Court of Justice in the United Kingdom in the case of *Virgin Media Limited v NTL Pension Trustees II Limited and Others* related to certain amendments to UK pension plans. On July 25, 2024, the Court of Appeal dismissed the appeal of the ruling from the High Court of Justice. We are currently waiting to see if there will be legislative intervention or further guidance on the application of the ruling.

The following table provides the components of net periodic benefit cost for the pension plans:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
(Dollars in millions)				
Service cost	$ 0.5	$ 0.4	$ 1.3	$ 1.2
Interest cost	1.8	2.1	5.8	6.2
Expected return on plan assets	(1.5)	(1.7)	(4.6)	(5.2)
Amortization of net loss	0.5	0.5	1.5	1.6
Net periodic benefit cost	$ 1.3	$ 1.3	$ 4.0	$ 3.8
Defined contribution plan expense	$ 2.1	$ 3.2	$ 6.8	$ 8.0

11. Debt

The following table summarizes debt:

	Weighted Average Interest Rate	Maturity	September 30, 2024	December 31, 2023
(Dollars in millions)				
Credit Facility	7.20 %	2027	$ 504.8	$ 461.4
Term Loan B	8.10 %	2030	484.6	388.0
Debt			$ 989.4	$ 849.4
Less current maturities of long-term debt			5.0	5.0
Less unamortized debt issuance costs			8.5	9.0
Long-term debt			$ 975.9	$ 835.4

Credit Facility

We have a credit agreement (the Credit Facility) with a consortium of banks. The Credit Facility provides for an $800.0 million revolving credit facility, a $50.0 million swingline facility and provides for the ability to incur one or more uncommitted incremental revolving or term loan facilities in an aggregate amount of at least $730.0 million, subject to applicable financial covenants. The interest rate on the Credit Facility is variable and may be based on the Secured Overnight Financing Rate (SOFR), which is the applicable benchmark for current borrowings, or an alternative benchmark depending on the borrowing type.

Borrowings under the Credit Facility are secured by a first priority lien on substantially all of the assets (excluding real property and other customary assets) of Koppers Inc., Koppers Holdings Inc. and our material domestic subsidiaries. The Credit Facility contains certain covenants that may limit Koppers Inc. and its restricted subsidiaries from taking certain actions. These limitations include, among others, restrictions on additional indebtedness, liens, dividends, investments, acquisitions, certain distributions, asset sales, transactions with affiliates and modifications to material documents, including organizational documents. In addition, such covenants may give rise to events of default upon the failure by Koppers Inc. and its restricted subsidiaries to meet certain financial ratios.

As of September 30, 2024, we had approximately $287.4 million of unused revolving credit availability after restrictions from certain letter of credit commitments and other covenants. As of September 30, 2024, $7.8 million of commitments were utilized by outstanding letters of credit.

Term Loan B

In April 2023, a class of senior secured term loans under the Credit Facility (the Term Loan B) was issued at 97 percent of face value, resulting in $388.0 million of net proceeds, before debt financing costs. In April 2024, the Term Loan B was upsized by issuing, at par, an additional $100.0 million of incremental term loans, before debt financing costs. The interest rate on the Term Loan B is variable and is based on, at our option, adjusted Term SOFR Rate or adjusted Daily Simple SOFR. The interest rate margins applicable to adjusted Term SOFR Rate or adjusted Daily Simple SOFR loans are 3.00 percent with a floor of 0.50 percent. The principal balance of the Term Loan B is repayable in quarterly installments on the last business day of each quarterly period in an amount equal to 0.25 percent of the principal amount, with the balance due at maturity on April 10, 2030.

Interest Rate Swaps

See Note 12 – Derivative Financial Instruments for discussion of the interest rate swap agreements, which effectively convert a portion of our variable rate debt to a fixed rate.

12. Derivative Financial Instruments

We utilize derivative instruments to manage exposures to risks that have been identified, measured and are capable of being mitigated. The primary risks that we manage by using derivative instruments are commodity price risk associated with copper and fuel oil, foreign currency exchange risk, principally the U.S. dollar, Australian dollar and British pound sterling, and interest rate risk associated with variable rate borrowings. Generally, we enter into master netting arrangements with the counterparties and offset net derivative positions with the same counterparties. Currently, our agreements do not require cash collateral.

The Company recognizes all derivative instruments as either assets or liabilities at fair value on the balance sheet. The derivative instruments are classified as current or noncurrent based upon the expected timing of cash flows and are subject to offset under our master netting arrangements. A derivative instrument's fair value is determined using significant other observable inputs, a Level 2 fair value measurement.

For derivative instruments that are designated and qualify as cash flow hedges, the effective portion of the gain or loss on the derivative is reported as a component of other comprehensive income and is reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. Gains and losses on the derivative instruments representing hedge ineffectiveness are recognized in current earnings.

Swap contracts on copper are used to manage the price risk associated with forecasted purchases of materials used in our manufacturing processes. Generally, we will not hedge cash flow exposures for durations longer than 36 months and we have hedged certain volumes of copper through the end of 2025. We designate certain of our commodity swaps as cash flow hedges of forecasted purchases of commodities. For those commodity swaps where hedge accounting is not elected, the fair value of the commodity swap is recognized as an asset or liability on the condensed consolidated balance sheet and the related unrealized gain or loss on the derivative is reported in current earnings. These amounts are classified in cost of sales in the condensed consolidated statement of operations.

We enter into heating oil swap contracts to manage price risk associated with fuel oil purchases for our plant operations and certain raw material requirements. The fair value associated with these swap contracts are not designated as hedges, and the related unrealized gain or loss on the derivative is reported in current earnings. These amounts are classified in cost of sales in the condensed consolidated statement of operations. As of September 30, 2024 and December 31, 2023, we had contracts totaling 3.2 million and 1.5 million gallons, respectively.

We enter into foreign currency forward contracts to manage foreign currency risk associated with our receivable and payable balances in addition to foreign-denominated sales. The fair value associated with forward contracts related to foreign currency that are not designated as hedges, and the related unrealized gain or loss on the derivative is reported in current earnings. These amounts are classified in cost of sales in the condensed consolidated statement of operations.

We enter into interest rate swaps to effectively convert portions of our variable interest rate debt into fixed rate debt to add stability to interest expense and to manage our exposure to interest rate movements. We entered into interest rate swap agreements with an aggregate notional value of $400.0 million at a weighted average fixed SOFR rate of 3.97 percent for a portion of our variable rate debt. All swap agreements expire in April 2027. The interest rate swaps have been designated as cash flow hedges on interest payments involving the receipt of variable amounts from a counterparty in exchange for us making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount.

See the condensed consolidated statement of comprehensive income and condensed consolidated statement of shareholders' equity for amounts recorded in other comprehensive income and for amounts reclassified from accumulated other comprehensive income into net income.

The fair value of the outstanding derivative contracts recorded in the balance sheet are as follows:

					September 30, 2024
	Copper Swap Contracts	Heating Oil Contracts	Foreign Currency Forward Contracts	Interest Rate Swap Contracts	Total
(Dollars in millions)					
Derivative contracts	$ 11.9	$ 0.0	$ 0.1	$ 0.7	$ 12.7
Other assets	2.0	0.0	0.0	0.0	2.0
Accrued liabilities	0.0	(0.9)	0.0	(1.2)	(2.1)
Other long-term liabilities	0.0	0.0	0.0	(5.7)	(5.7)
Net asset (liability) on balance sheet	$ 13.9	$ (0.9)	$ 0.1	$ (6.2)	$ 6.9
Accumulated other comprehensive gain, net of tax	$ 6.7	$ 0.0	$ 0.0	$ 4.7	$ 11.4

					December 31, 2023
	Copper Swap Contracts	Heating Oil Contracts	Foreign Currency Forward Contracts	Interest Rate Swap Contracts	Total
(Dollars in millions)					
Derivative contracts	$ 4.1	$ 0.0	$ 0.2	$ 2.8	$ 7.1
Accrued liabilities	0.0	(0.3)	(0.1)	0.0	(0.4)
Other long-term liabilities	0.0	0.0	0.0	(6.5)	(6.5)
Net asset (liability) on balance sheet	$ 4.1	$ (0.3)	$ 0.1	$ (3.7)	$ 0.2
Accumulated other comprehensive gain (loss), net of tax	$ 2.0	$ 0.0	$ 0.0	$ (2.9)	$ (0.9)

We estimate that unrealized gains, net of tax, for commodity price hedging of $6.0 million and unrealized losses, net of tax, for interest rate swaps of $0.4 million, respectively, will be reclassified from other comprehensive income into earnings over the next twelve months.

Copper Swap Contracts

As of the periods presented, we had outstanding copper swap contracts of the following amounts:

	Units Outstanding (in Pounds)		Net Fair Value – Asset	
	September 30, 2024	December 31, 2023	September 30, 2024	December 31, 2023
(Amounts in millions)				
Cash flow hedges	17.9	31.7	$ 8.8	$ 2.6
Contracts where hedge accounting was not elected	14.5	9.5	5.1	1.5
Total	32.4	41.2	$ 13.9	$ 4.1

The unrealized gain from copper swap contracts where hedge accounting was not elected is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
(Dollars in millions)				
Gain from contracts where hedge accounting was not elected	$ 0.8	$ 0.0	$ 3.6	$ 0.0

Foreign Currency Forward Contracts

The net currency units outstanding for contracts were:

(In millions)	September 30, 2024	December 31, 2023
United States Dollars	USD 7.0	USD 10.3
British Pound Sterling	GBP 0.5	GBP 0.0
Australian Dollars	AUD 0.0	AUD 3.0

13. Commitments and Contingent Liabilities

We are involved in litigation and various proceedings relating to environmental laws and regulations, product liability and other matters. Certain of these matters are discussed below. The ultimate resolution of these contingencies is subject to significant uncertainty and should we fail to prevail in any of these legal matters or should several of these legal matters be resolved against us in the same reporting period, these legal matters could, individually or in the aggregate, be material to the condensed consolidated financial statements.

Environmental and Other Litigation Matters

We are subject to federal, state, local and foreign laws and regulations and potential liabilities relating to the protection of the environment and human health and safety including, among other things, the cleanup of contaminated sites, the treatment, storage and disposal of wastes, the discharge of effluent into waterways, the emission of substances into the air and various health and safety matters. We expect to incur substantial costs for ongoing compliance with such laws and regulations. We may also face governmental or third-party claims, or otherwise incur costs, relating to cleanup of, or for injuries resulting from, contamination at sites associated with past and present operations. We accrue for environmental liabilities when a determination can be made that a liability is probable and reasonably estimable.

Environmental and Other Liabilities Retained or Assumed by Others. We have agreements with former owners of certain of our operating locations under which the former owners retained, assumed and/or agreed to indemnify us against certain environmental and other liabilities. The most significant of these agreements was entered into at Koppers Inc.'s formation on December 29, 1988 (the Acquisition). Under the related asset purchase agreement between Koppers Inc. and Beazer East, subject to certain limitations, Beazer East retained the responsibility for and agreed to indemnify Koppers Inc. against certain liabilities, damages, losses and costs, including, with certain limited exceptions, liabilities under and costs to comply with environmental laws to the extent attributable to acts or omissions occurring prior to the Acquisition and liabilities related to products sold by Beazer East prior to the Acquisition (the Indemnity). Beazer Limited, the parent company of Beazer East, unconditionally guaranteed Beazer East's performance of the Indemnity pursuant to a guarantee.

The Indemnity provides different mechanisms, subject to certain limitations, by which Beazer East is obligated to indemnify Koppers Inc. with regard to certain environmental, product and other liabilities and imposes certain conditions on Koppers Inc. before receiving such indemnification, including, in some cases, certain limitations regarding the time period as to which claims for indemnification can be brought. In July 2004, Koppers Inc. and Beazer East agreed to amend the environmental indemnification provisions of the December 29, 1988 asset purchase agreement to extend the indemnification period for pre-closing environmental liabilities, subject to the following paragraph, and agreed to share toxic tort litigation defense arising from any sites acquired from Beazer East.

Qualified expenditures under the Indemnity are not subject to a monetary limit. Qualified expenditures under the Indemnity include (i) environmental cleanup liabilities required by third parties, such as investigation, remediation and closure costs, relating to pre-December 29, 1988 (Pre-Closing) acts or omissions of Beazer East or its predecessors; (ii) environmental claims by third parties for personal injuries, property damages and natural resources damages relating to Pre-Closing acts or omissions of Beazer East or its predecessors; (iii) punitive damages for the acts or omissions of Beazer East and its predecessors without regard to the date of the alleged conduct and (iv) product liability claims for products sold by Beazer East or its predecessors without regard to the date of the alleged conduct. The indemnification period ended July 14, 2019 (the Claim Deadline) and Beazer East may now tender certain third-party claims described in sections (i) and (ii) above to Koppers Inc. However, to the extent the third-party claims described in sections (i) and (ii) above were tendered to Beazer East by the Claim Deadline, Beazer East will continue to be required to pay the costs arising from such claims under the Indemnity. Furthermore, the Claim Deadline did not change the provisions of the Indemnity with respect to indemnification for non-environmental claims, such as product liability claims, which claims may continue to be tendered by Koppers Inc. to Beazer East.

The Indemnity provides for the resolution of issues between Koppers Inc. and Beazer East by an arbitrator on an expedited basis upon the request of either party. The arbitrator could be asked, among other things, to make a determination regarding the allocation of environmental responsibilities between Koppers Inc. and Beazer East. Arbitration decisions under the Indemnity are final and binding on the parties.

Contamination has been identified at most manufacturing and other sites of our subsidiaries. One site currently owned and operated by Koppers Inc. in the United States is listed on the National Priorities List promulgated under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended (CERCLA). Currently, at the properties acquired from Beazer East (which includes the National Priorities List site and all but one of the sites permitted under the Resource Conservation and Recovery Act (RCRA)), a significant portion of all investigative, cleanup and closure activities are being conducted and paid for by Beazer East pursuant to the terms of the Indemnity. In addition, other of Koppers Inc.'s sites are or have been operated under RCRA and various other environmental permits, and remedial and closure activities are being conducted at some of these sites.

To date, the parties that retained, assumed and/or agreed to indemnify us against the liabilities referred to above, including Beazer East, have performed their obligations in all material respects. Periodically, issues have arisen between Koppers Inc. and Beazer East and/or other indemnitors that have been resolved without arbitration. Koppers Inc. and Beazer East engage in discussions from time to time that involve, among other things, the allocation of environmental costs related to certain operating and closed facilities.

If for any reason (including disputed coverage or financial incapability) one or more of such parties fail to perform their obligations and we are held liable for or otherwise required to pay all or part of such liabilities without reimbursement, the imposition of such liabilities on us could have a material adverse effect on our business, financial condition, cash flows and results of operations. Furthermore, we could be required to record a contingent liability on our balance sheet with respect to such matters, which could result in a negative impact to our business, financial condition, cash flows and results of operations.

Domestic Environmental Matters. Koppers Inc. has been named as one of the potentially responsible parties (PRPs) at the Portland Harbor CERCLA site located on the Willamette River in Oregon. Koppers Inc. operated a coal tar pitch terminal near the site. Koppers Inc. has responded to an EPA information request and has executed a PRP agreement which outlines a private process to develop an allocation of past and future costs among more than 80 parties to the site. Koppers Inc. believes it is a *de minimis* contributor at the site.

The EPA issued its Record of Decision (ROD) in January 2017 for the Portland Harbor CERCLA site. The selected remedy includes a combination of sediment removal, capping, enhanced and monitored natural recovery and riverbank improvements. The ROD does not determine who is responsible for remediation costs. At that time, the net present value and undiscounted costs of the selected remedy as estimated in the ROD were approximately $1.1 billion and $1.7 billion, respectively. These costs are likely to increase given recent submissions to EPA regarding remedy design and because the remedy will not be implemented for several years. Responsibility for implementing and funding that work is yet to be determined. The funding of that work amongst the PRPs is the subject of a separate private allocation process which is ongoing.

Additionally, Koppers Inc. is involved in two separate matters involving natural resource damages at the Portland Harbor site. One matter involves claims by the trustees to recover damages based upon an assessment of damages to natural resources caused by the releases of hazardous substances to the Willamette River. The assessment serves as the foundation to estimate liabilities for settlements of natural resource damages claims or litigation to recover from those who do not settle with the trustee groups. Koppers Inc. has been engaged in a process to resolve its natural resource damage liabilities for the assessment area. A second matter involves a lawsuit filed in January 2017 by the Yakama Nation in Oregon federal court. Yakama Nation seeks recovery for response costs and the costs of assessing injury to natural resources in waterways beyond the current assessment area. Following the most recent court rulings, the Yakama Nation case has been stayed pending completion of the private allocation process for the Portland Harbor CERCLA site.

In September 2009, Koppers Inc. received a general notice letter stating that it may be a PRP at the Newark Bay CERCLA site. In January 2010, Koppers Inc. submitted a response to the general notice letter asserting that Koppers Inc. is a *de minimis* party at this site.

We have accrued the estimated costs of participating in the PRP group at the Portland Harbor and Newark Bay CERCLA sites and estimated *de minimis* contributor settlement amounts at the sites totaling $3.8 million as of September 30, 2024. The actual cost could be materially higher as there has not been a determination of how those costs will be allocated among the PRPs at the sites. Accordingly, an unfavorable resolution of these matters may have a material adverse effect on our business, financial condition, cash flows and results of operations.

There are two plant sites related to the Performance Chemicals business and one plant site related to the Utility and Industrial Products business in the United States where we have recorded environmental remediation liabilities for soil and groundwater contamination which occurred prior to our acquisition of the businesses. As of September 30, 2024, our estimated environmental remediation liability for these acquired sites totals $3.7 million.

In June 2024, Koppers Inc. received a letter stating that the Illinois Attorney General's Office (IL AGO) received an enforcement referral from the Illinois Environmental Protection Agency relating to certain alleged air emissions violations at our Stickney, IL facility. We are cooperating with IL AGO in connection with this matter.

We have not provided a reserve for the Stickney, IL enforcement matter because, at this time, we cannot reasonably determine the probability of a loss, and the amount of loss, if any, cannot be reasonably estimated. The timing of resolution of this matter cannot be reasonably determined. Although Koppers Inc. is vigorously defending this matter, an unfavorable resolution of this matter may have a material adverse effect on our business, financial condition, cash flows and results of operations.

Foreign Environmental Matters. There is one plant site related to the Performance Chemicals business located in Australia where we have recorded an environmental remediation liability for soil and groundwater contamination which occurred prior to the acquisition of the business. As of September 30, 2024, our estimated environmental remediation liability for the acquired site totals $1.3 million.

Environmental Reserves Rollforward. The following table reflects changes in the accrual for environmental remediation. As of September 30, 2024 and December 31, 2023, $2.3 million and $2.2 million, respectively, were classified as current liabilities.

	Period ended	
(Dollars in millions)	September 30, 2024	December 31, 2023
Balance at beginning of period	$ 10.6	$ 10.9
Expense	0.2	0.2
Cash expenditures	(0.2)	(0.4)
Currency translation	0.0	(0.1)
Balance at end of period	$ 10.6	$ 10.6

14. Subsequent Events

On November 8, 2024, we committed to a workforce reduction program across selected U.S. locations, which is intended to streamline operations and reduce costs. This workforce reduction program will result in the reallocation of people and resources, which will include voluntary and involuntary reductions in employees. The first stage of reductions will be carried out through a voluntary exit program that will give eligible employees the option of taking a separation package that will include enhanced severance benefits consisting of cash and health and welfare coverage. The voluntary program will first be offered to approximately 90 employees in the U.S. The voluntary program is expected to reduce the number of involuntary separations.

At this time, we have not fully defined all of the specific cost reduction actions that may be taken. As such, while the charges and associated cash payments are expected to be material in the aggregate, we are unable at this time to make a good faith determination of the cost estimates, or ranges of cost estimates, associated with actions to be implemented. We expect to incur pre-tax restructuring charges including but not limited to employee severance and related benefit costs. We also expect to incur consulting and other professional service fees to help execute these actions as well as for the design and implementation of the future structures and processes. These cost reduction initiatives are expected to be substantially complete by the end of the first quarter of 2025.

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This report and any documents incorporated herein by reference contain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 and may include, but are not limited to, statements about sales levels, acquisitions, restructuring, declines in the value of Koppers assets and the effect of any related impairment charges, profitability and anticipated expenses and cash outflows. All forward-looking statements involve risks and uncertainties. All statements contained herein that are not clearly historical in nature are forward-looking, and words such as “believe,” “anticipate,” “expect,” “estimate,” “may,” “will,” “should,” “continue,” “plans,” “potential,” “intends,” “likely,” or other similar words or phrases are generally intended to identify forward-looking statements. Any forward-looking statement contained herein, in press releases, written statements or documents filed with the Securities and Exchange Commission, or in Koppers communications and discussions with investors and analysts in the normal course of business through meetings, phone calls and conference calls, regarding future dividends, expectations with respect to sales, earnings, cash flows, operating efficiencies, restructurings, cost reduction efforts, product introduction or expansion, the benefits of acquisitions and divestitures, or other matters as well as financings and debt reduction, are subject to known and unknown risks, uncertainties and contingencies. Many of these risks, uncertainties and contingencies are beyond our control, and may cause actual results, performance or achievements to differ materially from anticipated results, performance or achievements. Factors that might affect such forward-looking statements, include, among other things, the impact of changes in commodity prices, such as oil and copper, on product margins; general economic and business conditions; inflation; potential difficulties in protecting our intellectual property; the ratings on our debt and our ability to repay or refinance our outstanding indebtedness as it matures; our ability to operate within the limits of our debt covenants; unexpected business disruptions; potential delays in timing or changes to expected benefits from cost reduction efforts; potential impairment of our goodwill and/or long-lived assets; demand for Koppers goods and services; competitive conditions; capital market conditions, including interest rates, borrowing costs and foreign currency rate fluctuations; availability of and fluctuations in the prices of key raw materials, such as coal tar, lumber and scrap copper; disruptions and inefficiencies in the supply chain; economic, political and environmental conditions in international markets; changes in laws; the impact of environmental laws and regulations; and unfavorable resolution of claims against us, as well as those discussed more fully elsewhere in this report and in documents filed with the Securities and Exchange Commission by Koppers, particularly our latest annual report on Form 10-K and subsequent filings. We caution you that the foregoing list of important factors may not contain all of the material factors that are important to you. In addition, in light of these risks and uncertainties, the matters referred to in the forward-looking statements contained in this report and the documents incorporated by reference herein may not in fact occur. Any forward-looking statements in this report speak only as of the date of this report, and we undertake no obligation to update any forward-looking statement to reflect events or circumstances after that date or to reflect the occurrence of unanticipated events.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the unaudited financial statements and related notes included in Item 1 of this Part I as well as the audited consolidated financial statements and the related notes included in our Annual Report on Form 10-K for the year ended December 31, 2023.

Overview

We are a leading integrated global provider of treated wood products, wood preservation chemicals and carbon compounds. Our products and services are used in a variety of niche applications in a diverse range of end-markets, including the railroad, specialty chemical, utility, residential lumber, agriculture, aluminum, steel, rubber and construction industries. We serve our customers through a comprehensive global manufacturing and distribution network, with manufacturing capabilities in North America, South America, Australasia and Europe. We operate three principal businesses: RUPS, PC and CMC.

Through our RUPS business, we believe that we are the largest supplier of railroad crossties to the Class I railroads in North America. Our other treated wood products include utility poles for the electric, telephone, and broadband utility industries in the United States and Australia and construction pilings in the United States. In addition, we provide untreated wood products and rail joint bars to the railroad markets and inspection services to the utility markets. We also operate a railroad services business that conducts engineering, design, repair and inspection services for railroad bridges and a business related to the recovery of used crossties, serving the same customer base as our North American railroad business.

Through our PC business, we believe that we are the global leader in developing, manufacturing and marketing wood preservation chemicals and wood treatment technologies for use in the pressure treating of lumber for residential, industrial and agricultural applications.

Our CMC business processes coal tar into a variety of products, including creosote, carbon pitch, carbon black feedstock, naphthalene and phthalic anhydride, which are intermediate materials necessary in the pressure treatment of wood, and the production of aluminum, steel, carbon black, high-strength concrete, plasticizers and specialty chemicals.

Non-GAAP Financial Measures

We utilize certain financial measures that are not in accordance with U.S. generally accepted accounting principles (U.S. GAAP) to analyze and manage the performance of our business. We believe that adjusted EBITDA provides information useful to investors in understanding the underlying operational performance of the company, our business and performance trends, and facilitates comparisons between periods. The exclusion of certain items permits evaluation and a comparison between periods of results for business operations, and it is on this basis that our management internally assesses our performance. Adjusted EBITDA is the primary measure of profitability we use to evaluate our businesses. In addition, adjusted EBITDA is the primary measure used to determine the level of achievement of management's short-term incentive goals and related payout, as well as one of the measures used to determine performance and related payouts for certain performance share units granted to management.

Although we believe that these non-GAAP financial measures enhance investors' understanding of our business and performance, these non-GAAP financial measures should not be considered an alternative to GAAP financial measures and should be read in conjunction with the relevant GAAP financial measures. Other companies in a similar industry may define or calculate these measures differently than we do, limiting their usefulness as comparative measures. Because of these limitations, these non-GAAP financial measures should not be considered in isolation or as substitutes for performance measures calculated in accordance with GAAP.

Adjusted EBITDA is a non-GAAP financial measure defined as income before interest, income taxes, depreciation, amortization and other adjustments. These other adjustments are items that we believe are not representative of underlying business performance. Adjusted items typically include certain expenses associated with impairment, restructuring and plant closure costs, significant gains and losses on asset disposals or business combinations, LIFO, mark-to-market commodity hedging and other unusual items. The LIFO expense adjustment removes the entire impact of LIFO and effectively reflects the results as if we were on a FIFO inventory basis. See Adjusted EBITDA reconciliation in the below section for the reconciliation from net income to adjusted EBITDA on a consolidated basis.

We do not provide reconciliations of guidance for adjusted EBITDA and adjusted EPS to comparable GAAP measures, in reliance on the unreasonable efforts exception. We are unable, without unreasonable efforts, to forecast certain items required to develop meaningful comparable GAAP financial measures. These items include, but are not limited to, restructuring and impairment charges, acquisition-related costs, mark-to-market commodity hedging, and LIFO adjustments that are difficult to forecast for a GAAP estimate and may be significant.

Outlook

After considering the current intensely competitive environment, global economic conditions, as well as ongoing uncertainty associated with geopolitical and supply chain challenges, we anticipate taking measures to streamline our organization to support an increasingly cost-conscious customer base. These actions will ensure that we extend our decade-long growth in profitability and support a higher margin profile by leveraging a smaller global team highly focused on serving customer preferences. The following summarizes our 2024 financial goals, which are supported by these actions:

- sales of approximately $2.1 billion,
- adjusted EBITDA of approximately $270 million to $275 million, and
- capital expenditures, including capitalized interest but excluding acquisitions, of approximately $80 million with approximately $20 million of the total allocated to discretionary projects.

Our keys to success for 2024 include streamlining the organization in addition to our original 2024 objectives, which are:

- For our RUPS segment, we need to (i) recoup cost increases, including the value of our creosote preservative in the market, (ii) ensure our facilities run uninterrupted to serve customer demand, (iii) maximize opportunities for increased volumes, including expanding our customer base into the Texas utility pole market, (iv) lower costs and (v) successfully integrate the Brown Wood asset acquisition with our domestic utility pole business.
- For our PC segment, we need to (i) increase market share for certain newer product lines, (ii) maintain volumes and margin and (iii) reduce operating costs.

- For our CMC segment, we need to (i) optimize production from our yield enhancement project in Nyborg, Denmark, (ii) push acceptance of petroleum-blended products, which mitigates reductions in coal tar volumes and (iii) execute on domestic plant optimization projects.

Significant market indicators for our businesses include:

- The Railway Tie Association's estimate of total crosstie installations in 2024 is approximately 19.6 million ties, with approximately 13.4 million for Class I railroads. This is slightly higher than 2023 crosstie installations of approximately 19.2 million crossties with the small increase expected to be from Class I railroads. We expect the crosstie market to remain stable.
- According to BMO Capital Markets, market demand for utility poles is expected to remain high throughout 2024 as a result of aging pole infrastructure, efforts to strengthen poles against larger and more frequent storms, and a need to add larger poles to support continued electrification and expansion of broadband access. In 2024, we have experienced a decrease in our legacy utility pole business due to temporary customer overstock and budget realignment.
- Product demand for our PC business has historically been associated with consumer spending on home repair and remodeling projects in North America. The Leading Indicator of Remodeling Activity (LIRA) reported by the Joint Center for Housing Studies of Harvard University reported a mild pullback in 2024 compared to the prior year; however, annual homeowner renovation and maintenance expenditures are expected to grow by 1.2 percent through the third quarter of 2025. Volumes may also be impacted by customer market share shifts as contracts are negotiated for 2025. While the LIRA projects a decrease in 2024, the outlook for our PC business for the remainder of the year remains relatively positive driven by improvements in the industrial markets we serve and expected flat volumes for our residential business, inclusive of any market share changes in 2024.
- For the external markets served by our CMC business, we have experienced a slowdown in the near-term in manufacturing overall as well as in the steel, aluminum and carbon black industries. The availability of coal tar, the primary raw material for our CMC business, is linked to levels of metallurgical coke production. As the global steel industry, excluding Asia, has reduced the production of steel using metallurgical coke, the volumes of coal tar have been reduced. We are actively working to mitigate the impacts of the long-term decline of coal tar supply by gaining market acceptance for petroleum-blended products. We are also investing in projects to increase distillation yields and balance raw material supply and cost with customer demand and pricing.

Our businesses and results of operations are affected by various competitive and other factors including (i) the impact of global economic conditions on demand for our products, including the impact of imported products from competitors in certain regions where we operate; (ii) raw material pricing and availability, in particular the cost and availability of hardwood lumber for railroad crossties, softwood lumber for utility poles, scrap copper prices, and the cost and amount of coal tar available in global markets, which is negatively affected by reductions in blast furnace steel production; (iii) volatility in oil prices, which impacts the cost of coal tar and certain other raw materials, as well as selling prices and margins for certain of our products including carbon black feedstock, phthalic anhydride, and naphthalene; (iv) competitive conditions in our performance chemicals business and global carbon pitch markets; and (v) changes in foreign exchange rates. Any or all of these or other factors could impact our actual results for 2024.

Seasonality and Effects of Weather on Operations

Our quarterly operating results fluctuate due to a variety of factors that are outside of our control, including inclement weather conditions, which in the past have affected operating results. Operations at some of our facilities have at times been reduced during the winter months. Moreover, demand for some of our products declines during periods of inclement weather. As a result of the foregoing, we anticipate that we may experience material fluctuations in quarterly operating results. Historically, our operating results have been significantly lower in the first and fourth calendar quarters as compared to the second and third calendar quarters.

Results of Operations – Comparison of Three Months Ended September 30, 2024 and 2023

Consolidated Results

Net sales are summarized by segment in the following table:

	Three Months Ended September 30,			
(Dollars in millions)	2024	2023	Change	% Change
Railroad and Utility Products and Services	$ 248.1	$ 234.0	$ 14.1	6.0 %
Performance Chemicals	176.7	179.4	(2.7)	-1.5 %
Carbon Materials and Chemicals	129.5	137.0	(7.5)	-5.5 %
Total	$ 554.3	$ 550.4	$ 3.9	0.7 %

RUPS net sales increased largely due to $10.0 million of price increases, mainly for domestic crossties and utility poles in Australia, an 11 percent increase in the volume of domestic utility poles sold driven by our acquisition of Brown Wood and an increase in activity in our railroad bridge services business. These increases were partly offset by lower activity in our crosstie recovery business.

PC net sales decreased primarily as a result of sales to the recently acquired Brown Wood no longer being included in our reported sales beginning April 1, 2024. Slightly higher volumes, excluding Brown Wood, were offset by lower sales prices.

CMC net sales decreased mainly due to $16.6 million of lower sales prices across most products, especially carbon pitch where prices were down approximately 20 percent globally, along with lower volumes of carbon black feedstock. The decreases in carbon pitch prices were driven by market dynamics in the current year period, particularly in Europe. These decreases were partly offset by volume increases for carbon pitch and phthalic anhydride. Foreign currency changes compared to the prior year period from our international markets had a favorable impact on sales in the current year period of $1.8 million.

Cost of sales as a percentage of net sales was 78 percent, compared to 80 percent in the prior year period as lower raw material costs were partly offset by the market driven reduction in sales prices. Significant items impacting cost of sales in individual operating segments are discussed as part of "Segment adjusted EBITDA and adjusted EBITDA margin" herein.

Depreciation and amortization expenses were $3.6 million higher when compared to the prior year period as a result of recent capital expenditures including growth projects such as the expansion of our facility in North Little Rock, Arkansas, as well as the acquisition of Brown Wood, both within our RUPS segment.

Loss on sale of assets for the three months ended September 30, 2024 was related to the liquidation of our former coal tar distillation facility located in China. See Note 2 – Acquisition and Loss on Sale of Assets.

Interest expense was $1.2 million higher when compared to the prior year period due to higher borrowings.

Income tax expense increased by $2.3 million when compared to the prior year period due primarily to higher income before income taxes. The income excludes the loss on the sale of KCCC's assets, which does not have a corresponding tax benefit. See Note 8 – Income Taxes.

Segment Results

Segment adjusted EBITDA and adjusted EBITDA margin is summarized in the following table:

	Three Months Ended September 30,			
(Dollars in millions)	2024	2023	Change	% Change
Adjusted EBITDA:				
Railroad and Utility Products and Services	$ 24.7	$ 25.1	$ (0.4)	-1.6 %
Performance Chemicals	40.0	35.2	4.8	13.6 %
Carbon Materials and Chemicals	12.7	10.4	2.3	22.1 %
Total Adjusted EBITDA	$ 77.4	$ 70.7	$ 6.7	9.5 %
Adjusted EBITDA margin as a percentage of GAAP sales:				
Railroad and Utility Products and Services	10.0 %	10.7 %	-0.7 %	-6.5 %
Performance Chemicals	22.6 %	19.6 %	3.0 %	15.3 %
Carbon Materials and Chemicals	9.8 %	7.6 %	2.2 %	28.9 %

RUPS adjusted EBITDA was essentially flat as net sales increases and $3.4 million from improved plant utilization were offset by $14.1 million of higher raw material, operating and selling, general and administrative expenses.

PC adjusted EBITDA increased despite the net decrease in sales, on lower raw material and logistics costs, which were favorably impacted by timing.

CMC adjusted EBITDA increased due to $9.2 million of lower raw material costs, particularly in Europe, lower selling, general and administrative costs and higher volumes of carbon pitch and phthalic anhydride. These favorable drivers were partly offset by price decreases and higher operating expenses.

Results of Operations – Comparison of Nine Months Ended September 30, 2024 and 2023

Consolidated Results

Net sales are summarized by segment in the following table:

	Nine Months Ended September 30,			
	2024	2023	Change	% Change
(Dollars in millions)				
Railroad and Utility Products and Services	$ 727.1	$ 681.5	$ 45.6	6.7 %
Performance Chemicals	503.7	507.2	(3.5)	-0.7 %
Carbon Materials and Chemicals	384.3	452.3	(68.0)	-15.0 %
Total	$ 1,615.1	$ 1,641.0	$ (25.9)	-1.6 %

RUPS net sales increased largely due to $28.8 million of pricing increases primarily for crossties and utility poles, along with higher volumes for crossties and utilities poles and an increase in activity in our railroad bridge services business, partly offset by lower activity in our crosstie recovery business. Volumes in our domestic utility pole business increased 3.2 percent as an increase from our acquisition of Brown Wood was partly offset by a decrease in our legacy utility pole business due to temporary customer overstock and budget realignment.

PC net sales decreased due primarily to sales to the recently acquired Brown Wood of approximately $6 million no longer being included in our reported sales beginning April 1, 2024 and lower pricing of $4.8 million in the Americas, partly offset by a 1.5 percent volume increase in the Americas for our copper-based preservatives.

CMC net sales decreased largely due to $72.7 million of lower sales prices across most products, especially carbon pitch where prices were down approximately 24 percent globally, along with $12.9 million of lower volumes of carbon pitch and carbon black feedstock. The decreases in carbon pitch prices and volumes were driven by reduced market demand in the current year period. These decreases were partly offset by volume increases for phthalic anhydride.

Cost of sales as a percentage of net sales was 79 percent, compared to 80 percent in the prior year period as lower raw material costs were partly offset by the market driven reduction in sales. Significant items impacting cost of sales in individual operating segments are discussed as part of "Segment adjusted EBITDA and adjusted EBITDA margin" herein.

Depreciation and amortization expenses were $9.5 million higher when compared to the prior year period as a result of recent capital expenditures including growth projects such as the expansion of our RUPS facility in North Little Rock, Arkansas and the yield enhancement project at our CMC facility in Nyborg, Denmark, as well as the acquisition of Brown Wood. We also recognized accelerated depreciation of $1.5 million for certain decommissioned assets at our North Little Rock, Arkansas facility. Additionally, asset retirement obligations in our European CMC operations and the related depreciation expense increased during the first quarter of 2024 when compared to the prior year period.

Selling, general and administrative expenses were $6.2 million higher when compared to the prior year period due mainly to an increase in compensation-related costs along with an increase in professional service and insurance expenses.

Loss on sale of assets for the nine months ended September 30, 2024 was related to the liquidation of our former coal tar distillation facility located in China while the gain on sale of assets for the nine months ended September 30, 2023 was related to a sale of assets at that same facility. See Note 2 – Acquisition and Loss on Sale of Assets.

Interest expense was $4.6 million higher when compared to the prior year period due to higher borrowings and interest rates, partly offset by the write-off of debt issuance costs in 2023.

Income tax expense decreased by $2.9 million when compared to the prior year period due primarily to lower income before income taxes. See Note 8 – Income Taxes.

Segment Results

Segment adjusted EBITDA and adjusted EBITDA margin is summarized in the following table:

	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023	Change	% Change
(Dollars in millions)				
Adjusted EBITDA:				
Railroad and Utility Products and Services	$ 64.8	$ 63.2	$ 1.6	2.5 %
Performance Chemicals	114.1	93.8	20.3	21.6 %
Carbon Materials and Chemicals	27.5	45.5	(18.0)	-39.6 %
Total Adjusted EBITDA	$ 206.4	$ 202.5	$ 3.9	1.9 %
Adjusted EBITDA margin as a percentage of GAAP sales:				
Railroad and Utility Products and Services	8.9 %	9.3 %	-0.4 %	-4.3 %
Performance Chemicals	22.7 %	18.5 %	4.2 %	22.7 %
Carbon Materials and Chemicals	7.2 %	10.1 %	-2.9 %	-28.7 %

RUPS adjusted EBITDA increased due primarily to net sales increases and $11.2 million from improved plant utilization, which combined to more than offset $39.8 million of higher raw material, operating and selling, general and administrative expenses.

PC adjusted EBITDA increased despite lower sales, as a result of lower raw material costs offsetting lower sales prices and higher selling, general and administrative costs. Lower raw material costs were favorably impacted by timing, including an increase in gains realized from our copper-hedging program, net of an increase in the cost of scrap copper recognized to date.

CMC adjusted EBITDA decreased as a result of lower sales prices, which were partly offset by a $42.6 million reduction in raw material costs, particularly in Europe, as well as higher operating expenses and lower plant utilization, partly offset by lower selling, general and administrative costs and higher volumes of phthalic anhydride.

Adjusted EBITDA Reconciliation. The following table reconciles net income to adjusted EBITDA on a consolidated basis:

	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
(Dollars in millions)				
Net income	$ 19.0	$ 26.2	$ 58.8	$ 76.8
Interest expense	20.2	19.0	57.9	53.3
Depreciation and amortization	17.9	14.3	52.2	42.7
Income tax expense	10.6	8.3	25.2	28.1
Sub-total	67.7	67.8	194.1	200.9
Adjustments to arrive at adjusted EBITDA:				
LIFO (benefit) expense(1)	(1.2)	2.8	2.9	3.3
Impairment, restructuring and plant closure costs	0.4	0.1	0.4	0.1
Loss (gain) on sale of assets	9.7	0.0	9.7	(1.8)
Mark-to-market commodity hedging gains	0.0	0.0	(3.0)	0.0
Acquisition inventory step-up amortization	0.8	0.0	2.3	0.0
Total adjustments	9.7	2.9	12.3	1.6
Adjusted EBITDA	$ 77.4	$ 70.7	$ 206.4	$ 202.5

(1) The LIFO expense adjustment removes the entire impact of LIFO and effectively reflects the results as if we were on a FIFO inventory basis.

Cash Flow

Net cash provided by operating activities for the nine months ended September 30, 2024 was $44.7 million compared to $79.5 million in the prior year. For both periods, the primary source of cash was net income, excluding non-cash items, less working capital usage. Higher working capital usage in the current year was primarily driven by a reduction in accounts payable as a result of the timing of inventory purchases and vendor payments.

Net cash used in investing activities for the nine months ended September 30, 2024 was $154.4 million compared to $88.3 million in the prior year. The increase was due to cash paid for the Brown Wood acquisition, partly offset by lower capital expenditures. Capital expenditures were higher in the prior year period due to investment in growth projects, such as the expansion of our RUPS facility in North Little Rock, Arkansas which was completed in the fourth quarter of 2023 and a yield enhancement project at our CMC facility in Nyborg, Denmark which was completed in the first quarter of 2024.

Net cash provided by financing activities for the nine months ended September 30, 2024 was $88.4 million compared to $31.6 million in the prior year. The primary source of financing cash flows for the nine months ended September 30, 2024 was net borrowings of $138.9 million and the primary uses of financing cash flows were repurchases of common stock, including payments related to taxes withheld under stock-based compensation plans, and dividends paid. In the prior year, the primary source of financing cash flows was net borrowings of $46.9 million and the primary uses of financing cash flows were repurchases of common stock, payments of debt issuance costs and dividends paid.

Liquidity and Capital Resources

As of September 30, 2024, liquidity was approximately $332 million. Our Credit Facility is described in Note 11 – Debt.

Our need for cash in the next twelve months relates primarily to capital spending, purchase commitments, operating leases, working capital, debt service, pension plan funding, dividends, share repurchases, voluntary pension plan contributions, including pension plan terminations, and to fund cost savings initiatives. We may also use cash to pursue other potential strategic acquisitions. Capital expenditures in 2024, excluding acquisitions, are expected to total approximately $80 million and are expected to be funded by cash from operations. We anticipate that our liquidity will continue to be adequate to fund our cash requirements for at least the next twelve months, and based on our current expectations, for the foreseeable future.

We manage our working capital to increase our flexibility to pay down debt. The amount of our outstanding debt and our overall cash flows will fluctuate throughout any operating period based upon, among other things, the timing of receipts from customers and payments to vendors. As of September 30, 2024, approximately 90 percent of accounts payable was current and ten percent was 1-30 days past due. As of December 31, 2023, approximately 85 percent of accounts payable was current and 15 percent was 1-30 days past due.

Restrictions on Dividends to Koppers Holdings

Koppers Holdings depends on the dividends from the earnings of Koppers Inc. and its subsidiaries to generate the funds necessary to meet its financial obligations, including the payment of any declared dividend of Koppers Holdings. The Credit Facility permits Koppers Inc. to make dividend payments to Koppers Holdings if certain conditions are met, including, among other permitted dividend payments, the ability to fund the payment of regularly scheduled dividends on Koppers Holdings common stock and repurchases of Koppers Holdings common stock, in an aggregate amount per year not to exceed the greater of (a) $50.0 million in any fiscal year, with unused amounts in any fiscal year being carried over to the succeeding fiscal year, and (b) 6.0 percent of market capitalization.

Bank Debt Covenants

The bank debt covenants that affect availability of the Credit Facility and which may restrict the ability of Koppers Inc. to pay dividends include the following financial ratios:

- The total net leverage ratio is calculated as of the last day of each fiscal quarter in accordance with the Credit Facility definitions of consolidated total net debt divided by consolidated EBITDA and is not permitted to exceed 5.0. The total net leverage ratio as of September 30, 2024 was 3.3. Effective during the second quarter of 2025, the total net leverage ratio will not be permitted to exceed 4.75.
- The cash interest coverage ratio, calculated as of the last day of each fiscal quarter, is not permitted to be less than 2.0. The cash interest coverage ratio as of September 30, 2024 was 4.0.

We are currently in compliance with all covenants governing the Credit Facility. Our continued ability to meet these financial covenants may be affected by events beyond our control.

Legal Matters

The information set forth in Note 13 to the Condensed Consolidated Financial Statements of Koppers Holdings Inc. included in Item 1 of this Part I is incorporated herein by reference.

Recently Issued Accounting Guidance

The information set forth in Note 1 to the Condensed Consolidated Financial Statements of Koppers Holdings Inc. included in Item 1 of this Part I is incorporated herein by reference.

Critical Accounting Policies

There have been no material changes to our critical accounting policies as disclosed in our Annual Report on Form 10-K for the year ended December 31, 2023.

Environmental and Other Matters

The information set forth in Note 13 to the Condensed Consolidated Financial Statements of Koppers Holdings Inc. included in Item 1 of this Part I is incorporated herein by reference.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There are no material changes to the disclosure on this matter made in our Annual Report on Form 10-K for the year ended December 31, 2023.

ITEM 4. CONTROLS AND PROCEDURES

Our management, with the participation of the Chief Executive Officer and Chief Financial Officer and utilizing the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control – Integrated Framework (2013), have evaluated the effectiveness of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that these controls and procedures were effective as of the end of the period covered by this report. There were no changes in our internal control over financial reporting (as such term is defined in Rule 13a-15(f) under the Exchange Act) that occurred during the quarter ended September 30, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The information set forth in Note 13 to the Condensed Consolidated Financial Statements of Koppers Holdings Inc. included in Item 1 of Part I of this report is incorporated herein by reference.

ITEM 1A. RISK FACTORS

There have been no material changes to the Risk Factors previously disclosed in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2023.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table sets forth information regarding Koppers Holdings’ repurchases of shares of its common stock during the three months ended September 30, 2024:

Period	Total Number of Common Shares Purchased [1]	Average Price paid per Common Share	Total Number of Common Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Common Shares that May Yet be Purchased Under the Plans or Programs (Dollars in Millions)
July 1 - July 31	0	$ 0.00	0	$ 22.2
August 1 - August 31	206,437	$ 37.88	206,437	$ 14.4
September 1 - September 30	65,000	$ 38.95	65,000	$ 11.9
Total	271,437		271,437	

(1) On August 6, 2021, we announced the board of directors' approval of a $100 million share repurchase program. The repurchase program has no expiration date.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

During the three months ended September 30, 2024, none of our directors or executive officers adopted or terminated any Rule 10b5-1 trading arrangement or any non-Rule 10b5-1 trading arrangement (as such terms are defined in Item 408 of Regulation S-K).

ITEM 6. EXHIBITS

31.1*	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded with the Inline XBRL document.
101.SCH*	Inline XBRL Taxonomy Extension Schema With Embedded Linkbase Documents
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

KOPPERS HOLDINGS INC.
(REGISTRANT)

Date: November 8, 2024

By: /s/ JIMMI SUE SMITH
Jimmi Sue Smith
Chief Financial Officer
(Principal Financial Officer and Duly Authorized Officer)

Exhibit 31.1

CERTIFICATIONS

I, Leroy M. Ball, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Koppers Holdings Inc.;
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 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-5(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 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.

Date: November 8, 2024

/S/ LEROY M. BALL
Leroy M. Ball
Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Jimmi Sue Smith, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Koppers Holdings Inc.;
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 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-5(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 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.

Date: November 8, 2024

/s/ JIMMI SUE SMITH
Jimmi Sue Smith
Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Koppers Holdings Inc. (the "Company") on Form 10-Q for the quarter ending September 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned hereby certifies in his or her capacity as an officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ LEROY M. BALL	/s/ JIMMI SUE SMITH
Leroy M. Ball	Jimmi Sue Smith
Chief Executive Officer	Chief Financial Officer
November 8, 2024	November 8, 2024