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 June 30, 2024
OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Transition Period From __________ to __________

Commission File Number 1-12001

ATI Inc.
(Exact name of registrant as specified in its charter)

Delaware	**25-1792394**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
2021 McKinney Avenue Dallas, Texas	**75201**
(Address of Principal Executive Offices)	**(Zip Code)**

(800) 289-7454
(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common stock, par value $0.10	ATI	New York Stock Exchange

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 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, or a smaller reporting company. See 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 provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

At July 12, 2024, the registrant had outstanding 124,463,814 shares of its Common Stock.

ATI INC.
SEC FORM 10-Q
Quarter Ended June 30, 2024

INDEX

PART I. FINANCIAL INFORMATION
Item 1. Financial Statements

ATI Inc. and Subsidiaries
Consolidated Balance Sheets

(In millions, except share and per share amounts)
(Current period unaudited)

	June 30, 2024	December 31, 2023
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 425.6	$ 743.9
Accounts receivable, net	719.8	625.0
Short-term contract assets	87.6	59.1
Inventories, net	1,317.5	1,247.5
Prepaid expenses and other current assets	102.4	62.2
Total Current Assets	**2,652.9**	**2,737.7**
Property, plant and equipment, net	1,705.5	1,665.9
Goodwill	227.2	227.2
Other assets	335.8	354.3
Total Assets	**$ 4,921.4**	**$ 4,985.1**
LIABILITIES AND EQUITY		
Current Liabilities:		
Accounts payable	$ 524.5	$ 524.8
Short-term contract liabilities	160.9	163.6
Short-term debt and current portion of long-term debt	316.8	31.9
Other current liabilities	243.4	256.8
Total Current Liabilities	**1,245.6**	**977.1**
Long-term debt	1,854.0	2,147.7
Accrued postretirement benefits	167.2	175.2
Pension liabilities	37.9	39.7
Other long-term liabilities	148.8	164.9
Total Liabilities	**3,453.5**	**3,504.6**
Equity:		
ATI Stockholders' Equity:		
Preferred stock, par value $0.10: authorized-50,000,000 shares; issued-none	—	—
Common stock, par value $0.10: authorized-500,000,000 shares; issued-133,796,517 shares at June 30, 2024 and 132,300,971 shares at December 31, 2023; outstanding-124,463,814 shares at June 30, 2024 and 126,879,099 shares at December 31, 2023	13.4	13.2
Additional paid-in capital	1,712.9	1,697.1
Retained earnings (loss)	78.4	(70.1)
Treasury stock: 9,332,703 shares at June 30, 2024 and 5,421,872 shares at December 31, 2023	(359.3)	(184.0)
Accumulated other comprehensive loss, net of tax	(90.2)	(83.2)
Total ATI stockholders' equity	**1,355.2**	**1,373.0**
Noncontrolling interests	112.7	107.5
Total Equity	**1,467.9**	**1,480.5**
Total Liabilities and Equity	**$ 4,921.4**	**$ 4,985.1**

The accompanying notes are an integral part of these statements.

ATI Inc. and Subsidiaries
Consolidated Statements of Operations
(In millions, except per share amounts)
(Unaudited)

	Quarter ended		Year-to-date period ended	
	June 30, 2024	July 2, 2023	June 30, 2024	July 2, 2023
Sales	**$ 1,095.3**	**$ 1,046.0**	**$ 2,138.2**	**$ 2,084.1**
Cost of sales	867.9	836.9	1,713.4	1,681.8
Gross profit	227.4	209.1	424.8	402.3
Selling and administrative expenses	88.9	85.4	170.9	166.0
Restructuring charges (credits)	(1.9)	2.7	(1.7)	2.7
Loss (gain) on asset sales and sales of businesses, net	(2.2)	0.7	(2.2)	0.7
Operating income	142.6	120.3	257.8	232.9
Nonoperating retirement benefit expense	(3.7)	(2.5)	(7.4)	(4.9)
Interest expense, net	(28.4)	(21.3)	(55.0)	(41.2)
Other income, net	0.4	0.7	0.8	1.3
Income before income taxes	110.9	97.2	196.2	188.1
Income tax provision	25.3	3.7	42.2	8.0
Net income	**85.6**	**93.5**	**154.0**	**180.1**
Less: Net income attributable to noncontrolling interests	3.7	3.1	6.0	5.2
Net income attributable to ATI	**$ 81.9**	**$ 90.4**	**$ 148.0**	**$ 174.9**
Basic net income attributable to ATI per common share	**$ 0.66**	**$ 0.70**	**$ 1.18**	**$ 1.36**
Diluted net income attributable to ATI per common share	**$ 0.58**	**$ 0.62**	**$ 1.04**	**$ 1.20**

The accompanying notes are an integral part of these statements.

ATI Inc. and Subsidiaries
Consolidated Statements of Comprehensive Income (Loss)
(In millions)
(Unaudited)

	Quarter ended		Year-to-date period ended	
	June 30, 2024	July 2, 2023	June 30, 2024	July 2, 2023
Net income	**$ 85.6**	**$ 93.5**	**$ 154.0**	**$ 180.1**
Currency translation adjustment				
Unrealized net change arising during the period	(3.7)	(8.1)	(10.3)	(4.8)
Derivatives				
Net derivatives loss on hedge transactions	(0.6)	(2.4)	(2.4)	(17.4)
Reclassification to net income of net realized loss (gain)	2.6	3.8	4.3	(1.7)
Income taxes on derivative transactions	1.2	—	1.2	—
Total	0.8	1.4	0.7	(19.1)
Postretirement benefit plans				
Actuarial loss				
Amortization of net actuarial loss	1.3	1.5	2.6	3.0
Prior service cost				
Amortization to net income of net prior service credits	(0.2)	(0.2)	(0.3)	(0.3)
Income taxes on postretirement benefit plans	0.2	—	0.5	—
Total	0.9	1.3	1.8	2.7
Other comprehensive loss, net of tax	(2.0)	(5.4)	(7.8)	(21.2)
Comprehensive income	**83.6**	**88.1**	**146.2**	**158.9**
Less: Comprehensive income (loss) attributable to noncontrolling interests	3.1	(2.6)	5.2	3.9
Comprehensive income attributable to ATI	**$ 80.5**	**$ 90.7**	**$ 141.0**	**$ 155.0**

The accompanying notes are an integral part of these statements.

ATI Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(In millions)
(Unaudited)

	Year-to-date period ended	
	June 30, 2024	July 2, 2023
Operating Activities:		
Net income	**$ 154.0**	**$ 180.1**
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	73.9	71.0
Share-based compensation	17.2	14.1
Deferred taxes	30.3	0.6
Net gains from disposal of property, plant and equipment	(2.1)	(0.3)
Loss (gain) on sales of businesses	—	0.6
Changes in operating assets and liabilities:		
Inventories	(94.2)	(184.7)
Accounts receivable	(103.4)	(131.2)
Accounts payable	16.7	(66.3)
Pension plan contributions	—	(50.0)
Retirement benefits	(5.7)	(8.5)
Accrued liabilities and other	(84.4)	(42.5)
Cash provided by (used in) operating activities	**2.3**	**(217.1)**
Investing Activities:		
Purchases of property, plant and equipment	(126.0)	(103.3)
Proceeds from disposal of property, plant and equipment	5.9	1.6
Transaction costs for sales of businesses, net of proceeds	—	(0.3)
Other	3.0	1.2
Cash used in investing activities	**(117.1)**	**(100.8)**
Financing Activities:		
Payments on long-term debt and finance leases	(14.1)	(11.3)
Net borrowings (payments) under credit facilities	(4.9)	33.2
Purchase of treasury stock	(150.0)	(10.1)
Shares repurchased for income tax withholding on share-based compensation and other	(24.9)	(10.8)
Cash provided by (used in) financing activities	**(193.9)**	**1.0**
Less: Cash held for sale	**(9.6)**	**—**
Decrease in cash and cash equivalents	**(318.3)**	**(316.9)**
Cash and cash equivalents at beginning of period	**743.9**	**584.0**
Cash and cash equivalents at end of period	**$ 425.6**	**$ 267.1**

The accompanying notes are an integral part of these statements.

ATI Inc. and Subsidiaries
Statements of Changes in Consolidated Equity
(In millions)
(Unaudited)

	ATI Stockholders						
	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Non-controlling Interests	Total Equity
Balance, April 2, 2023	$ 13.2	$ 1,675.1	$ (396.4)	$ (107.8)	$ (87.6)	$ 117.8	$ 1,214.3
Net income	—	—	**90.4**	—	—	**3.1**	**93.5**
Other comprehensive income (loss)	—	—	—	—	0.3	(5.7)	(5.4)
Employee stock plans	—	6.9	—	(0.1)	—	—	6.8
Balance, July 2, 2023	**$ 13.2**	**$ 1,682.0**	**$ (306.0)**	**$ (107.9)**	**$ (87.3)**	**$ 115.2**	**$ 1,309.2**
Balance, March 31, 2024	$ 13.4	$ 1,703.1	$ (4.0)	$ (360.1)	$ (88.8)	$ 109.6	$ 1,373.2
Net income	—	—	**81.9**	—	—	**3.7**	**85.6**
Other comprehensive loss	—	—	—	—	(1.4)	(0.6)	(2.0)
Employee stock plans	—	9.8	0.5	0.8	—	—	11.1
Balance, June 30, 2024	**$ 13.4**	**$ 1,712.9**	**$ 78.4**	**$ (359.3)**	**$ (90.2)**	**$ 112.7**	**$ 1,467.9**

	ATI Stockholders						
	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Non-controlling Interests	Total Equity
Balance, January 1, 2023	$ 13.1	$ 1,668.1	$ (480.9)	$ (87.0)	$ (67.4)	$ 111.3	$ 1,157.2
Net income	—	—	**174.9**	—	—	**5.2**	**180.1**
Other comprehensive loss	—	—	—	—	(19.9)	(1.3)	(21.2)
Purchase of treasury stock	—	—	—	(10.1)	—	—	(10.1)
Employee stock plans	0.1	13.9	—	(10.8)	—	—	3.2
Balance, July 2, 2023	**$ 13.2**	**$ 1,682.0**	**$ (306.0)**	**$ (107.9)**	**$ (87.3)**	**$ 115.2**	**$ 1,309.2**
Balance, December 31, 2023	$ 13.2	$ 1,697.1	$ (70.1)	$ (184.0)	$ (83.2)	$ 107.5	$ 1,480.5
Net income	—	—	**148.0**	—	—	**6.0**	**154.0**
Other comprehensive loss	—	—	—	—	(7.0)	(0.8)	(7.8)
Purchase of treasury stock	—	—	—	(151.2)	—	—	(151.2)
Employee stock plans	0.2	15.8	0.5	(24.1)	—	—	(7.6)
Balance, June 30, 2024	**$ 13.4**	**$ 1,712.9**	**$ 78.4**	**$ (359.3)**	**$ (90.2)**	**$ 112.7**	**$ 1,467.9**

The accompanying notes are an integral part of these statements.

Note 1. Accounting Policies

The interim consolidated financial statements include the accounts of ATI Inc. and its subsidiaries. Unless the context requires otherwise, “ATI” and “the Company” refer to ATI Inc. and its subsidiaries.

The Company follows a 4-4-5 or 5-4-4 fiscal calendar, whereby each fiscal quarter consists of thirteen weeks grouped into two four-week months and one five-week month, and its fiscal year ends on the Sunday closest to December 31. Unless otherwise stated, references to years and quarters in this Quarterly Report on Form 10-Q relate to fiscal years and quarters, rather than calendar years and quarters.

These unaudited consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information and with the instructions for Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and note disclosures required by U.S. generally accepted accounting principles for complete financial statements. In management’s opinion, all adjustments (which include only normal recurring adjustments) considered necessary for a fair presentation have been included. Certain prior year amounts have been reclassified in order to conform with 2024 presentation. These unaudited consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company’s 2023 Annual Report on Form 10-K. The results of operations for these interim periods are not necessarily indicative of the operating results for any future period. The December 31, 2023 financial information has been derived from the Company’s audited consolidated financial statements.

New Accounting Pronouncements Adopted

In September 2022, the Financial Accounting Standards Board (FASB) issued new accounting guidance related to disclosures about supplier finance programs. Supplier finance programs allow a buyer to offer its suppliers the option for access to payment in advance of an invoice due date, which is paid by a third-party finance provider or intermediary on the basis of invoices that the buyer has confirmed as valid. This new guidance requires a buyer in a supplier finance program to disclose sufficient information about the program to allow a user of financial statements to understand the program’s nature, activity during the period, changes from period to period, and potential magnitude, using both qualitative and quantitative information about its supplier finance programs. This new guidance, with the exception of annual disclosures on rollforward information, was effective for the Company in fiscal year 2023, and the Company adopted this new accounting guidance effective January 2, 2023. The annual rollforward information disclosures are effective for the Company in fiscal year 2024, with early adoption permitted. The Company did not early adopt this guidance. The adoption of these changes did not have an impact on the Company’s consolidated financial statements other than disclosure requirements, which are included in Note 7.

Pending Accounting Pronouncements

In November 2023, the FASB issued new accounting guidance related to segment reporting disclosures. This guidance requires additional disclosures on an annual and interim basis of segment information, including significant segment expenses that are regularly provided to the chief operating decision maker (CODM) and the presentation and composition of other segment items, which is the difference between segment revenue less segment expenses and the measure of segment profit or loss. The guidance also requires that all current segment disclosures required on an annual basis be provided on an interim basis and requires disclosure of the title and position of the CODM and how the CODM uses the reported measure of segment profit or loss in assessing performance and allocating resources. This guidance does not change how an entity identifies its reportable segments. This new guidance includes annual disclosure requirements that will be effective for the Company for fiscal year 2024 and quarterly disclosure requirements that will be effective for fiscal year 2025. The guidance must be applied retrospectively and early adoption is permitted. The Company does not expect to early adopt this guidance and does not expect these changes to have an impact on the Company’s consolidated financial statements other than disclosure requirements.

In December 2023, the FASB issued new accounting guidance related to income tax disclosures. This guidance requires entities to disclose specific categories in its annual rate reconciliation and provide additional information for reconciling items that meet a quantitative threshold. This guidance also requires additional annual disclosures for income taxes paid and requires disaggregation of income before tax, between domestic and foreign, and income tax expense, between federal, state and foreign. This guidance also eliminates several current disclosure requirements related to: (1) the nature and estimate of the range of the reasonably possible change in the unrecognized tax benefits balance in the next 12 months, (2) making a statement that an estimate of the range cannot be made, and (3) disclosing the cumulative amount of each type of temporary difference when a deferred tax liability is not recognized because of the exceptions to comprehensive recognition of deferred taxes related to subsidiaries and corporate joint ventures. This new guidance will be effective for the Company for fiscal year 2025 and must be applied on a prospective basis with retrospective application permitted. Early adoption of this guidance is also permitted. The Company does not expect to early adopt this guidance and does not expect these changes to have an impact on the Company's consolidated financial statements other than disclosure requirements.

Note 2. Revenue from Contracts with Customers

Disaggregation of Revenue

The Company operates in two business segments: High Performance Materials & Components (HPMC) and Advanced Alloys & Solutions (AA&S). Revenue is disaggregated within these two business segments by diversified global markets, primary geographical markets and diversified products. Comparative information regarding the Company's overall revenues by global and geographical markets for the quarters and year-to-date periods ended June 30, 2024 and July 2, 2023 is included in the following tables.

(in millions)	Quarter ended					
	June 30, 2024			July 2, 2023		
	HPMC	AA&S	Total	HPMC	AA&S	Total
Diversified Global Markets:						
Aerospace & Defense:						
Jet Engines- Commercial	$ 331.8	$ 21.0	$ 352.8	$ 319.2	$ 21.7	$ 340.9
Airframes- Commercial	93.7	117.1	210.8	67.0	97.2	164.2
Defense	52.0	68.3	120.3	50.0	51.7	101.7
Total Aerospace & Defense	477.5	206.4	683.9	436.2	170.6	606.8
Energy:						
Conventional Energy	2.4	63.7	66.1	3.7	107.6	111.3
Specialty Energy	22.5	54.1	76.6	29.9	38.3	68.2
Total Energy	24.9	117.8	142.7	33.6	145.9	179.5
Automotive	3.8	67.0	70.8	6.0	46.8	52.8
Medical	33.0	28.7	61.7	24.3	17.6	41.9
Construction/Mining	8.3	35.9	44.2	11.0	37.4	48.4
Electronics	2.0	38.8	40.8	0.7	35.3	36.0
Food Equipment & Appliances	—	16.2	16.2	—	20.9	20.9
Other	12.5	22.5	35.0	15.3	44.4	59.7
Total	**$ 562.0**	**$ 533.3**	**$ 1,095.3**	**$ 527.1**	**$ 518.9**	**$ 1,046.0**

(in millions)	Year-to-date period ended					
	June 30, 2024			July 2, 2023		
	HPMC	AA&S	Total	HPMC	AA&S	Total
Diversified Global Markets:						
Aerospace & Defense:						
Jet Engines- Commercial	$ 628.7	$ 35.3	$ 664.0	$ 601.7	$ 50.1	$ 651.8
Airframes- Commercial	179.4	221.5	400.9	138.0	196.1	334.1
Defense	112.0	122.7	234.7	91.9	104.7	196.6
Total Aerospace & Defense	920.1	379.5	1,299.6	831.6	350.9	1,182.5
Energy:						
Conventional Energy	5.9	162.7	168.6	6.1	232.7	238.8
Specialty Energy	40.7	92.0	132.7	54.8	96.1	150.9
Total Energy	46.6	254.7	301.3	60.9	328.8	389.7
Automotive	8.8	118.0	126.8	12.3	99.9	112.2
Medical	68.9	51.9	120.8	41.8	35.1	76.9
Electronics	3.0	90.7	93.7	1.2	69.2	70.4
Construction/Mining	15.0	56.4	71.4	19.2	69.6	88.8
Food Equipment & Appliances	—	28.1	28.1	—	42.4	42.4
Other	29.5	67.0	96.5	31.2	90.0	121.2
Total	**$ 1,091.9**	**$ 1,046.3**	**$ 2,138.2**	**$ 998.2**	**$ 1,085.9**	**$ 2,084.1**

(in millions)	Quarter ended					
	June 30, 2024			July 2, 2023		
	HPMC	AA&S	Total	HPMC	AA&S	Total
Primary Geographical Market:						
United States	$ 271.4	$ 367.1	$ 638.5	$ 222.0	$ 346.3	$ 568.3
Europe	224.0	54.2	278.2	207.8	43.6	251.4
Asia	37.3	88.2	125.5	51.0	103.5	154.5
Canada	13.7	12.2	25.9	16.6	13.3	29.9
South America, Middle East and other	15.6	11.6	27.2	29.7	12.2	41.9
Total	**$ 562.0**	**$ 533.3**	**$ 1,095.3**	**$ 527.1**	**$ 518.9**	**$ 1,046.0**

(in millions)	Year-to-date period ended					
	June 30, 2024			July 2, 2023		
	HPMC	AA&S	Total	HPMC	AA&S	Total
Primary Geographical Market:						
United States	$ 512.1	$ 698.0	$ 1,210.1	$ 418.5	$ 738.1	$ 1,156.6
Europe	435.5	104.9	540.4	402.0	88.0	490.0
Asia	76.2	165.5	241.7	95.0	213.0	308.0
Canada	29.0	24.5	53.5	28.6	24.5	53.1
South America, Middle East and other	39.1	53.4	92.5	54.1	22.3	76.4
Total	**$ 1,091.9**	**$ 1,046.3**	**$ 2,138.2**	**$ 998.2**	**$ 1,085.9**	**$ 2,084.1**

Comparative information regarding the Company’s major products based on their percentages of sales is included in the following table. Hot-Rolling and Processing Facility (HRPF) conversion service sales in the AA&S segment are excluded from this presentation.

	Quarter ended					
	June 30, 2024			July 2, 2023		
	HPMC	AA&S	Total	HPMC	AA&S	Total
Diversified Products and Services:						
Nickel-based alloys and specialty alloys	39 %	49 %	44 %	49 %	55 %	52 %
Titanium and titanium-based alloys	24 %	15 %	20 %	17 %	11 %	14 %
Precision forgings, castings and components	37 %	— %	19 %	33 %	— %	17 %
Precision rolled strip products	— %	18 %	9 %	1 %	18 %	9 %
Zirconium and related alloys	— %	18 %	8 %	— %	16 %	8 %
Total	**100 %**	**100 %**	**100 %**	**100 %**	**100 %**	**100 %**

	Year-to-date period ended					
	June 30, 2024			July 2, 2023		
	HPMC	AA&S	Total	HPMC	AA&S	Total
Diversified Products and Services:						
Nickel-based alloys and specialty alloys	39 %	50 %	44 %	47 %	57 %	52 %
Precision forgings, castings and components	36 %	— %	19 %	33 %	— %	16 %
Titanium and titanium-based alloys	24 %	13 %	19 %	19 %	10 %	14 %
Zirconium and related alloys	— %	19 %	9 %	— %	15 %	8 %
Precision rolled strip products	1 %	18 %	9 %	1 %	18 %	10 %
Total	**100 %**	**100 %**	**100 %**	**100 %**	**100 %**	**100 %**

The Company maintained a backlog of confirmed orders totaling $4.1 billion and $3.5 billion at June 30, 2024 and July 2, 2023, respectively. Due to the structure of the Company’s long-term agreements, approximately 70% of this backlog at June 30, 2024 represented booked orders with performance obligations that will be satisfied within the next 12 months. The backlog does not reflect any elements of variable consideration.

Contract balances

As of June 30, 2024 and December 31, 2023, accounts receivable from customers were $722.5 million and $628.2 million, respectively. The following represents the rollforward of accounts receivable - reserve for doubtful accounts and contract assets and liabilities for the year-to-date periods ended June 30, 2024 and July 2, 2023:

(in millions)

Accounts Receivable - Reserve for Doubtful Accounts	June 30, 2024	July 2, 2023
Balance as of beginning of year	$ 3.2	$ 7.7
Expense to increase the reserve	—	0.2
Write-off of uncollectible accounts	(0.5)	(0.8)
Balance as of period end	**$ 2.7**	**$ 7.1**

(in millions)

Contract Assets

Short-term	June 30, 2024	July 2, 2023
Balance as of beginning of year	$ 59.1	$ 64.1
Recognized in current year	53.2	41.1
Reclassified to accounts receivable	(24.7)	(53.4)
Balance as of period end	**$ 87.6**	**$ 51.8**

(in millions)

Contract Liabilities

Short-term	June 30, 2024	July 2, 2023
Balance as of beginning of year	$ 163.6	$ 149.1
Recognized in current year	59.9	58.8
Amounts in beginning balance reclassified to revenue	(50.9)	(69.4)
Current year amounts reclassified to revenue	(20.5)	(22.9)
Other	—	(0.1)
Reclassification to/from long-term	8.8	22.3
Balance as of period end	**$ 160.9**	**$ 137.8**

Long-term (a)	June 30, 2024	July 2, 2023
Balance as of beginning of year	$ 39.4	$ 66.8
Recognized in current year	3.3	0.9
Reclassification to/from short-term	(8.8)	(22.3)
Balance as of period end	**$ 33.9**	**$ 45.4**

(a) Long-term contract liabilities are included in other long-term liabilities on the consolidated balance sheets.

Contract costs for obtaining and fulfilling a contract were $9.0 million and $8.1 million as of June 30, 2024 and December 31, 2023, respectively, and are reported in other long-term assets on the consolidated balance sheet. Contract cost amortization expense for the quarter and year-to-date period ended June 30, 2024 was $0.3 million and $0.6 million, respectively. Contract cost amortization expense for the quarter and year-to-date period ended July 2, 2023 was $0.4 million and $0.7 million, respectively.

Note 3. Inventories

Inventories at June 30, 2024 and December 31, 2023 were as follows (in millions):

	June 30, 2024	December 31, 2023
Raw materials and supplies	$ 212.7	$ 234.9
Work-in-process	1,121.8	973.6
Finished goods	54.6	114.5
	1,389.1	1,323.0
Inventory valuation reserves	(71.6)	(75.5)
Total inventories, net	$ 1,317.5	$ 1,247.5

Inventories are stated at the lower of cost (first-in, first-out (FIFO) and average cost methods) or net realizable value.

Note 4. Property, Plant and Equipment

Property, plant and equipment at June 30, 2024 and December 31, 2023 was as follows (in millions):

	June 30, 2024	December 31, 2023
Land	$ 31.6	$ 32.3
Buildings and leasehold improvements	705.2	692.7
Equipment	3,043.7	3,024.3
	3,780.5	3,749.3
Accumulated depreciation and amortization	(2,075.0)	(2,083.4)
Total property, plant and equipment, net	$ 1,705.5	$ 1,665.9

The construction in progress portion of property, plant and equipment at June 30, 2024 was $242.5 million. Capital expenditures on the consolidated statement of cash flows for the year-to-date periods ended June 30, 2024 and July 2, 2023 exclude $26.0 million and $19.3 million, respectively, of accrued capital expenditures that were included in property, plant and equipment at June 30, 2024 and July 2, 2023, respectively.

Note 5. Divestitures

During the second quarter of 2024, the Company approved plans to divest of certain immaterial, non-core operations from both the HPMC and AA&S segments. These non-core operations, which are classified as held for sale as of June 30, 2024, do not meet the criteria to be classified as discontinued operations in the consolidated financial statements. The following are the assets and liabilities classified as held for sale that are reported as prepaid expenses and other current assets, other long-term assets, other current liabilities, and other long-term liabilities on the consolidated balance sheet as of June 30, 2024.

(in millions)	June 30, 2024
Assets	
Cash	$ 9.6
Accounts receivable, net	8.6
Inventories, net	24.3
Prepaid expenses and other current assets	1.7
Total current assets	44.2
Property, plant and equipment, net	3.7
Other assets	2.3
Total long-term assets	6.0
Total Assets	50.2
Liabilities	
Accounts payable	1.1
Other current liabilities	2.7
Total current liabilities	3.8
Other long-term liabilities	1.6
Total Liabilities	5.4
Net assets held for sale	$ 44.8

Note 6. Joint Ventures

The financial results of majority-owned joint ventures are consolidated into the Company's operating results and financial position, with the minority ownership interest recognized in the consolidated statements of operations as net income attributable to noncontrolling interests, and as equity attributable to the noncontrolling interests within total stockholders' equity. Investments in which the Company exercises significant influence, but which it does not control (generally a 20% to 50% ownership interest), are accounted for under the equity method of accounting.

Majority-Owned Joint Ventures

STAL:
The Company has a 60% interest in the Chinese joint venture known as STAL. The remaining 40% interest in STAL is owned by China Baowu Steel Group Corporation Limited, a state authorized investment company whose equity securities are publicly traded in the People's Republic of China. STAL is part of ATI's AA&S segment and manufactures Precision Rolled Strip (PRS) stainless products mainly for the electronics and automotive markets located in Asia. Cash and cash equivalents held by STAL as of June 30, 2024 were $93.9 million.

Next Gen Alloys LLC:
The Company has a 51% interest in Next Gen Alloys LLC, a joint venture with GE Aviation for the development of a new meltless titanium alloy powder manufacturing technology; however, there is no active development at this time. Next Gen Alloys LLC funds its development activities through the sale of shares to the two joint venture partners. Cash and cash equivalents held by this joint venture as of June 30, 2024 were $1.0 million.

Equity Method Joint Ventures

A&T Stainless:
The Company has a 50% interest in A&T Stainless, a joint venture with an affiliate company of Tsingshan Group (Tsingshan) to produce 60-inch wide stainless sheet products for sale in North America. Tsingshan purchased its 50% joint venture interest in A&T Stainless in 2018 for $17.5 million. The A&T Stainless operations included the Company's previously-idled direct roll and pickle (DRAP) facility in Midland, PA. ATI provided hot-rolling conversion services to A&T Stainless using the AA&S segment's HRPF. The DRAP facility has been idled since the third quarter of 2020. ATI accounts for the A&T Stainless joint venture under the equity method of accounting.

ATI's share of A&T Stainless results were losses of $0.4 million and $0.8 million for the quarter and year-to-date period ended June 30, 2024, respectively, and $0.3 million and $0.8 million for the quarter and year-to-date period ended July 2, 2023, respectively, which are included within other income/expense, net, on the consolidated statements of operations and in the AA&S segment's operating results. As of June 30, 2024 and December 31, 2023, ATI had net receivables for working capital advances and administrative services from A&T Stainless of $0.5 million and $1.5 million, respectively.

Uniti:
ATI had a 50% interest in the industrial titanium joint venture known as Uniti, with the remaining 50% interest held by VSMPO, a Russian producer of titanium, aluminum, and specialty steel products. On March 9, 2022, the Company announced the termination of Uniti, LLC. No impairments were recorded as a result of the decision to terminate the Uniti joint venture. Uniti was accounted for under the equity method of accounting. ATI's share of Uniti's results was income of $0.3 million and $0.5 million for the quarter and year-to-date period ended July 2, 2023, respectively, which was included in the AA&S segment's operating results, and within other income/expense, net on the consolidated statements of operations. The Company received its final distribution in the first quarter of 2024 as a result of the termination, with formal dissolution expected in the second half of 2024.

Note 7. Supplemental Financial Statement Information

Other income (expense), net for the quarters and year-to-date periods ended June 30, 2024 and July 2, 2023 was as follows:

(in millions)	Quarter ended		Year-to-date period ended	
	June 30, 2024	July 2, 2023	June 30, 2024	July 2, 2023
Rent and royalty income	$ 0.8	$ 0.7	$ 1.6	$ 1.3
Gains from disposal of property, plant and equipment, net	—	—	—	0.3
Net equity loss on joint ventures (See Note 6)	(0.4)	—	(0.8)	(0.3)
Total other income, net	$ 0.4	$ 0.7	$ 0.8	$ 1.3

Restructuring

Restructuring charges were a credit for the quarter and year-to-date period ended June 30, 2024 of $1.9 million and $1.7 million, respectively, primarily for a reduction in severance-related reserves for approximately 80 employees based on changes in planned operating rates and revised workforce reduction estimates, which includes the ongoing restructuring for the Company's European operations. Restructuring charges for both the quarter and year-to-date periods ended July 2, 2023 were $2.7 million and represent severance for the involuntary reduction of approximately 40 employees across ATI's domestic operations. These amounts were presented as restructuring charges/credits in the consolidated statements of operations and are excluded from segment EBITDA.

Restructuring reserves for severance cost activity is as follows:

	Severance and Employee Benefit Costs
Balance at December 31, 2023	$ 15.2
Adjustments	(1.7)
Payments	(4.1)
Balance at June 30, 2024	$ 9.4

The $9.4 million restructuring reserve balance at June 30, 2024 is recorded in other current liabilities on the consolidated balance sheet.

Supplier Financing

The Company participates in supplier financing programs with two financial institutions to offer its suppliers the option for access to payment in advance of an invoice due date. Under such programs, these financial institutions provide early payment to suppliers at their request for invoices that ATI has confirmed as valid at a pre-determined discount rate commensurate with the creditworthiness of ATI. As of June 30, 2024 and December 31, 2023, the Company had $33.4 million and $15.6 million, respectively, reported in accounts payable on the consolidated balance sheets under such programs.

Note 8. Debt

Debt at June 30, 2024 and December 31, 2023 was as follows (in millions):

	June 30, 2024	December 31, 2023
ATI Inc. 7.25% Notes due 2030	$ 425.0	$ 425.0
ATI Inc. 5.875% Notes due 2027	350.0	350.0
ATI Inc. 5.125% Notes due 2031	350.0	350.0
ATI Inc. 4.875% Notes due 2029	325.0	325.0
ATI Inc. 3.5% Convertible Senior Notes due 2025	291.4	291.4
Allegheny Ludlum 6.95% Debentures due 2025 (a)	150.0	150.0
ABL Term Loan	200.0	200.0
U.S. revolving credit facility	—	—
Foreign credit facilities	—	5.0
Finance leases and other	96.8	102.8
Debt issuance costs	(17.4)	(19.6)
Debt	2,170.8	2,179.6
Short-term debt and current portion of long-term debt	316.8	31.9
Long-term debt	$ 1,854.0	$ 2,147.7

(a) The payment obligations of these debentures issued by Allegheny Ludlum, LLC are fully and unconditionally guaranteed by ATI.

Revolving Credit Facility

The Company has an Asset Based Lending (ABL) Credit Facility, which is collateralized by the accounts receivable and inventory of the Company's operations. The ABL facility also provides the Company with the option of including certain machinery and equipment as additional collateral for purposes of determining availability under the facility. The ABL facility, which matures in September 2027, includes a $600 million revolving credit facility, a letter of credit sub-facility of up to $200 million, a $200 million term loan (Term Loan), and a swing loan facility of up to $60 million. The Term Loan has an interest rate of 2.0% above the adjusted Secured Overnight Financing Rate (SOFR) and can be prepaid in increments of $25 million if certain minimum liquidity conditions are satisfied. In addition, the Company has the right to request an increase of up to $300 million in the maximum amount available under the revolving credit facility for the duration of the ABL. The Company had a $50 million floating-for-fixed interest rate swap which converted a portion of the Term Loan to a 4.21% fixed interest rate. The swap matured in June 2024.

The applicable interest rate for revolving credit borrowings under the ABL facility includes interest rate spreads based on available borrowing capacity that range between 1.25% and 1.75% for SOFR-based borrowings and between 0.25% and 0.75% for base rate borrowings. The ABL facility contains a financial covenant whereby the Company must maintain a fixed charge coverage ratio of not less than 1.00:1.00 after an event of default has occurred and is continuing or if the undrawn availability under the ABL revolving credit portion of the facility is less than the greater of (i) 10% of the then applicable maximum loan amount under the revolving credit portion of the ABL and the outstanding Term Loan balance, or (ii) $60.0 million. The Company was in compliance with the fixed charge coverage ratio as of June 30, 2024. Additionally, the Company must demonstrate minimum liquidity specified by the facility during the 90-day period immediately preceding the stated maturity date of its 3.5% Convertible Senior Notes due 2025 and the 6.95% Debentures due 2025 issued by the Company's wholly owned subsidiary, Allegheny Ludlum LLC. The ABL also contains customary affirmative and negative covenants for credit facilities of this type, including limitations on the Company's ability to incur additional indebtedness or liens or to enter into investments, mergers and acquisitions, dispositions of assets and transactions with affiliates, some of which are more restrictive, at any time during the term of the ABL when the Company's fixed charge coverage ratio is less than 1.00:1.00 and its undrawn availability under the revolving portion of the ABL is less than the greater of (a) $120 million or (b) 20% of the sum of the maximum loan amount under the revolving credit portion of the ABL and the outstanding Term Loan balance.

As of June 30, 2024, there were no outstanding borrowings under the revolving portion of the ABL facility, and $31.7 million was utilized to support the issuance of letters of credit. There were no revolving credit borrowings under the ABL facility during the year-to-date period ended June 30, 2024. There were average revolving credit borrowings of $11 million bearing an average annual interest rate of 6.4% under the ABL facility for the year-to-date period ended July 2, 2023. The Company also has foreign credit facilities, primarily in China, that total $57 million based on June 30, 2024 foreign exchange rates, none of which was drawn as of June 30, 2024 and $5.0 million of which was drawn as of December 31, 2023.

2025 Convertible Notes

As of June 30, 2024, the Company has $291.4 million aggregate principal amount of 3.5% Convertible Notes due 2025 (2025 Convertible Notes) outstanding, which mature on June 15, 2025 and is included in short-term debt and current portion of long-term debt on the consolidated balance sheet as of June 30, 2024. As of June 30, 2024 and December 31, 2023, the fair value of the 2025 Convertible Notes was $1.04 billion and $864 million, respectively, based on the quoted market price, which is classified in Level 1 of the fair value hierarchy. The 2025 Convertible Notes have a 3.5% cash coupon rate that is payable semi-annually in arrears on each June 15 and December 15. Including amortization of deferred issuance costs, the effective interest rate is 4.2% for the quarters and year-to-date periods ended June 30, 2024 and July 2, 2023. Remaining deferred issuance costs were $2.0 million and $2.9 million at June 30, 2024 and December 31, 2023, respectively. Interest expense on the 2025 Convertible Notes was as follows:

	Quarter ended		Year-to-date period ended	
(in millions)	June 30, 2024	July 2, 2023	June 30, 2024	July 2, 2023
Contractual coupon rate	$ 2.6	$ 2.6	$ 5.1	$ 5.1
Amortization of debt issuance costs	0.5	0.4	1.0	0.9
Total interest expense	$ 3.1	$ 3.0	$ 6.1	$ 6.0

Currently, and prior to the 41st scheduled trading day immediately preceding the maturity date, the Company may redeem all or any portion of the 2025 Convertible Notes, at its option, at a redemption price equal to 100% of the principal amount thereof, plus any accrued and unpaid interest, if the last reported sale price of ATI's common stock has been at least 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period (including the last trading day of such period) ending on the trading day immediately preceding the date on which ATI provides written notice of redemption.

The initial conversion rate for the 2025 Convertible Notes is 64.5745 shares of ATI common stock per $1,000 principal amount of the 2025 Convertible Notes, equivalent to an initial conversion price of approximately $15.49 per share (18.8 million shares). Prior to the close of business on the business day immediately preceding March 15, 2025, the 2025 Convertible Notes will be convertible at the option of the holders of 2025 Convertible Notes only upon the satisfaction of specified conditions and during certain periods. Thereafter, until the close of business on the second scheduled trading day immediately preceding the maturity date, the 2025 Convertible Notes will be convertible at the option of holders of 2025 Convertible Notes at any time regardless of these conditions. Conversions of the 2025 Convertible Notes may be settled in cash, shares of ATI's common stock or a combination thereof, at ATI's election.

ATI entered into privately negotiated capped call transactions with certain of the initial purchasers of the 2025 Convertible Notes or their respective affiliates (collectively, the Counterparties). The capped call transactions are expected generally to reduce potential dilution to ATI's common stock upon any conversion of the 2025 Convertible Notes and/or offset any cash payments ATI is required to make in excess of the principal amount of converted 2025 Convertible Notes, as the case may be, with such reduction and/or offset subject to a cap based on the cap price. The capped call transactions initially included a cap price of $19.76 per share, and is subject to adjustments under the terms of the capped call transactions.

Note 9. Derivative Financial Instruments and Hedging

As part of its risk management strategy, the Company, from time-to-time, utilizes derivative financial instruments to manage its exposure to changes in raw material prices, energy costs, foreign currencies, and interest rates. In accordance with applicable accounting standards, the Company accounts for most of these contracts as hedges.

The Company sometimes uses futures and swap contracts to manage exposure to changes in prices for forecasted purchases of raw materials, such as nickel, and natural gas. Under these contracts, which are generally accounted for as cash flow hedges, the price of the item being hedged is fixed at the time that the contract is entered into, and the Company is obligated to make or receive a payment equal to the net change between this fixed price and the market price at the date the contract matures.

The majority of ATI's products are sold utilizing raw material surcharges and index mechanisms. However, as of June 30, 2024, the Company had entered into financial hedging arrangements, primarily at the request of its customers related to firm orders, for an aggregate notional amount of approximately 4 million pounds of nickel with hedge dates through 2025. The aggregate notional amount hedged is approximately 5% of a single year's estimated nickel raw material purchase requirements. These derivative instruments are used to hedge the variability of a selling price that is based on the London Metal Exchange (LME) index for nickel, as well as to hedge the variability of the purchase cost of nickel based on this LME index. Any gain or loss associated with these hedging arrangements is included in sales or cost of sales, depending on whether the underlying risk being hedged was the variable selling price or the variable raw material cost, respectively.

At June 30, 2024, the outstanding financial derivatives used to hedge the Company's exposure to energy cost volatility included natural gas cost hedges. At June 30, 2024, the Company hedged approximately 65% of its forecasted domestic requirements for natural gas for the remainder of 2024 and approximately 35% for 2025.

While the majority of the Company's direct export sales are transacted in U.S. dollars, foreign currency exchange contracts are used, from time-to-time, to limit transactional exposure to changes in currency exchange rates for those transactions denominated in a non-U.S. currency. The Company sometimes purchases foreign currency forward contracts that permit it to sell specified amounts of foreign currencies expected to be received from its export sales for pre-established U.S. dollar amounts at specified dates. In addition, the Company may also hedge forecasted capital expenditures and designate cash balances held in foreign currencies as hedges of forecasted foreign currency transactions. At June 30, 2024, the Company had no material outstanding foreign currency forward contracts.

The Company may enter into derivative interest rate contracts to maintain a reasonable balance between fixed- and floating-rate debt. The Company had a $50 million floating-for-fixed interest rate swap which converted a portion of the ABL Term Loan to a 4.21% fixed rate, which matured during the quarter ended June 30, 2024. The Company designated the interest rate swap as a cash flow hedge of the Company's exposure to the variability of the payment of interest on a portion of its Term Loan borrowings.

There are no credit risk-related contingent features in the Company's derivative contracts, and the contracts contain no provisions under which the Company has posted, or would be required to post, collateral. The counterparties to the Company's derivative contracts are substantial and creditworthy commercial banks that are recognized market makers. The Company controls its credit exposure by diversifying across multiple counterparties and by monitoring credit ratings and credit default swap spreads of its counterparties. The Company also enters into master netting agreements with counterparties when possible.

The fair values of the Company's derivative financial instruments are presented below, representing the gross amounts recognized which are not offset by counterparty or by type of item hedged. All fair values for these derivatives were measured using Level 2 information as defined by the accounting standard hierarchy, which includes quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and inputs derived principally from or corroborated by observable market data.

(In millions) Asset derivatives	Balance sheet location	June 30, 2024	December 31, 2023
Derivatives designated as hedging instruments:			
Interest rate swap	Prepaid expenses and other current assets	$ —	$ 0.7
Foreign exchange contracts	Prepaid expenses and other current assets	0.3	0.1
Natural gas contracts	Other assets	—	0.1
Total derivatives designated as hedging instruments		$ 0.3	$ 0.9
Liability derivatives	Balance sheet location		
Derivatives designated as hedging instruments:			
Natural gas contracts	Other current liabilities	3.0	5.6
Nickel and other raw material contracts	Other current liabilities	3.7	7.5
Natural gas contracts	Other long-term liabilities	0.3	1.1
Nickel and other raw material contracts	Other long-term liabilities	0.5	—
Total derivatives designated as hedging instruments		$ 7.5	$ 14.2

For derivative financial instruments that are designated as cash flow hedges, the gain or loss on the derivative is reported as a component of other comprehensive income (OCI) and reclassified into earnings in the same period or periods during which the hedged item affects earnings. For derivative financial instruments that are designated as fair value hedges, changes in the fair value of these derivatives are recognized in current period results. There were no outstanding fair value hedges as of June 30, 2024. The cash flow impact for all derivative financial instruments is reported in cash flows provided by operating activities on the consolidated statement of cash flows. The Company did not use net investment hedges for the periods presented. The effects of derivative instruments in the tables below are presented net of related income taxes, excluding any impacts of changes to income tax valuation allowances affecting results of operations or other comprehensive income, when applicable (see Note 15 for further explanation).

Assuming market prices remain constant with those at June 30, 2024, a pre-tax loss of $6.4 million is expected to be recognized over the next 12 months.

Activity with regard to derivatives designated as cash flow hedges for the quarters and year-to-date periods ended June 30, 2024 and July 2, 2023 was as follows (in millions):

	Amount of Gain (Loss) Recognized in OCI on Derivatives		Amount of Gain (Loss) Reclassified from Accumulated OCI into Income (a)	
	Quarter ended		Quarter ended	
Derivatives in Cash Flow Hedging Relationships	June 30, 2024	July 2, 2023	June 30, 2024	July 2, 2023
Nickel and other raw material contracts	$ (0.9)	$ (1.6)	$ (1.1)	$ (1.4)
Natural gas contracts	0.4	(0.7)	(1.8)	(1.8)
Foreign exchange contracts	0.1	0.1	—	—
Interest rate swap	—	0.3	0.9	0.3
Total	$ (0.4)	$ (1.9)	$ (2.0)	$ (2.9)

Derivatives in Cash Flow Hedging Relationships	Amount of Gain (Loss) Recognized in OCI on Derivatives Year-to-date period ended June 30, 2024	July 2, 2023	Amount of Gain (Loss) Reclassified from Accumulated OCI into Income (a) Year-to-date period ended June 30, 2024	July 2, 2023
Nickel and other raw material contracts	$ (1.1)	$ (6.9)	$ (1.1)	$ 3.9
Natural gas contracts	(1.0)	(6.8)	(3.6)	(3.2)
Foreign exchange contracts	0.3	0.2	0.2	0.1
Interest rate swap	—	0.2	1.2	0.5
Total	$ (1.8)	$ (13.3)	$ (3.3)	$ 1.3

(a) The gains (losses) reclassified from accumulated OCI into income related to the derivatives, with the exception of the interest rate swap, are presented in sales and cost of sales in the same period or periods in which the hedged item affects earnings. The gains (losses) reclassified from accumulated OCI into income on the interest rate swap are presented in interest expense in the same period as the interest expense on the Term Loan is recognized in earnings.

The disclosures of gains or losses presented above for nickel and other raw material contracts and foreign currency contracts do not take into account the anticipated underlying transactions. Since these derivative contracts represent hedges, the net effect of any gain or loss on results of operations may be fully or partially offset.

The Company may also use derivative instruments that are not designated as hedges to protect the Company's results from certain fluctuations in foreign exchange rates, as well as to offset a portion of the foreign currency gains and losses generated by the remeasurement of certain assets and liabilities denominated in non-functional currencies. Changes in the fair value of these foreign exchange contract derivatives not designated as hedging instruments are recorded in cost of sales or selling, general and administrative expenses on the consolidated statement of operations, and we recognized $0.5 million of expense for settled foreign currency forward contracts that were not designated as hedges during the second quarter and year-to-date period ended June 30, 2024, which offset foreign currency gains in the relevant currency. We have no significant outstanding hedges that are not designated as of June 30, 2024

Note 10. Fair Value of Financial Instruments

The estimated fair value of financial instruments at June 30, 2024 was as follows:

(In millions)	Total Carrying Amount	Fair Value Measurements at Reporting Date Using: Total Estimated Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)
Cash and cash equivalents	$ 425.6	$ 425.6	$ 425.6	$ —
Derivative financial instruments:				
Assets	0.3	0.3	—	0.3
Liabilities	7.5	7.5	—	7.5
Debt (a)	2,188.2	2,905.7	2,608.9	296.8

The estimated fair value of financial instruments at December 31, 2023 was as follows:

(In millions)	Total Carrying Amount	Fair Value Measurements at Reporting Date Using: Total Estimated Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)
Cash and cash equivalents	$ 743.9	$ 743.9	$ 743.9	$ —
Derivative financial instruments:				
Assets	0.9	0.9	—	0.9
Liabilities	14.2	14.2	—	14.2
Debt (a)	2,199.2	2,746.7	2,438.9	307.8

(a) The total carrying amount for debt for both periods excludes debt issuance costs related to the recognized debt liability which is presented in the consolidated balance sheet as a direct reduction from the carrying amount of the debt liability.

In accordance with accounting standards, fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Accounting standards established three levels of a fair value hierarchy that prioritize the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

The following methods and assumptions were used by the Company in estimating the fair value of its financial instruments:

Cash and cash equivalents: Fair value was determined using Level 1 information.

Derivative financial instruments: Fair values for derivatives were measured using exchange-traded prices for the hedged items. The fair value was determined using Level 2 information, including consideration of counterparty risk and the Company’s credit risk.

Short-term and long-term debt: The fair values of the Company’s publicly traded debt were based on Level 1 information. The fair values of the other short-term and long-term debt were determined using Level 2 information.

Note 11. Business Segments

The Company operates under two business segments: High Performance Materials & Components (HPMC) and Advanced Alloys & Solutions (AA&S). The measure of segment EBITDA excludes income taxes, depreciation and amortization, corporate expenses, net interest expense, closed operations and other expenses, charges for goodwill and asset impairments, restructuring and other credits/charges, strike related costs, pension remeasurement gains/losses, debt extinguishment charges and gains or losses on asset sales and sales of businesses. Management believes segment EBITDA, as defined, provides an appropriate measure of controllable operating results at the business segment level. Following is certain financial information with respect to the Company’s business segments for the periods indicated (in millions):

	Quarter ended		Year-to-date period ended	
	June 30, 2024	July 2, 2023	June 30, 2024	July 2, 2023
Total sales:				
High Performance Materials & Components	$ 643.8	$ 562.8	$ 1,215.7	$ 1,092.4
Advanced Alloys & Solutions	604.6	613.4	1,165.3	1,239.2
	1,248.4	1,176.2	2,381.0	2,331.6
Intersegment sales:				
High Performance Materials & Components	81.8	35.7	123.8	94.2
Advanced Alloys & Solutions	71.3	94.5	119.0	153.3
	153.1	130.2	242.8	247.5
Sales to external customers:				
High Performance Materials & Components	562.0	527.1	1,091.9	998.2
Advanced Alloys & Solutions	533.3	518.9	1,046.3	1,085.9
	$ 1,095.3	$ 1,046.0	$ 2,138.2	$ 2,084.1

	Quarter ended		Year-to-date period ended	
	June 30, 2024	July 2, 2023	June 30, 2024	July 2, 2023
EBITDA:				
High Performance Materials & Components	$ 113.8	$ 109.7	$ 211.4	$ 191.3
Advanced Alloys & Solutions	87.5	74.1	159.3	157.8
Total segment EBITDA	201.3	183.8	370.7	349.1
Corporate expenses	(19.4)	(17.7)	(36.5)	(34.6)
Closed operations and other income (expense)	0.7	(1.9)	(0.6)	(3.2)
Depreciation & amortization (a)	(37.9)	(35.9)	(73.9)	(71.0)
Interest expense, net	(28.4)	(21.3)	(55.0)	(41.2)
Restructuring and other charges	(5.4)	(9.2)	(8.5)	(10.4)
Loss on asset sales and sales of businesses, net	—	(0.6)	—	(0.6)
Income before income taxes	$ 110.9	$ 97.2	$ 196.2	$ 188.1

a) The following is depreciation & amortization by each business segment:

	Quarter ended		Year-to-date period ended	
	June 30, 2024	July 2, 2023	June 30, 2024	July 2, 2023
High Performance Materials & Components	$ 17.9	$ 17.9	$ 34.2	$ 35.3
Advanced Alloys & Solutions	18.3	16.2	36.3	32.3
Other	1.7	1.8	3.4	3.4
	$ 37.9	$ 35.9	$ 73.9	$ 71.0

Beginning in 2020, the U.S. government enacted various relief packages in response to the COVID-19 pandemic, including refundable employee retention tax credits. The Company applied for these employee retention tax credits and deferred recognition of a portion of the tax credits pending the completion of any potential audit or examination, or the expiration of the related statute of limitations. During the quarter and year-to-date periods ended June 30, 2024, the Company recognized a benefit of $8.6 million in cost of sales on the consolidated statement of operations due to the expiration of the statute of limitations for a portion of these credits. The Company recognized $3.5 million of the benefit in the HPMC segment and $5.1 million in the AA&S segment. See Note 16 for further explanation.

Closed operations and other income (expense) for the quarter and year-to-date period ended June 30, 2024 includes a $2.3 million gain on the sale of assets for the Company's idled Houston, PA facility included within gain on asset sales and sales of businesses, net, on the consolidated statement of operations, for which $3.5 million of proceeds were received and reported as an investing activity on the consolidated statement of cash flows.

Restructuring and other charges of $5.4 million for the quarter ended June 30, 2024 include $5.5 million of inventory write-downs related to the Company's ongoing European restructuring and $1.8 million of start-up costs, both of which are included within cost of sales on the consolidated statements of operations. These charges were partially offset by credits of $1.9 million primarily for lowered severance-related reserves based on changes in planned operating rates and revised workforce reduction estimates (see Note 7). Restructuring and other charges of $8.5 million for the year-to-date period ended June 30, 2024 include $5.5 million of inventory write-downs related to the Company's ongoing European restructuring and $4.7 million of start-up costs, both of which are included within cost of sales on the consolidated statements of operations. These charges were partially offset by credits of $1.7 million primarily for lowered severance-related reserves based on changes in planned operating rates and revised workforce reduction estimates (see Note 7).

Restructuring and other charges of $9.2 million for the quarter ended July 2, 2023 include $2.7 million of severance-related restructuring charges as well as $4.5 million of start-up costs and $2.0 million primarily for asset write-offs for the closure of the Robinson, PA operations, both of which are included within cost of sales on the consolidated statements of operations. Restructuring and other charges of $10.4 million for the year-to-date period ended July 2, 2023 also include $1.2 million of additional start-up costs related to the Company's titanium operations in Albany, OR, which are included within cost of sales on the consolidated statements of operations.

Depreciation expense in the quarter and year-to-date period ended July 2, 2023 includes $0.8 million of accelerated depreciation on fixed assets for the closure of our Robinson, PA operations.

Loss on asset sales and sales of businesses, net, for the quarter and year-to-date period ended July 2, 2023 is related to a $0.6 million loss on the sale of the Company's Northbrook, IL operations.

Note 12. Retirement Benefits

The Company has defined contribution retirement plans or defined benefit pension plans covering substantially all employees. Company contributions to defined contribution retirement plans are generally based on a percentage of eligible pay or based on hours worked. Benefits under the defined benefit pension plans are generally based on years of service and/or final average pay. The Company funds the U.S. pension plans in accordance with the Employee Retirement Income Security Act of 1974, as amended, and the Internal Revenue Code of 1986, as amended. The Company also sponsors several postretirement plans covering certain collectively-bargained salaried and hourly employees. The plans provide health care and life insurance benefits for eligible retirees. In most retiree health care plans, Company contributions towards premiums are capped based on the cost as of a certain date, thereby creating a defined contribution. All defined benefit pension and retiree health care plans are closed to new entrants.

For the quarters ended June 30, 2024 and July 2, 2023, the components of pension and other postretirement benefit expense for the Company's defined benefit plans included the following (in millions):

	Pension Benefits Quarter ended		Other Postretirement Benefits Quarter ended	
	June 30, 2024	July 2, 2023	June 30, 2024	July 2, 2023
Service cost - benefits earned during the year	$ 1.4	$ 1.6	$ 0.1	$ 0.1
Interest cost on benefits earned in prior years	4.1	24.0	2.6	2.8
Expected return on plan assets	(4.1)	(25.6)	—	—
Amortization of prior service cost (credit)	—	0.1	(0.2)	(0.3)
Amortization of net actuarial loss	—	—	1.3	1.5
Total retirement benefit expense	$ 1.4	$ 0.1	$ 3.8	$ 4.1

For the year-to-date periods ended June 30, 2024 and July 2, 2023, the components of pension and other postretirement benefit expense for the Company's defined benefit plans included the following (in millions):

	Pension Benefits Year-to-date period ended		Other Postretirement Benefits Year-to-date period ended	
	June 30, 2024	July 2, 2023	June 30, 2024	July 2, 2023
Service cost - benefits earned during the year	$ 2.9	$ 3.2	$ 0.2	$ 0.3
Interest cost on benefits earned in prior years	8.2	48.0	5.1	5.5
Expected return on plan assets	(8.2)	(51.3)	—	—
Amortization of prior service cost (credit)	0.1	0.2	(0.4)	(0.5)
Amortization of net actuarial loss	—	—	2.6	3.0
Total retirement benefit expense	$ 3.0	$ 0.1	$ 7.5	$ 8.3

Note 13. Income Taxes

For the quarter and year-to-date period ended June 30, 2024, the Company's effective tax rate was 22.8% and 21.5%, respectively, resulting in an income tax provision of $25.3 million and $42.2 million, respectively. For the quarter and year-to-date period ended July 2, 2023, the Company's effective tax rate was 3.8% and 4.3%, respectively, resulting in an income tax provision of $3.7 million and $8.0 million, respectively. The effective tax rate for the quarter ended June 30, 2024 includes discrete tax benefits of $1.6 million, which includes the recognition of a stranded deferred tax valuation allowance in accumulated other comprehensive loss that was associated with the Company's interest rate swap due to its maturity (see Note 15). Discrete tax benefits for the year-to-date period ended June 30, 2024 were $4.7 million, which also includes $3.2 million for share-based compensation. The Company's effective tax rates for the quarter and year-to-date period ended July 2, 2023 were impacted by the net valuation allowance position in the U.S. and the Company's foreign earnings.

Note 14. Per Share Information

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

(In millions, except per share amounts)	Quarter ended June 30, 2024	Quarter ended July 2, 2023	Year-to-date period ended June 30, 2024	Year-to-date period ended July 2, 2023
Numerator:				
Numerator for basic income per common share –				
Net income attributable to ATI	$ 81.9	$ 90.4	$ 148.0	$ 174.9
Effect of dilutive securities:				
3.5% Convertible Senior Notes due 2025	2.2	2.6	4.3	5.2
Numerator for diluted net income per common share –				
Net income attributable to ATI after assumed conversions	$ 84.1	$ 93.0	$ 152.3	$ 180.1
Denominator:				
Denominator for basic net income per common share – weighted average shares	124.4	128.5	125.3	128.5
Effect of dilutive securities:				
Share-based compensation	3.1	2.8	2.8	2.8
3.5% Convertible Senior Notes due 2025	18.8	18.8	18.8	18.8
Denominator for diluted net income per common share – adjusted weighted average shares and assumed conversions	146.3	150.1	146.9	150.1
Basic net income attributable to ATI per common share	$ 0.66	$ 0.70	$ 1.18	$ 1.36
Diluted net income attributable to ATI per common share	$ 0.58	$ 0.62	$ 1.04	$ 1.20

Common stock that would be issuable upon the assumed conversion of the 2025 Convertible Notes and other option equivalents and contingently issuable shares are excluded from the computation of contingently issuable shares, and therefore, from the denominator for diluted earnings per share, if the effect of inclusion is anti-dilutive. There were no anti-dilutive shares for the quarters and year-to-date periods ended June 30, 2024 and July 2, 2023.

Periodically, the Company's Board of Directors authorizes the repurchase of ATI common stock (the "Share Repurchase Program"), the most recent of which was $150 million in November 2023. Repurchases under these programs are made in the open market or in privately negotiated transactions, with the amount and timing of repurchases depending on market conditions and corporate needs. Open market repurchases are structured to occur within the pricing and volume requirements of SEC Rule 10b-18. In the year-to-date period ended June 30, 2024, ATI used $150.0 million to repurchase 3.4 million shares of its common stock under the Share Repurchase Program. At June 30, 2024, the Company has utilized the full amount currently authorized under the Share Repurchase Program. In the year-to-date period ended July 2, 2023, ATI used $10.1 million to repurchase 0.2 million shares of its common stock under the Share Repurchase Program.

The Company's share repurchases are subject to a 1% excise tax as a result of the Inflation Reduction Act of 2022. Excise taxes incurred on share repurchases represent direct costs of the repurchase and are recorded as part of the cost basis of the shares within treasury stock. The cost of share repurchases for the year-to-date period ended June 30, 2024 of $151.2 million differs from the repurchases of common stock amounts in the consolidated statements of cash flows due to these excise taxes.

Note 15. Accumulated Other Comprehensive Income (Loss)

The changes in AOCI by component, net of tax, for the quarter ended June 30, 2024 were as follows (in millions):

		Post-retirement benefit plans		Currency translation adjustment		Derivatives		Deferred Tax Asset Valuation Allowance		Total
Attributable to ATI:										
Balance, March 31, 2024	$	(31.6)	$	(74.8)	$	(6.5)	$	24.1	$	(88.8)
OCI before reclassifications		—		(3.1)		(0.4)		—		(3.5)
Amounts reclassified from AOCI	(a)	0.9	(b)	—	(c)	2.0	(d)	(0.8)		2.1
Net current-period OCI		0.9		(3.1)		1.6		(0.8)		(1.4)
Balance, June 30, 2024	$	(30.7)	$	(77.9)	$	(4.9)	$	23.3	$	(90.2)
Attributable to noncontrolling interests:										
Balance, March 31, 2024	$	—	$	7.1	$	—	$	—	$	7.1
OCI before reclassifications		—		(0.6)		—		—		(0.6)
Amounts reclassified from AOCI		—	(b)	—		—		—		—
Net current-period OCI		—		(0.6)		—		—		(0.6)
Balance, June 30, 2024	$	—	$	6.5	$	—	$	—	$	6.5

The changes in AOCI by component, net of tax, for the year-to-date period ended June 30, 2024 were as follows (in millions):

		Post-retirement benefit plans		Currency translation adjustment		Derivatives		Deferred Tax Asset Valuation Allowance		Total
Attributable to ATI:										
Balance, December 31, 2023	$	(32.5)	$	(68.4)	$	(6.4)	$	24.1	$	(83.2)
OCI before reclassifications		—		(9.5)		(1.8)		—		(11.3)
Amounts reclassified from AOCI	(a)	1.8	(b)	—	(c)	3.3	(d)	(0.8)		4.3
Net current-period OCI		1.8		(9.5)		1.5		(0.8)		(7.0)
Balance, June 30, 2024	$	(30.7)	$	(77.9)	$	(4.9)	$	23.3	$	(90.2)
Attributable to noncontrolling interests:										
Balance, December 31, 2023	$	—	$	7.3	$	—	$	—	$	7.3
OCI before reclassifications		—		(0.8)		—		—		(0.8)
Amounts reclassified from AOCI		—	(b)	—		—		—		—
Net current-period OCI		—		(0.8)		—		—		(0.8)
Balance, June 30, 2024	$	—	$	6.5	$	—	$	—	$	6.5

(a) Amounts were included in net periodic benefit cost for pension and other postretirement benefit plans (see Note 12).

(b) No amounts were reclassified to earnings.

(c) Amounts related to derivatives are included in sales, cost of goods sold or interest expense in the period or periods the hedged item affects earnings (see Note 9).

(d) Represents the net change in deferred tax asset valuation allowances on changes in AOCI balances between the balance sheet dates. The income tax provision for the quarter and year-to-date period ended June 30, 2024 includes $0.8 million of a tax benefit for the recognition of a stranded deferred tax valuation allowance that was associated with the Company's interest rate swap due to its maturity (see Notes 9 and 13).

The changes in AOCI by component, net of tax, for the quarter ended July 2, 2023 were as follows (in millions):

	Post-retirement benefit plans	Currency translation adjustment	Derivatives	Deferred Tax Asset Valuation Allowance	Total
Attributable to ATI:					
Balance, April 2, 2023	$ (33.6)	$ (71.2)	$ (2.1)	$ 19.3	$ (87.6)
OCI before reclassifications	—	(2.4)	(1.9)	—	(4.3)
Amounts reclassified from AOCI	(a) 1.0	(b) —	(c) 2.9	(d) 0.7	4.6
Net current-period OCI	1.0	(2.4)	1.0	0.7	0.3
Balance, July 2, 2023	$ (32.6)	$ (73.6)	$ (1.1)	$ 20.0	$ (87.3)
Attributable to noncontrolling interests:					
Balance, April 2, 2023	$ —	$ 12.1	$ —	$ —	$ 12.1
OCI before reclassifications	—	(5.7)	—	—	(5.7)
Amounts reclassified from AOCI	—	(b) —	—	—	—
Net current-period OCI	—	(5.7)	—	—	$ (5.7)
Balance, July 2, 2023	$ —	$ 6.4	$ —	$ —	$ 6.4

The changes in AOCI by component, net of tax, for the year-to-date period ended July 2, 2023 were as follows (in millions):

	Post-retirement benefit plans	Currency translation adjustment	Derivatives	Deferred Tax Asset Valuation Allowance	Total
Attributable to ATI:					
Balance, January 1, 2023	$ (34.7)	$ (70.1)	$ 13.5	$ 23.9	$ (67.4)
OCI before reclassifications	—	(3.5)	(13.3)	—	(16.8)
Amounts reclassified from AOCI	(a) 2.1	(b) —	(c) (1.3)	(d) (3.9)	(3.1)
Net current-period OCI	2.1	(3.5)	(14.6)	(3.9)	(19.9)
Balance, July 2, 2023	$ (32.6)	$ (73.6)	$ (1.1)	$ 20.0	$ (87.3)
Attributable to noncontrolling interests:					
Balance, January 1, 2023	$ —	$ 7.7	$ —	$ —	$ 7.7
OCI before reclassifications	—	(1.3)	—	—	(1.3)
Amounts reclassified from AOCI	—	(b) —	—	—	—
Net current-period OCI	—	(1.3)	—	—	$ (1.3)
Balance, July 2, 2023	$ —	$ 6.4	$ —	$ —	$ 6.4

(a) Amounts were included in net periodic benefit cost for pension and other postretirement benefit plans (see Note 12).
(b) No amounts were reclassified to earnings.
(c) Amounts related to derivatives are included in sales, cost of goods sold or interest expense in the period or periods the hedged item affects earnings (see Note 9).
(d) Represents the net change in deferred tax asset valuation allowances on changes in AOCI balances between the balance sheet dates.

Other comprehensive income (loss) amounts (OCI) reported above by category are net of applicable income tax expense (benefit) for each period presented. Income tax expense (benefit) on OCI items is recorded as a change in a deferred tax asset or liability. Amounts recognized in OCI include the impact of any deferred tax asset valuation allowances, when applicable. Foreign currency translation adjustments, including those pertaining to noncontrolling interests, are generally not adjusted for income taxes as they relate to indefinite investments in non-U.S. subsidiaries.

Reclassifications out of AOCI for the quarters and year-to-date periods ended June 30, 2024 and July 2, 2023 were as follows:

Details about AOCI Components (In millions)	Three months ended June 30, 2024	Three months ended July 2, 2023	Year-to-date period ended June 30, 2024	Year-to-date period ended July 2, 2023		Affected line item in the statements of operations
Postretirement benefit plans						
Prior service credit	$ 0.2	0.2	$ 0.3	$ 0.3	(a)	
Actuarial losses	(1.3)	(1.5)	(2.6)	(3.0)	(a)	
	(1.1)	(1.3)	(2.3)	(2.7)	(c)	Total before tax
	(0.2)	(0.3)	(0.5)	(0.6)		Tax benefit (d)
	$ (0.9)	$ (1.0)	$ (1.8)	$ (2.1)		Net of tax
Derivatives						
Nickel and other raw material contracts	$ (1.4)	$ (1.8)	$ (1.4)	$ 5.1	(b)	
Natural gas contracts	(2.3)	(2.4)	(4.7)	(4.2)	(b)	
Foreign exchange contracts	(0.1)	—	0.2	0.1	(b)	
Interest rate swap	1.2	0.4	1.6	0.7	(b)	
	(2.6)	(3.8)	(4.3)	1.7	(c)	Total before tax
	(0.6)	(0.9)	(1.0)	0.4		Tax expense (benefit) (d)
	$ (2.0)	$ (2.9)	$ (3.3)	$ 1.3		Net of tax

(a) Amounts are reported in nonoperating retirement benefit expense (see Note 12).

(b) Amounts related to derivatives, with the exception of the interest rate swap, are included in sales or cost of goods sold in the period or periods the hedged item affects earnings. Amounts related to the interest rate swap are included in interest expense in the same period as the interest expense on the Term Loan is recognized in earnings (see Note 9).

(c) For pre-tax items, positive amounts are income and negative amounts are expense in terms of the impact to net income. Tax effects are presented in conformity with ATI's presentation in the consolidated statements of operations.

(d) These amounts exclude the impact of any deferred tax asset valuation allowances, when applicable.

Note 16. Commitments and Contingencies

The Company is subject to various domestic and international environmental laws and regulations that govern the discharge of pollutants and disposal of wastes, and which may require that it investigate and remediate the effects of the release or disposal of materials at sites associated with past and present operations. The Company could incur substantial cleanup costs, fines, and civil or criminal sanctions, third party property damage or personal injury claims as a result of violations or liabilities under these laws or noncompliance with environmental permits required at its facilities. The Company is currently involved in the investigation and remediation of a number of its current and former sites, as well as third party sites.

Environmental liabilities are recorded when the Company's liability is probable and the costs are reasonably estimable. In many cases, however, the Company is not able to determine whether it is liable or, if liability is probable, to reasonably estimate the loss or range of loss. Estimates of the Company's liability remain subject to additional uncertainties, including the nature and extent of site contamination, available remediation alternatives, the extent of corrective actions that may be required, and the number, participation, and financial condition of other potentially responsible parties (PRPs). The Company adjusts its accruals to reflect new information as appropriate. Future adjustments could have a material adverse effect on the Company's consolidated results of operations in a given period, but the Company cannot reliably predict the amounts of such future adjustments.

At June 30, 2024, the Company's reserves for environmental remediation obligations totaled approximately $14 million, of which $6 million was included in other current liabilities. The reserve includes estimated probable future costs of $3 million for federal Superfund and comparable state-managed sites; $7 million for formerly owned or operated sites for which the Company has remediation or indemnification obligations; $3 million for owned or controlled sites at which Company operations have been or plan to be discontinued; and $1 million for sites utilized by the Company in its ongoing operations. The timing of expenditures depends on a number of factors that vary by site. The Company expects that it will expend present accruals over many years and that remediation of all sites with which it has been identified will be completed within thirty years. The Company continues to evaluate whether it may be able to recover a portion of past and future costs for environmental liabilities from third parties and to pursue such recoveries where appropriate.

Based on currently available information, it is reasonably possible that costs for recorded matters may exceed the Company's recorded reserves by as much as $16 million. Future investigation or remediation activities may result in the discovery of additional hazardous materials or potentially higher levels of contamination than discovered during prior investigation, and may impact costs associated with the success or lack thereof in remedial solutions. Therefore, future developments, administrative actions or liabilities relating to environmental matters could have a material adverse effect on the Company's consolidated financial condition or results of operations and cash flows.

A number of other lawsuits, claims and proceedings have been or may be asserted against the Company relating to the conduct of its currently and formerly owned businesses, including those pertaining to product liability, environmental, health and safety matters and occupational disease (including as each relates to alleged asbestos exposure), as well as patent infringement, commercial, government contracting, construction, employment, employee and retiree benefits, taxes, environmental, and stockholder and corporate governance matters. While the outcome of litigation cannot be predicted with certainty, and some of these lawsuits, claims or proceedings may be determined adversely to the Company, management does not believe that the disposition of any such pending matters is likely to have a material adverse effect on the Company's financial condition or liquidity, although the resolution in any reporting period of one or more of these matters could have a material adverse effect on the Company's consolidated results of operations for that period.

Beginning in 2020, the U.S. government enacted various relief packages in response to the COVID-19 pandemic, one of which was the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The CARES Act included, among other items, provisions relating to refundable employee retention payroll tax credits. The Company applied for these employee retention tax credits and recognized a portion of the benefit from these credits as they were received in the statement of operations in the fiscal year ended December 31, 2022. Due to the complex nature of the employee retention credit computations, the Company deferred recognition of a portion of the tax credits pending the completion of any potential audit or examination, or the expiration of the related statute of limitations. During the quarter ended June 30, 2024, the Company recognized a benefit of $8.6 million in cost of sales on the consolidated statement of operations due to the expiration of the statute of limitations for a portion of these credits. As of June 30, 2024, the Company has approximately $20 million of remaining deferred retention tax credits, of which the statue of limitations expire for $8 million in 2024 with the remaining expirations occurring in 2025 and 2027. There is pending legislation that could extend the statute of limitations, which would impact the timing of the expected recognition of the remaining credits if and when such legislation is passed.

Note 17. Subsequent Event

On August 2, 2024, the Company received notice that it and certain of its affiliates are parties to a lawsuit captioned *William L. Schoen, Mary J. Nesbit, Robin L. Rosewicz, George E. Poole and James E. Swartz, Jr., individually and as representatives of a class of participants and beneficiaries of the Allegheny Technologies Incorporated Pension Plan v. ATI Inc., The Allegheny Technologies Incorporated Pension Plan Administrative Committee, State Street Global Advisors Trust Co., and John Does 1-5* (Case No. 2:24-cv-01109) and filed in federal district court for the Western District of Pennsylvania. The lawsuit asserts various claims associated with the Company's October 2023 purchase of group annuity contracts to transfer a portion of its U.S. qualified defined benefit pension plan obligations to Athene Annuity and Life Company and Athene Annuity & Life Assurance of New York. The Company disputes and intends to vigorously defend against these claims, but given the preliminary nature of these matters, cannot predict their outcome or estimate any range of reasonably possible loss at this time.

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

Overview

ATI is a global manufacturer of technically advanced specialty materials and complex components. Our largest markets are aerospace & defense, representing 61% of sales for the year-to-date period ended June 30, 2024, led by products for jet engines and airframes. Additionally, we have a strong presence in the energy markets, including specialty energy and conventional energy, as well as the medical and electronics markets. In aggregate, these markets represented 85% of our year-to-date period ended June 30, 2024 sales. ATI is a market leader in manufacturing differentiated products that require our materials science capabilities and unique process technologies, including our new product development competence. Our capabilities range from cast/wrought and powder alloy development to final production of highly engineered finished components, including those used in latest generation jet engines and 3D-printed aerospace products.

ATI follows a 4-4-5 or 5-4-4 fiscal calendar, whereby each fiscal quarter consists of thirteen weeks grouped into two four-week months and one five-week month, and its fiscal year ends on the Sunday closest to December 31. Unless otherwise stated, references to years and quarters in this Quarterly Report on Form 10-Q relate to fiscal years and quarters, rather than calendar years and quarters.

Second quarter 2024 sales increased 4.7% to $1.10 billion, compared to $1.05 billion of sales for the second quarter 2023, as increases in sales to the aerospace & defense, medical, automotive, and specialty energy markets were offset by continued softness in certain industrial markets, particularly conventional energy. Total aerospace & defense sales were 62% of total sales for the second quarter 2024 compared to 58% for the second quarter 2023. Gross profit for the second quarter of 2024 was $227.4 million, or 20.8% of sales, an increase compared to $209.1 million, or 20.0% of sales for the second quarter 2023. Second quarter 2024 gross profit includes a benefit of $8.6 million related to the recognition of previously deferred employee retention tax credits. The Company previously deferred recognition of a portion of these tax credits pending the completion of any potential audit or examination, or the expiration of the related statute of limitations. The benefit of $8.6 million recognized in the second quarter 2024 was due to the expiration of the statute of limitations for a portion of those credits. The Company recognized $3.5 million of the benefit in the HPMC segment and $5.1 million in the AA&S segment. Second quarter 2024 and 2023 gross profit also includes $1.8 million and $4.5 million, respectively, of start-up related costs, and $5.5 million and $2.8 million, respectively, of charges primarily related to inventory write-downs and asset write-offs, all of which are excluded from segment EBITDA. The charges in 2024 were associated with the ongoing restructuring of the Company's European operations and the 2023 charges related to the closure of our Robinson, PA operations.

Restructuring charges were a credit for the second quarter of 2024 of $1.9 million, primarily related to lowered severance-related reserves based on changes in planned operating rates and revised workforce reduction estimates, compared to charges of $2.7 million for the second quarter of 2023 for severance-related restructuring charges for involuntary reductions across ATI's domestic operations. Second quarter 2024 results include a $2.3 million gain on the sale of assets for our idled Houston, PA facility and second quarter 2023 results include a $0.6 million loss on the sale of our Northbrook, IL operations, both of which are reported in gain/loss on asset sales and sales of businesses, net. In addition, interest expense increased to $28.4 million in the second quarter of 2024 compared to $21.3 million in the second quarter of 2023 as a result of the issuance in August 2023 of $425 million aggregate principal amount of 7.25% Senior Notes due 2030 (2030 Notes).

Our pre-tax income was $110.9 million in the second quarter of 2024, compared to $97.2 million in the prior year period. Our effective tax rate was 22.8%, resulting in an income tax provision of $25.3 million for the quarter ended June 30, 2024. Our effective tax rate was 3.8%, resulting in an income tax provision of $3.7 million for the quarter ended July 2, 2023. The effective tax rate for the quarter ended June 30, 2024 includes discrete tax benefits of $1.6 million, which includes the recognition of a stranded deferred tax valuation allowance in accumulated other comprehensive loss due to the maturity of our interest rate swap. The effective tax rate for the second quarter of 2023 was impacted by the net valuation allowance position in the U.S. and our foreign earnings. Net income attributable to ATI was $81.9 million, or $0.58 per share, in the second quarter of 2024, compared to $90.4 million, or $0.62 per share, for the second quarter of 2023.

Adjusted EBITDA was $182.6 million, or 16.7% of sales, for the second quarter 2024, and $164.2 million, or 15.7% of sales, for the prior year second quarter. EBITDA and Adjusted EBITDA are measures utilized by ATI to analyze the performance and results of our business. Further, we believe these measures are useful to investors and industry analysts because these measures are commonly used to analyze companies on the basis of operating performance, leverage and liquidity. EBITDA and Adjusted EBITDA are non-GAAP measures and are not intended to represent, and should not be considered more meaningful than, or as alternatives to, a measure of operating performance as determined in accordance with U.S. generally accepted accounting principles (U.S. GAAP). We define EBITDA as income from continuing operations before interest and income taxes, plus depreciation and amortization, goodwill impairment charges and debt extinguishment charges. We define Adjusted EBITDA as EBITDA excluding significant non-recurring charges or credits, restructuring and other charges/credits, strike related costs, long-lived asset impairments, pension remeasurement gains and losses, and other postretirement/pension curtailment and settlement gains and losses. EBITDA and Adjusted EBITDA are not intended to be measures of free cash flow for management's discretionary use, as they do not consider certain cash requirements such as interest payments, tax payments and capital expenditures. See the Liquidity and Financial Condition section of Management's Discussion and Analysis for a reconciliation of amounts reported under U.S. GAAP to these non-GAAP measures.

Compared to the second quarter 2023, sales increased 7% in the HPMC business segment and increased 3% in the AA&S business segment in the second quarter 2024. In aggregate, ATI's aerospace & defense markets sales increased 13% to $684 million, or 62% of sales, in the second quarter 2024, compared to $607 million, or 58% of sales the second quarter 2023, reflecting increases in sales of commercial aerospace airframe and jet engine products as well as defense products. In the HPMC segment, second quarter 2024 sales of aerospace & defense products increased 9% and sales to the medical market increased 36% compared to the prior year period. The increase in the AA&S segment reflects a 21% increase in sales of aerospace & defense products, a 43% increase in automotive sales, and a 63% increase in medical market sales, partially offset by declines in conventional energy sales.

Results for the year-to-date period ended June 30, 2024 were sales of $2.14 billion and income before tax of $196.2 million, compared to sales of $2.08 billion and income before tax of $188.1 million for the comparable 2023 period. Our results for the first half of 2024 reflect increased sales to the aerospace & defense, medical and electronics markets partially offset by softness in the energy market. Our gross profit was $424.8 million, or 19.9% of sales, for the year-to-date period ended June 30, 2024, a $22.5 million or 5.6% increase compared to 2023, despite outages and weather impacts in the first quarter of 2024. Year-to-date 2024 gross profit includes a benefit of $8.6 million related to the recognition of previously deferred employee retention tax credits due to the expiration of the statute of limitations. The Company recognized $3.5 million of the benefit in the HPMC segment and $5.1 million in the AA&S segment. Year-to-date 2024 and 2023 gross profit also includes $4.7 million and $5.7 million, respectively, of start-up related costs, and $5.5 million and $2.8 million, respectively, of charges primarily related to inventory write-downs and asset write-offs, all of which are excluded from segment EBITDA. The charges in 2024 were associated with the ongoing restructuring of the Company's European operations and the charges for 2023 related to the closure of our Robinson, PA operations.

Restructuring charges were a credit for the year-to-date period ended June 30, 2024 of $1.7 million, primarily related to lowered severance-related reserves based on changes in planned operating rates and revised workforce reduction estimates, compared to charges of $2.7 million for the year-to-date period ended July 2, 2023 related to severance for the involuntary reductions across ATI's domestic operations. Year-to-date 2024 results include a $2.3 million gain on the sale of assets for our idled Houston, PA facility and year-to-date 2023 results include a $0.6 million loss on the sale of our Northbrook, IL operations, both of which are reported in gain/loss on asset sales and sales of businesses, net. In addition, interest expense increased to $55.0 million in the year-to-date period ended June 30, 2024 compared to $41.2 million in the year-to-date period ended July 2, 2023 as a result of the issuance in August 2023 of the 2030 Notes.

Our pre-tax income was $196.2 million in the year-to-date period ended June 30, 2024, compared to $188.1 million in the prior year period. Our effective tax rate was 21.5%, resulting in an income tax provision of $42.2 million for the year-to-date period ended June 30, 2024. Our effective tax rate was 4.3%, resulting in an income tax provision of $8.0 million for the year-to-date period ended July 2, 2023. The effective tax rate for the year-to-date period ended June 30, 2024 includes discrete tax benefits of $4.7 million inclusive of $3.2 million for share-based compensation as well as the impact from the recognition of a stranded deferred tax valuation allowance in accumulated other comprehensive loss due to the maturity of our interest rate swap. The effective tax rate for the year-to-date period ended July 2, 2023 was impacted by the net valuation allowance position in the U.S. and our foreign earnings. Net income attributable to ATI was $148.0 million, or $1.04 per share, in the year-to-date period ended June 30, 2024, compared to a net income attributable to ATI of $174.9 million, or $1.20 per share, for the prior year period.

Compared to the first half of 2023, sales increased 9% in the HPMC business segment and decreased 4% in the AA&S business segment. In aggregate, ATI's aerospace & defense markets sales increased 10% in the first half of 2024 compared to 2023, reflecting increases in sales of commercial aerospace airframe and jet engine products as well as defense products. Sales to the aerospace & defense markets in the HPMC segment were 11% higher than the first half of 2023, reflecting increases in commercial aerospace airframe and jet engine products as well as defense products. The decline in the AA&S segment reflects continued softness in certain general industrial end markets, particularly conventional energy, which were partially offset by an 8% increase in aerospace & defense sales and a 47% increase in medical market sales.

Comparative information regarding our overall revenues (in millions) by end market and their respective percentages of total revenues for the quarters and year-to-date periods ended June 30, 2024 and July 2, 2023 is shown below.

Markets	Quarter ended June 30, 2024		Quarter ended July 2, 2023	
Aerospace & Defense:				
Jet Engines- Commercial	$ 352.8	32 %	$ 340.9	32 %
Airframes- Commercial	210.8	19 %	164.2	16 %
Defense	120.3	11 %	101.7	10 %
Total Aerospace & Defense	$ 683.9	62 %	$ 606.8	58 %
Energy:				
Conventional Energy	66.1	6 %	111.3	11 %
Specialty Energy	76.6	7 %	68.2	6 %
Total Energy	142.7	13 %	179.5	17 %
Automotive	70.8	7 %	52.8	5 %
Medical	61.7	6 %	41.9	4 %
Construction/Mining	44.2	4 %	48.4	5 %
Electronics	40.8	4 %	36.0	3 %
Food Equipment & Appliances	16.2	1 %	20.9	2 %
Other	35.0	3 %	59.7	6 %
Total	$ 1,095.3	100 %	$ 1,046.0	100 %

Markets	Year-to-date period ended June 30, 2024		Year-to-date period ended July 2, 2023	
Aerospace & Defense:				
Jet Engines- Commercial	$ 664.0	31 %	$ 651.8	31 %
Airframes- Commercial	400.9	19 %	334.1	16 %
Defense	234.7	11 %	196.6	10 %
Total Aerospace & Defense	$ 1,299.6	61 %	$ 1,182.5	57 %
Energy:				
Conventional Energy	168.6	8 %	238.8	12 %
Specialty Energy	132.7	6 %	150.9	7 %
Total Energy	301.3	14 %	389.7	19 %
Automotive	126.8	6 %	112.2	5 %
Medical	120.8	6 %	76.9	4 %
Electronics	93.7	4 %	70.4	3 %
Construction/Mining	71.4	3 %	88.8	4 %
Food Equipment & Appliances	28.1	1 %	42.4	2 %
Other	96.5	5 %	121.2	6 %
Total	$ 2,138.2	100 %	$ 2,084.1	100 %

For the second quarter 2024, international sales decreased to $457 million, or 42% of total sales, from $478 million, or 46% of total sales, in the second quarter 2023. ATI’s international sales are mostly to the aerospace, energy, electronics, automotive and medical markets.

Comparative information regarding our major products based on their percentages of revenues are shown below. HRPF conversion service sales in the AA&S segment are excluded from this presentation.

	Quarter ended		Year-to-date period ended	
	June 30, 2024	July 2, 2023	June 30, 2024	July 2, 2023
Nickel-based alloys and specialty alloys	44 %	52 %	44 %	52 %
Titanium and titanium-based alloys	20 %	14 %	19 %	14 %
Precision forgings, castings and components	19 %	17 %	19 %	16 %
Precision rolled strip products	9 %	9 %	9 %	10 %
Zirconium and related alloys	8 %	8 %	9 %	8 %
Total	100 %	100 %	100 %	100 %

Segment EBITDA for the second quarter 2024 was $201.3 million, or 18.4% of sales, compared to segment EBITDA of $183.8 million, or 17.6% of sales, for the second quarter of 2023. Segment EBITDA for the first half of 2024 was $370.7 million, or 17.3% of sales, compared to segment EBITDA of $349.1 million, or 16.8% of sales, for the first half of 2023. Our measure of segment EBITDA, which we use to analyze the performance and results of our business segments, excludes income taxes, depreciation and amortization, corporate expenses, net interest expense, closed operations and other income (expense), charges for goodwill and asset impairments, restructuring and other credits/charges, strike related costs, pension remeasurement gains/losses, debt extinguishment charges and gains or losses on asset sales and sales of businesses. Results on our management basis of reporting were as follows (in millions):

	Quarter ended		Year-to-date period ended	
	June 30, 2024	July 2, 2023	June 30, 2024	July 2, 2023
Sales:				
High Performance Materials & Components	$ 562.0	$ 527.1	$ 1,091.9	$ 998.2
Advanced Alloys & Solutions	533.3	518.9	1,046.3	1,085.9
Total external sales	$ 1,095.3	$ 1,046.0	$ 2,138.2	$ 2,084.1
EBITDA:				
High Performance Materials & Components	$ 113.8	$ 109.7	$ 211.4	$ 191.3
% of Sales	20.2 %	20.8 %	19.4 %	19.2 %
Advanced Alloys & Solutions	87.5	74.1	159.3	157.8
% of Sales	16.4 %	14.3 %	15.2 %	14.5 %
Total segment EBITDA	$ 201.3	$ 183.8	$ 370.7	$ 349.1
% of Sales	18.4 %	17.6 %	17.3 %	16.8 %
Corporate expenses	(19.4)	(17.7)	(36.5)	(34.6)
Closed operations and other income (expense)	0.7	(1.9)	(0.6)	(3.2)
ATI Adjusted EBITDA	182.6	164.2	333.6	311.3
Depreciation & amortization	(37.9)	(35.9)	(73.9)	(71.0)
Interest expense, net	(28.4)	(21.3)	(55.0)	(41.2)
Restructuring and other charges	(5.4)	(9.2)	(8.5)	(10.4)
Loss on asset sales and sales of businesses, net	—	(0.6)	—	(0.6)
Income before income taxes	110.9	97.2	196.2	188.1
Income tax provision	25.3	3.7	42.2	8.0
Net income	85.6	93.5	154.0	180.1
Less: Net income attributable to noncontrolling interests	3.7	3.1	6.0	5.2
Net income attributable to ATI	$ 81.9	$ 90.4	$ 148.0	$ 174.9

As part of managing the performance of our business, we focus on Managed Working Capital, which we define as gross accounts receivable, short-term contract assets and gross inventories, less accounts payable and short-term contract liabilities. We exclude the effects of inventory valuation reserves and reserves for uncollectible accounts receivable when computing this non-GAAP performance measure, which is not intended to replace Working Capital or to be used as a measure of liquidity.

We employ several strategies to actively manage our Managed Working Capital, seeking to effectively balance the need to maintain appropriate levels of Managed Working Capital to support our growth and operations, while deploying our cash efficiently. Our strategies to actively manage our Managed Working Capital include, but are not limited to, taking advantage of favorable customer and supplier payment terms, participating in customer and supplier financing programs, managing the timing of purchases of raw materials, and leveling manufacturing process throughput and shipping to limit periodic increases in Managed Working Capital. We assess Managed Working Capital performance as a percentage of the prior three months annualized sales to evaluate the asset intensity of our business.

At June 30, 2024, Managed Working Capital increased as a percentage of annualized sales to 35.5% compared to 31.1% at December 31, 2023. The increase in Managed Working Capital as a percentage of annualized sales was due in part to seasonal and strategic inventory builds and timing of shipments in the second quarter of 2024. Days sales outstanding, which measures actual collection timing for accounts receivable, worsened by 13% as of June 30, 2024 compared to year end 2023. Gross inventory turns, which measures how many times we turn over our inventory relative to cost of sales in a year, worsened by 11% as of June 30, 2024 compared to year end 2023. We continue efforts to focus on operational improvements to positively impact the inventory intensity of our business and alleviate the required investment of Managed Working Capital in our growing business, however, the first half of the fiscal year historically sees an increase in Managed Working Capital to support operations in the second half of the fiscal year.

The computations of Managed Working Capital at June 30, 2024 and December 31, 2023, reconciled to the financial statement line items as computed under U.S. GAAP, were as follows. The June 30, 2024 amounts include management working capital balances that are classified as held for sale.

(In millions)	June 30, 2024	December 31, 2023
Accounts receivable	$ 719.8	$ 625.0
Short-term contract assets	87.6	59.1
Inventory	1,317.5	1,247.5
Accounts payable	(524.5)	(524.8)
Short-term contract liabilities	(160.9)	(163.6)
Subtotal	1,439.5	1,243.2
Allowance for doubtful accounts	2.7	3.2
Inventory valuation reserves	71.6	75.5
Net managed working capital held for sale	39.8	—
Managed working capital	$ 1,553.6	$ 1,321.9
Annualized prior 3 months sales	$ 4,381.1	$ 4,255.8
Managed working capital as a % of annualized sales	35.5 %	31.1 %

Business Segment Results

High Performance Materials & Components Segment

Second quarter 2024 sales were $562.0 million, an increase of 7% compared to the second quarter 2023, primarily due to continued strong demand in aerospace & defense markets, with sales increasing 9%, as well as increased medical market sales, which increased 36% compared to the second quarter of 2023. The increase in aerospace & defense sales was primarily due to higher commercial airframe sales of 40% and commercial jet engine sales of 4%. Overall aerospace & defense market sales were 85% of total HPMC sales in the second quarter of 2024.

Comparative information for our HPMC segment revenues (in millions) by market and their respective percentages of the segment's overall revenues for the quarters ended June 30, 2024 and July 2, 2023 is as follows:

Markets	Quarter ended June 30, 2024		Quarter ended July 2, 2023	
Aerospace & Defense:				
Jet Engines- Commercial	$ 331.8	59 %	$ 319.2	61 %
Airframes- Commercial	93.7	17 %	67.0	13 %
Defense	52.0	9 %	50.0	9 %
Total Aerospace & Defense	477.5	85 %	436.2	83 %
Medical	33.0	6 %	24.3	5 %
Energy:				
Conventional Energy	2.4	— %	3.7	1 %
Specialty Energy	22.5	4 %	29.9	5 %
Total Energy	24.9	4 %	33.6	6 %
Construction/Mining	8.3	2 %	11.0	2 %
Other	18.3	3 %	22.0	4 %
Total	$ 562.0	100 %	$ 527.1	100 %

International sales represented 52% of total segment sales for the second quarter 2024, compared to 58% in the prior year period. Comparative information for the HPMC segment's major product categories, based on their percentages of revenue for the quarters ended June 30, 2024 and July 2, 2023, is as follows:

	Quarter ended June 30, 2024	Quarter ended July 2, 2023
Nickel-based alloys and specialty alloys	39 %	49 %
Precision forgings, castings and components	37 %	33 %
Titanium and titanium-based alloys	24 %	17 %
Precision rolled strip products	— %	1 %
Total	100 %	100 %

Segment EBITDA in the second quarter 2024 was $113.8 million, or 20.2% of total sales, compared to $109.7 million, or 20.8% of total sales, for the second quarter 2023. Results in the second quarter of 2024 included $3.5 million of benefits related to the recognition of previously deferred employee retention tax credits for government enacted relief packages in response to the COVID-19 pandemic that had statute of limitations that expired, which were mostly offset by higher incentive compensation costs. The margin decline quarter over quarter was primarily due to an unfavorable sales mix.

Sales for the year-to-date period ended June 30, 2024 were $1.09 billion, an increase of 9% compared to the year-to-date period ended July 2, 2023, primarily due to continued strong demand in aerospace & defense markets as well as increased medical market sales, which were up 65% compared to the 2023 comparable period. Sales to the commercial aerospace market increased 9%, as airframe sales increased 30% and commercial jet engine sales increased 5%, and sales to the defense market increased 22%. Sales to the energy markets decreased 24%, mainly due to lower specialty energy sales.

Comparative information for our HPMC segment revenues (in millions) by market and their respective percentages of the segment's overall revenues for the year-to-date periods ended June 30, 2024 and July 2, 2023 is as follows:

Markets	Year-to-date period ended June 30, 2024		Year-to-date period ended July 2, 2023	
Aerospace & Defense:				
Jet Engines- Commercial	$ 628.7	58 %	$ 601.7	60 %
Airframes- Commercial	179.4	16 %	138.0	14 %
Defense	112.0	10 %	91.9	9 %
Total Aerospace & Defense	920.1	84 %	831.6	83 %
Medical	68.9	6 %	41.8	4 %
Energy:				
Conventional Energy	5.9	1 %	6.1	1 %
Specialty Energy	40.7	4 %	54.8	5 %
Total Energy	46.6	5 %	60.9	6 %
Construction/Mining	15.0	1 %	19.2	2 %
Other	41.3	4 %	44.7	5 %
Total	$ 1,091.9	100 %	$ 998.2	100 %

International sales represented 53% of total segment sales for the first half of 2024. Comparative information for the HPMC segment's major product categories, based on their percentages of revenue for the year-to-date periods ended June 30, 2024 and July 2, 2023, is as follows:

	Year-to-date period ended June 30, 2024	Year-to-date period ended July 2, 2023
Nickel-based alloys and specialty alloys	39 %	47 %
Precision forgings, castings and components	36 %	33 %
Titanium and titanium-based alloys	24 %	19 %
Precision rolled strip products	1 %	1 %
Total	100 %	100 %

Segment EBITDA in the first half of 2024 increased to $211.4 million, or 19.4% of total sales, compared to $191.3 million, or 19.2% of total sales, for the first half of 2023. HPMC segment results continue to be driven by content on next-generation commercial aerospace platforms. Results in the first half of 2024 included $3.5 million of benefits related to the recognition of previously deferred employee retention tax credits for government enacted relief packages in response to the COVID-19 pandemic that had statute of limitations that expired, which were mostly offset by higher incentive compensation costs.

Despite fourth quarter 2023 melt-related challenges that impacted first half 2024 sales, HPMC results for the first half of 2024 reflected year-over-year improved operating leverage as we continue to experience increasing demand from the aerospace & defense markets. To meet increased demand and capitalize on market opportunities, we continue to invest, including hiring new employees within the segment in 2024 as well as the continuation of our titanium melt expansion in Richland, Washington. Furthermore, our commitment to continuous improvement is resulting in adjustments to our work-flow processes to de-bottleneck our critical operations. We believe that these investments, strong backlog and our LTAs with aerospace market OEMs for our specialty materials, including powders, parts and components, position the HPMC segment for profitable growth for the next several years. Although the aerospace market OEMs have experienced some near-term challenges and delays in their estimated production ramps, we believe the backlog of commercial aircraft, increasing requirements for maintenance, repair, and operations, and the current OEM production forecasts support our growth expectations in this end market.

Advanced Alloys & Solutions Segment

Second quarter 2024 sales were $533.3 million, an increase of 3% compared to the second quarter of 2023, primarily due a 21% increase in aerospace & defense products, 41% increase in specialty energy, and 63% increase in medical market sales, partially offset by continued softness in certain general industrial end markets, particularly conventional energy. Further, sales to the automotive market increased 43% compared to the prior year quarter.

Comparative information regarding our AA&S segment revenues (in millions) by market and their respective percentages of the segment's overall revenues for the quarters ended June 30, 2024 and July 2, 2023 is shown below.

Markets	Quarter ended June 30, 2024		Quarter ended July 2, 2023	
Aerospace & Defense:				
Jet Engines- Commercial	$ 21.0	4 %	$ 21.7	4 %
Airframes- Commercial	117.1	22 %	97.2	19 %
Defense	68.3	13 %	51.7	10 %
Total Aerospace & Defense	206.4	39 %	170.6	33 %
Energy:				
Conventional Energy	63.7	12 %	107.6	21 %
Specialty Energy	54.1	10 %	38.3	7 %
Total Energy	117.8	22 %	145.9	28 %
Automotive	67.0	13 %	46.8	9 %
Electronics	38.8	7 %	35.3	7 %
Construction/Mining	35.9	7 %	37.4	7 %
Medical	28.7	5 %	17.6	3 %
Food Equipment & Appliances	16.2	3 %	20.9	4 %
Other	22.5	4 %	44.4	9 %
Total	$ 533.3	100 %	$ 518.9	100 %

International sales represented 31% of total segment sales for the second quarter of 2024, compared to 33% in the prior year's second quarter. Comparative information regarding the AA&S segment's major product categories, based on their percentages of revenue for the quarters ended June 30, 2024 and July 2, 2023, are presented in the following table. HRPF conversion service sales are excluded from this presentation.

	Quarter ended June 30, 2024	Quarter ended July 2, 2023
Nickel-based alloys and specialty alloys	49 %	55 %
Zirconium and related alloys	18 %	16 %
Precision rolled strip products	18 %	18 %
Titanium and titanium-based alloys	15 %	11 %
Total	100 %	100 %

Segment EBITDA was $87.5 million, or 16.4% of sales, for the second quarter 2024, compared to segment EBITDA of $74.1 million, or 14.3% of sales, for the second quarter 2023. The margin increase compared to the prior year was primarily due to a favorable sales mix as growth in titanium mill products and exotic alloys offset weaker demand for nickel-based alloys. Results in the second quarter of 2024 included $5.1 million of benefits related to the recognition of previously deferred employee retention tax credits for government enacted relief packages in response to the COVID-19 pandemic that had statute of limitations that expired, the majority of which were offset by higher incentive compensation costs.

Sales for the first half of 2024 were $1.05 billion, a decrease of 4% compared to the first half of 2023, as continued softness in certain general industrial end markets, especially conventional energy, was partially offset by an 8% increase in aerospace & defense products, 31% increase in electronics sales, and 47% increase in medical market sales. Further, sales to the automotive market increased 18% compared to prior year.

Comparative information regarding our AA&S segment revenues (in millions) by market and their respective percentages of the segment's overall revenues for the year-to-date periods ended June 30, 2024 and July 2, 2023 is shown below.

Markets	Year-to-date period ended June 30, 2024		Year-to-date period ended July 2, 2023	
Aerospace & Defense:				
Jet Engines- Commercial	$ 35.3	3 %	$ 50.1	5 %
Airframes- Commercial	221.5	21 %	196.1	18 %
Defense	122.7	12 %	104.7	10 %
Total Aerospace & Defense	379.5	36 %	350.9	33 %
Energy:				
Conventional Energy	162.7	16 %	232.7	21 %
Specialty Energy	92.0	9 %	96.1	9 %
Total Energy	254.7	25 %	328.8	30 %
Automotive	118.0	11 %	99.9	9 %
Electronics	90.7	9 %	69.2	6 %
Construction/Mining	56.4	5 %	69.6	6 %
Medical	51.9	5 %	35.1	3 %
Food Equipment & Appliances	28.1	3 %	42.4	4 %
Other	67.0	6 %	90.0	9 %
Total	$ 1,046.3	100 %	$ 1,085.9	100 %

International sales represented 33% of total segment sales for the first half of 2024. Comparative information regarding the AA&S segment's major product categories, based on their percentages of revenue for the year-to-date periods ended June 30, 2024 and July 2, 2023, are presented in the following table. HRPF conversion service sales are excluded from this presentation.

	Year-to-date period ended June 30, 2024	Year-to-date period ended July 2, 2023
Nickel-based alloys and specialty alloys	50 %	57 %
Zirconium and related alloys	19 %	15 %
Precision rolled strip products	18 %	18 %
Titanium and titanium-based alloys	13 %	10 %
Total	100 %	100 %

Segment EBITDA was $159.3 million, or 15.2% of sales, for the first half of 2024, compared to segment EBITDA of $157.8 million, or 14.5% of sales, for the first half of 2023. The margin increase compared to the prior year was primarily due to a favorable sales mix as growth in titanium mill products and exotic alloys offset weaker demand for nickel-based alloys. Results in the first half of 2024 included $5.1 million of benefits related to the recognition of previously deferred employee retention tax credits for government enacted relief packages in response to the COVID-19 pandemic that had statute of limitations that expired, the majority of which were offset by higher incentive compensation costs.

We continue to expect margin expansion within this segment through 2024 with improved sales mix and improving operating performance. Additionally, early signs of improving industrial demand would benefit overall operating leverage. We have increased capacity at our titanium melt shop in Albany, Oregon in the first half of fiscal year 2024, and expect to reach full production capacity at that facility in the second half of fiscal year 2024. While availability of raw materials for our melting processes remains adequate, changes in raw material prices may cause variability in profit margins based on the timing of index pricing mechanisms.

Corporate Items

Corporate expenses for the second quarter of 2024 were $19.4 million, compared to $17.7 million for the second quarter 2023. For the year-to-date period ended June 30, 2024, corporate expenses were $36.5 million, compared to $34.6 million for the year-to-date period ended July 2, 2023. The current year increases reflect higher incentive compensation costs compared to the prior year periods.

Closed operations and other income for the second quarter 2024 was $0.7 million, compared to expense of $1.9 million for the second quarter 2023. For the year-to-date period ended June 30, 2024, closed operations and other expense was $0.6 million, compared to $3.2 million for the year-to-date period ended July 2, 2023. Closed operations and other income (expense) for the quarter and year-to-date period ended June 30, 2024 includes a $2.3 million gain on the sale of assets for our idled Houston, PA facility included within gain on asset sales and sales of businesses, net, on the consolidated statement of operations, for which $3.5 million of proceeds were received and reported as an investing activity on the consolidated statement of cash flows.

The following table shows depreciation & amortization for the relevant periods by each business segment. Depreciation expense in the second quarter and year-to-date period ended July 2, 2023 includes $0.8 million of accelerated depreciation on fixed assets for the closure of our Robinson, PA operations.

	Quarter ended		Year-to-date period ended	
	June 30, 2024	July 2, 2023	June 30, 2024	July 2, 2023
High Performance Materials & Components	$ 17.9	$ 17.9	$ 34.2	$ 35.3
Advanced Alloys & Solutions	18.3	16.2	36.3	32.3
Other	1.7	1.8	3.4	3.4
	$ 37.9	$ 35.9	$ 73.9	$ 71.0

Interest expense, net of interest income, in the second quarter 2024 increased to $28.4 million, compared to $21.3 million for the second quarter 2023. Interest expense, net of interest income, for the year-to-date period ended June 30, 2024 was $55.0 million, compared to $41.2 million for the year-to-date period ended July 2, 2023. These increases reflect the issuance of the 2030 Notes during the third quarter 2023. Capitalized interest reduced interest expense by $1.9 million in the second quarter 2024 and $3.3 million in the second quarter 2023. For the year-to-date periods ended June 30, 2024 and July 2, 2023, capitalized interest was $5.9 million and $6.7 million, respectively.

Restructuring and other charges of $5.4 million for the second quarter of 2024 include $5.5 million of inventory write-downs related to our ongoing European restructuring and $1.8 million of start-up costs, both of which are included within cost of sales on the consolidated statements of operations. These charges were partially offset by credits of $1.9 million primarily for lowered severance-related reserves based on changes in planned operating rates and revised workforce reduction estimates. Restructuring and other charges of $8.5 million for the year-to-date period ended June 30, 2024 include $5.5 million of inventory write-downs related to our ongoing European restructuring and $4.7 million of start-up costs, both of which are included within cost of sales on the consolidated statements of operations. These charges were partially offset by credits of $1.7 million primarily for lowered severance-related reserves based on changes in planned operating rates and revised workforce reduction estimates.

Restructuring and other charges of $9.2 million for the second quarter of 2023 include $2.7 million of severance-related restructuring charges as well as $4.5 million of start-up costs and $2.0 million primarily for asset write-offs for the closure of our Robinson, PA operations, both of which are included within cost of sales on the consolidated statements of operations. Restructuring and other charges of $10.4 million for the year-to-date period ended July 2, 2023 also include $1.2 million of additional start-up costs related to the Company's titanium operations in Albany, OR, which are included within cost of sales on the consolidated statements of operations. These restructuring and other charges were excluded from segment EBITDA. Cash payments associated with prior restructuring programs were $4.1 million in the first half of 2024. Of the $9.4 million of remaining reserves associated with these restructuring actions as of June 30, 2024, all are expected to be paid within the next year.

Loss on asset sales and sales of businesses, net, for the second quarter and year-to-date period ended July 2, 2023 is related to a $0.6 million loss on the sale of the Company's Northbrook, IL operations.

Income Taxes

For the quarter and year-to-date period ended June 30, 2024, our effective tax rate was 22.8% and 21.5%, respectively, resulting in an income tax provision of $25.3 million and $42.2 million, respectively. For the quarter and year-to-date period ended July 2, 2023, our effective tax rate was 3.8% and 4.3%, respectively, resulting in an income tax provision of $3.7 million and $8.0 million, respectively. The effective tax rate for the quarter ended June 30, 2024 includes discrete tax benefits of $1.6 million, which includes the recognition of a stranded deferred tax valuation allowance in accumulated other comprehensive loss that was associated with our interest rate swap due to its maturity. Discrete tax benefits for the year-to-date period ended June 30, 2024 were $4.7 million, which also includes $3.2 million for share-based compensation. The effective tax rates for the quarter and year-to-date period ended July 2, 2023 were impacted by the net valuation allowance position in the U.S. and our foreign earnings.

Liquidity and Financial Condition

We have an Asset Based Lending (ABL) Credit Facility, which is collateralized by the accounts receivable and inventory of our operations. The ABL facility also provides us with the option of including certain machinery and equipment as additional collateral for purposes of determining availability under the facility. The ABL facility, which matures in September 2027, includes a $600 million revolving credit facility, a letter of credit sub-facility of up to $200 million, a $200 million term loan (Term Loan), and a swing loan facility of up to $60 million. The Term Loan has an interest rate of 2.0% above adjusted Secured Overnight Financing Rate (SOFR) and can be prepaid in increments of $25 million if certain minimum liquidity conditions are satisfied. In addition, we have the right to request an increase of up to $300 million in the maximum amount available under the revolving credit facility for the duration of the ABL.

The applicable interest rate for revolving credit borrowings under the ABL facility includes interest rate spreads based on available borrowing capacity that range between 1.25% and 1.75% for SOFR-based borrowings and between 0.25% and 0.75% for base rate borrowings. The ABL facility contains a financial covenant whereby we must maintain a fixed charge coverage ratio of not less than 1.00:1.00 after an event of default has occurred and is continuing or if the undrawn availability under the ABL revolving credit portion of the facility is less than the greater of (i) 10% of the then applicable maximum loan amount under the revolving credit portion of the ABL and the outstanding Term Loan balance, or (ii) $60.0 million. We were in compliance with the fixed charge coverage ratio as of June 30, 2024. Additionally, we must demonstrate minimum liquidity specified by the facility during the 90-day period immediately preceding the stated maturity date of our 3.5% Convertible Senior Notes due 2025 and the 6.95% Debentures due 2025 issued by our wholly owned subsidiary, Allegheny Ludlum LLC. The ABL also contains customary affirmative and negative covenants for credit facilities of this type, including limitations on our ability to incur additional indebtedness or liens or to enter into investments, mergers and acquisitions, dispositions of assets and transactions with affiliates, some of which are more restrictive, at any time during the term of the ABL when our fixed charge coverage ratio is less than 1.00:1.00 and our undrawn availability under the revolving portion of the ABL is less than the greater of (a) $120 million or (b) 20% of the sum of the maximum loan amount under the revolving credit portion of the ABL and the outstanding Term Loan balance.

As of June 30, 2024, there were no outstanding borrowings under the revolving portion of the ABL facility, and $31.7 million was utilized to support the issuance of letters of credit. At June 30, 2024, we had $426 million of cash and cash equivalents, and available additional liquidity under the ABL facility of approximately $556 million. We have no significant debt maturities until the second quarter 2025.

Periodically, our Board of Directors authorizes the repurchase of ATI common stock (the “Share Repurchase Program”), the most recent of which was $150 million in November 2023. Repurchases under these programs are made in the open market or in privately negotiated transactions, with the amount and timing of repurchases depending on market conditions and corporate needs. Open market repurchases are structured to occur within the pricing and volume requirements of SEC Rule 10b-18. In the year-to-date period ended June 30, 2024, ATI used $150.0 million to repurchase 3.4 million shares of its common stock under the Share Repurchase Program. At June 30, 2024, we have utilized the full amount currently authorized under the Share Repurchase Program. In the year-to-date period ended July 2, 2023, ATI used $10.1 million to repurchase 0.2 million shares of its common stock under the Share Repurchase Program.

We believe that internally generated funds, current cash on hand and available borrowings under the ABL facility will be adequate to meet our liquidity needs. Based on current actuarial assumptions, we are not required to make any contributions to our pension plan during year 2024. Also, we do not expect to pay any significant U.S. federal or state income taxes in year 2024 due to net operating loss and tax attribute carryovers. If we needed to obtain additional financing using the credit markets, the cost and the terms and conditions of such borrowings may be influenced by our credit rating. In addition, we regularly review our capital structure, various financing alternatives and conditions in the debt and equity markets in order to opportunistically enhance our capital structure. In connection therewith, we may seek to refinance or retire existing indebtedness, incur new or additional indebtedness or issue equity or equity-linked securities, in each case, depending on market and other conditions. We have no off-balance sheet arrangements as defined in Item 303(a)(4) of SEC Regulation S-K.

In managing our overall capital structure, we focus on the ratio of net debt to Adjusted EBITDA, which we use as a measure of our ability to repay our incurred debt. We define net debt as the total principal balance of our outstanding indebtedness excluding deferred financing costs, net of cash, at the balance sheet date. See the explanations above for our definitions of Adjusted EBITDA and EBITDA, which are non-GAAP measures and are not intended to represent, and should not be considered more meaningful than, or as alternatives to, a measure of operating performance as determined in accordance with U.S. GAAP. Our ratio of net debt to Adjusted EBITDA (Adjusted EBITDA Leverage Ratio) measures net debt at the balance sheet date to Adjusted EBITDA as calculated on the trailing twelve-month period from this balance sheet date.

Our Debt to Adjusted EBITDA Leverage ratio improved in the second quarter of 2024 compared to year end 2023, resulting from higher earnings, while our Net Debt to Adjusted EBITDA Leverage ratio worsened in the second quarter of 2024 compared to year end 2023, largely a due to a decreased cash balance. The reconciliations of our Adjusted EBITDA Leverage Ratios to the balance sheet and income statement amounts as reported under U.S. GAAP are as follows:

	Quarter ended		Trailing 12-month period ended	Year ended
	June 30, 2024	July 2, 2023	June 30, 2024	December 31, 2023
Net income attributable to ATI	$ 81.9	$ 90.4	$ 383.9	$ 410.8
Net income attributable to noncontrolling interests	3.7	3.1	13.4	12.6
Net income	85.6	93.5	397.3	423.4
Interest expense	28.4	21.3	106.6	92.8
Depreciation and amortization	37.9	35.9	149.0	146.1
Income tax provision (benefit)	25.3	3.7	(94.0)	(128.2)
Pension remeasurement loss	—	—	26.8	26.8
Pension settlement loss	—	—	41.7	41.7
Restructuring and other charges	5.4	9.2	29.5	31.4
Loss on asset sales and sale of businesses, net	—	0.6	—	0.6
Adjusted EBITDA	$ 182.6	$ 164.2	$ 656.9	$ 634.6
Debt			$ 2,170.8	$ 2,179.6
Add: Debt issuance costs			17.4	19.6
Total debt			2,188.2	2,199.2
Less: Cash			(425.6)	(743.9)
Net debt			$ 1,762.6	$ 1,455.3
Total Debt to Adjusted EBITDA			3.33	3.47
Net Debt to Adjusted EBITDA			2.68	2.29

Cash Flow

Cash provided by operations was $2.3 million in the year-to-date period ended June 30, 2024, compared to cash used in operations of $217.1 million in the year-to-date period ended July 2, 2023. Both periods reflect higher accounts receivable and higher inventory balances due to increased operating levels, but these conditions impacted 2024 to a much lesser extent than 2023. Working capital balances, and consequently cash from operations, can fluctuate throughout any operating period based upon the timing of receipts from customers and payments to vendors. However, we actively manage our working capital to allow for the required flexibility to meet our strategic objectives. Other significant first half 2024 operating cash flow items included payment of 2023 annual incentive compensation. Other significant first half 2023 operating cash flow items included $50 million in contributions to the U.S. defined benefit pension plans and the payment of 2022 annual incentive compensation.

Cash used in investing activities was $117.1 million in the year-to-date period ended June 30, 2024, reflecting $126.0 million in capital expenditures primarily related to various growth projects to support the aerospace & defense and aero-like markets. Proceeds from disposals of property, plant and equipment in the year-to-date period ended June 30, 2024 of $5.9 million largely relate to $3.5 million of proceeds received for the sale of assets for our idled Houston, PA facility. For the year-to-date period ended July 2, 2023, cash used in investing activities was $100.8 million, reflecting $103.3 million in capital expenditures. We expect to fund our capital expenditures with cash on hand and cash flow generated from our operations and, if needed, by using a portion of the ABL facility.

Cash used in financing activities was $193.9 million in the year-to-date period ended June 30, 2024, which included $150.0 million to repurchase 3.4 million shares of ATI stock under our Share Repurchase Program authorized by our Board of Directors. For the year-to-date period ended July 2, 2023, cash provided by financing activities was $1.0 million, and included $50 million of borrowings under the Company's ABL Credit Facility and $10.1 million of payments for the repurchase of 0.2 million shares of ATI stock.

At June 30, 2024, cash and cash equivalents on hand totaled $425.6 million, a decrease of $318.3 million from year end 2023. Cash and cash equivalents held by our foreign subsidiaries, excluding the $9.6 million of cash held for sale, was $154.8 million at June 30, 2024, of which $93.9 million was held by the STAL joint venture.

Critical Accounting Policies

Asset Impairment

We monitor the recoverability of the carrying value of our long-lived assets. An impairment charge is recognized when the expected net undiscounted future cash flows from an asset's use (including any proceeds from disposition) are less than the asset's carrying value, and the asset's carrying value exceeds its fair value. Changes in the expected use of a long-lived asset group, and the financial performance of the long-lived asset group and its operating segment, are evaluated as indicators of possible impairment. Future cash flow value may include appraisals for property, plant and equipment, land and improvements, future cash flow estimates from operating the long-lived assets, and other operating considerations. In the fourth quarter of each year in conjunction with the annual business planning cycle, or more frequently if new material information is available, we evaluate the recoverability of idled facilities.

Goodwill is reviewed annually in the fourth quarter of each year for impairment or more frequently if impairment indicators arise. Other events and changes in circumstances may also require goodwill to be tested for impairment between annual measurement dates. At June 30, 2024, we had $227.2 million of goodwill on our consolidated balance sheet. All goodwill relates to reporting units in the HPMC segment.

Management concluded that none of ATI's reporting units or long-lived assets experienced any triggering event that would have required an interim impairment analysis at June 30, 2024.

Income Taxes

The provision for income taxes includes deferred taxes resulting from temporary differences in income for financial and tax purposes using the liability method. Such temporary differences result primarily from differences in the carrying value of assets and liabilities. Future realization of deferred income tax assets requires sufficient taxable income within the carryback and/or carryforward period available under tax law. On a quarterly basis, we evaluate the realizability of our deferred tax assets.

The evaluation includes the consideration of all available evidence, both positive and negative, regarding historical operating results including recent years with reported losses, the estimated timing of future reversals of existing taxable temporary differences, estimated future taxable income exclusive of reversing temporary differences and carryforwards, and potential tax planning strategies which may be employed to prevent an operating loss or tax credit carryforward from expiring unused. In situations where a three-year cumulative loss condition exists, accounting standards limit the ability to consider projections of future results as positive evidence to assess the realizability of deferred tax assets. Valuation allowances are established when it is estimated that it is more likely than not that the tax benefit of the deferred tax asset will not be realized.

Retirement Benefits

In accordance with accounting standards, we determine the discount rate used to value pension plan liabilities as of the last day of each year. The discount rate reflects the current rate at which the pension liabilities could be effectively settled. In estimating this rate, we receive input from our actuaries regarding the rate of return on high quality, fixed income investments with maturities matched to the expected future retirement benefit payments. The effect on pension liabilities for changes to the discount rate, the difference between expected and actual plan asset returns, and the net effect of other changes in actuarial assumptions and experience are immediately recognized in earnings through net periodic pension benefit cost within nonoperating retirement benefit expense on the consolidated statements of operations when pension plans are remeasured annually in the fourth quarter or on an interim basis as triggering events require remeasurement. This immediate recognition is in accordance with the accounting standards.

For ERISA (Employee Retirement Income Security Act of 1974, as amended) funding purposes, discount rates used to measure pension liabilities for U.S. qualified defined benefit plans are calculated on a different basis using an IRS-determined segmented yield curve, which currently results in a higher discount rate than the discount rate methodology required by accounting standards. Funding requirements are also affected by IRS-determined mortality assumptions, which may differ from those used under accounting standards.

Other Critical Accounting Policies

A summary of other significant accounting policies is discussed in Management's Discussion and Analysis of Financial Condition and Results of Operations and in Note 1 to the Consolidated Financial Statements contained in our Annual Report on Form 10-K for the year ended December 31, 2023.

The preparation of the financial statements in accordance with U.S. generally accepted accounting principles requires us to make judgments, estimates and assumptions regarding uncertainties that affect the reported amounts of assets and liabilities. Significant areas of uncertainty that require judgments, estimates and assumptions include the accounting for derivatives, retirement plans, income taxes, environmental and other contingencies, as well as asset impairment, inventory valuation and collectability of accounts receivable. We use historical and other information that we consider to be relevant to make these judgments and estimates. However, actual results may differ from those estimates and assumptions that are used to prepare our financial statements.

Pending Accounting Pronouncements

See Note 1 of the Notes to Consolidated Financial Statements for information on new and pending accounting pronouncements.

Forward-Looking and Other Statements

From time to time, we have made and may continue to make "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Certain statements in this report relate to future events and expectations and, as such, constitute forward-looking statements. Forward-looking statements include those containing such words as "anticipates," "believes," "estimates," "expects," "would," "should," "will," "will likely result," "forecast," "outlook," "projects," and similar expressions. Forward-looking statements are based on management's current expectations and include known and unknown risks, uncertainties and other factors, many of which we are unable to predict or control, that may cause our actual results, performance or achievements to differ materially from those expressed or implied in the forward-looking statements. Important factors that could cause actual results to differ materially from those in the forward-looking statements include: (a) material adverse changes in economic or industry conditions generally, including global supply and demand conditions and prices for our specialty materials and changes in international trade duties and other aspects of international trade policy; (b) material adverse changes in the markets we serve; (c) our inability to achieve the level of cost savings, productivity improvements, synergies, growth or other benefits anticipated by management, from strategic investments and the integration of acquired businesses; (d) volatility in the price and availability of the raw materials that are critical to the manufacture of our products; (e) declines in the value of our defined benefit pension plan assets or unfavorable changes in laws or regulations that govern pension plan funding; (f) labor disputes or work stoppages; (g) equipment outages; (h) the risks of business and economic disruption associated with extraordinary events beyond our control, such as war, terrorism, international conflicts, public health issues, such as epidemics or pandemics, natural disasters and climate-related events that may arise in the future; and (i) other risk factors summarized in our Annual Report on Form 10-K for the year ended December 31, 2023, and in other reports filed with the Securities and Exchange Commission. We assume no duty to update our forward-looking statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

As part of our risk management strategy, we utilize derivative financial instruments, from time to time, to hedge our exposure to changes in energy and raw material prices, foreign currencies, and interest rates. We monitor the third-party financial institutions which are our counterparties to these financial instruments on a daily basis and diversify our transactions among counterparties to minimize exposure to any one of these entities. Fair values for derivatives were measured using exchange-traded prices for the hedged items including consideration of counterparty risk and the Company's credit risk. Our exposure to volatility in interest rates is presently not material, as nearly all of our debt is at fixed interest rates.

Volatility of Interest Rates. We may enter into derivative interest rate contracts to maintain a reasonable balance between fixed- and floating-rate debt. The Company had a $50 million floating-for-fixed interest rate swap which converted a portion of the Term Loan to a 4.21% fixed rate, which matured during the quarter ended June 30, 2024. The Company designated the interest rate swap as a cash flow hedge of the Company's exposure to the variability of the payment of interest on a portion of its Term Loan borrowings. Any gain or loss associated with this hedging arrangement were included in interest expense.

Volatility of Energy Prices. Energy resource markets are subject to conditions that create uncertainty in the prices and availability of energy resources. The prices for and availability of electricity, natural gas, oil and other energy resources are subject to volatile market conditions. These market conditions often are affected by political and economic factors beyond our control. Increases in energy costs, or changes in costs relative to energy costs paid by competitors, have and may continue to adversely affect our profitability. To the extent that these uncertainties cause suppliers and customers to be more cost sensitive, increased energy prices may have an adverse effect on our results of operations and financial condition. We use approximately 6 to 8 million MMBtu's of natural gas annually, depending upon business conditions, in the manufacture of our products. These purchases of natural gas expose us to the risk of higher gas prices. For example, a hypothetical $1.00 per MMBtu increase in the price of natural gas would result in increased annual energy costs of approximately $6 to $8 million. We use several approaches to minimize any material adverse effect on our results of operations or financial condition from volatile energy prices. These approaches include incorporating an energy surcharge on many of our products and using financial derivatives to reduce exposure to energy price volatility.

At June 30, 2024, the outstanding financial derivatives used to hedge our exposure to energy cost volatility included natural gas hedges. Approximately 65% of our forecasted domestic requirements for natural gas for the remainder of 2024 and approximately 35% for 2025. At June 30, 2024, the net mark-to-market valuation of these outstanding natural gas hedges was an unrealized pre-tax loss of $3.3 million, comprised of $3.0 million in other current liabilities and $0.3 million in other long-term liabilities on the balance sheet. For the quarter ended June 30, 2024, natural gas hedging activity increased cost of sales by $2.3 million.

Volatility of Raw Material Prices. We use raw material surcharge and index mechanisms to offset the impact of increased raw material costs; however, competitive factors in the marketplace can limit our ability to institute such mechanisms, and there can be a delay between the increase in the price of raw materials and the realization of the benefit of such mechanisms. For example, in 2023, we used approximately 70 million pounds of nickel; therefore, a hypothetical change of $1.00 per pound in nickel prices would result in increased costs of approximately $70 million. While we enter into raw materials futures contracts from time-to-time to hedge exposure to price fluctuations, such as for nickel, we cannot be certain that our hedge position adequately reduces exposure. We believe that we have adequate controls to monitor these contracts, but we may not be able to accurately assess exposure to price volatility in the markets for critical raw materials.

The majority of our products are sold utilizing raw material surcharges and index mechanisms. However, as of June 30, 2024, we had entered into financial hedging arrangements, primarily at the request of our customers related to firm orders, for an aggregate notional amount of approximately 4 million pounds of nickel with hedge dates through 2025. The aggregate notional amount hedged is approximately 5% of a single year's estimated nickel raw material purchase requirements. These derivative instruments are used to hedge the variability of a selling price that is based on the London Metal Exchange (LME) index for nickel, as well as to hedge the variability of the purchase cost of nickel based on this LME index. Any gain or loss associated with these hedging arrangements is included in sales or cost of sales, depending on whether the underlying risk being hedged was the variable selling price or the variable raw material cost, respectively. At June 30, 2024, the net mark-to-market valuation of our outstanding raw material hedges was an unrealized pre-tax loss of $4.2 million, comprised of $3.7 million in other current liabilities and $0.5 million in other long-term liabilities on the balance sheet.

Foreign Currency Risk. Foreign currency exchange contracts are used, from time-to-time, to limit transactional exposure to changes in currency exchange rates. We sometimes purchase foreign currency forward contracts that permit us to sell specified amounts of foreign currencies expected to be received from our export sales for pre-established U.S. dollar amounts at specified dates. In addition, we may also hedge forecasted capital expenditures and designate cash balances held in foreign currencies as hedges of forecasted foreign currency transactions. At June 30, 2024, we had no material outstanding foreign currency forward contracts.

We may also use derivative instruments that are not designated as hedges to protect our results from certain fluctuations in foreign exchange rates, as well as to offset a portion of the foreign currency gains and losses generated by the remeasurement of certain assets and liabilities denominated in non-functional currencies. Changes in the fair value of these foreign exchange contract derivatives not designated as hedging instruments are recorded in cost of sales or selling, general and administrative expenses on the consolidated statement of operations, and we recognized $0.5 million of expense for settled foreign currency forward contracts that were not designated as hedges during the second quarter and year-to-date period ended June 30, 2024, which offset foreign currency gains in the relevant currency. We have no significant outstanding hedges that are not designated as of June 30, 2024.

Item 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

Our Chief Executive Officer and Chief Financial Officer have evaluated the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) or Rule 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of June 30, 2024, and they concluded that these disclosure controls and procedures are effective.

(b) Changes in Internal Controls

There was no change in our internal controls over financial reporting identified in connection with the evaluation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) or Rule 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of June 30, 2024 conducted by our Chief Executive Officer and Chief Financial Officer, that occurred during the quarter ended June 30, 2024 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

A number of lawsuits, claims and proceedings have been or may be asserted against the Company relating to the conduct of its currently or formerly owned businesses, including those pertaining to product liability, environmental, health and safety matters and occupational disease (including as each relates to alleged asbestos exposure), as well as patent infringement, commercial, government contracting, construction, employment, employee and retiree benefits, taxes, environmental, and stockholder and corporate governance matters. Certain of such lawsuits, claims and proceedings are described in our Annual Report on Form 10-K for the year ended December 31, 2023, and addressed in Note 16 to the unaudited interim financial statements included herein. While the outcome of litigation cannot be predicted with certainty, and some of these lawsuits, claims or proceedings may be determined adversely to the Company, management does not believe that the disposition of any such pending matters is likely to have a material adverse effect on the Company's financial condition or liquidity, although the resolution in any reporting period of one or more of these matters could have a material adverse effect on the Company's results of operations for that period.

On August 2, 2024, the Company received notice that it and certain of its affiliates are parties to a lawsuit captioned *William L. Schoen, Mary J. Nesbit, Robin L. Rosewicz, George E. Poole and James E. Swartz, Jr., individually and as representatives of a class of participants and beneficiaries of the Allegheny Technologies Incorporated Pension Plan v. ATI Inc., The Allegheny Technologies Incorporated Pension Plan Administrative Committee, State Street Global Advisors Trust Co., and John Does 1-5* (Case No. 2:24-cv-01109) and filed in federal district court for the Western District of Pennsylvania. The lawsuit asserts various claims associated with the Company's October 2023 purchase of group annuity contracts to transfer a portion of its U.S. qualified defined benefit pension plan obligations to Athene Annuity and Life Company and Athene Annuity & Life Assurance of New York. The Company disputes and intends to vigorously defend against these claims, but given the preliminary nature of these matters, cannot predict their outcome or estimate any range of reasonably possible loss at this time.

Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2023, which could materially affect our business, financial condition or future results. The risks described in our Annual Report on Form 10-K are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Set forth below is information regarding the Company’s stock repurchases during the period covered by this report, comprised of shares repurchased by ATI from employees to satisfy employee-owed taxes on share-based compensation.

Period	Total Number of Shares (or Units) Purchased (a)	Average Price Paid per Share (or Unit) (b)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
April 1, 2024 - May 5, 2024	—	$ —	—	$ —
May 6, 2024 - June 2, 2024	382	$ 62.64	—	$ —
June 3, 2024 - June 30, 2024	46	$ 33.99	—	$ —
Total	428	$ 59.56	—	$ —

(a) Includes shares repurchased by ATI from employees to satisfy employee-owed taxes on share based compensation.

(b) Excludes excise taxes incurred on share repurchases.

Item 5. Other Information

Rule 10b5-1 Plan Elections

As previously announced, Robert S. Wetherbee, who served as the Company’s Chief Executive Officer from January 2019 through June 2024, became the Company’s Executive Chairman on July 1, 2024. During the quarterly period ended June 30, 2024, Mr. Wetherbee entered into a pre-arranged stock trading plan, dated May 28, 2024, to provide for his potential sale of up to 100,000 shares of the Company’s common stock between September 16, 2024 and December 13, 2024 for his personal tax and estate planning purposes. Mr. Wetherbee entered into his trading plan during an open trading window under the Company’s policies and procedures pertaining to transactions in Company securities, and it is intended to satisfy the affirmative defense criteria articulated by Rule 10b5-1(c) under the Securities Exchange Act of 1934, as amended.

Item 6. Exhibits

(a) Exhibits

31.1	Certification of Chief Executive Officer required by Securities and Exchange Commission Rule 13a – 14(a) or 15d – 14(a) (filed herewith).
31.2	Certification of Chief Financial Officer required by Securities and Exchange Commission Rule 13a – 14(a) or 15d – 14(a) (filed herewith).
32.1	Certification pursuant to 18 U.S.C. Section 1350 (furnished herewith).
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File - the cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.

*Management contract or compensatory plan or arrangement required to be filed as an Exhibit to this Report.

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.

ATI INC.
(Registrant)

Date:	August 6, 2024	By	/s/ Donald P. Newman
			Donald P. Newman
			Executive Vice President, Finance and Chief Financial Officer (Principal Financial Officer)
Date:	August 6, 2024	By	/s/ Michael B. Miller
			Michael B. Miller
			Vice President, Controller and Chief Accounting Officer (Principal Accounting Officer)

Exhibit 31.1

CERTIFICATIONS

I, Kimberly A. Fields certify that:

1. I have reviewed this quarterly report on Form 10-Q of Allegheny Technologies Incorporated;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2024

/s/ Kimberly A. Fields

Kimberly A. Fields
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Donald P. Newman certify that:

1. I have reviewed this quarterly report on Form 10-Q of Allegheny Technologies Incorporated;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2024

/s/ Donald P. Newman

Donald P. Newman
Executive Vice President, Finance and 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 Allegheny Technologies Incorporated (the "Company") on Form 10-Q for the period ended June 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned, in the capacities and on the dates indicated below, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

Date:	August 6, 2024	/s/ Kimberly A. Fields
		Kimberly A. Fields President and Chief Executive Officer
Date:	August 6, 2024	/s/ Donald P. Newman
		Donald P. Newman Executive Vice President, Finance and Chief Financial Officer