

Ampco-Pittsburgh Corporation
First Quarter 2025 Earnings Results
May 13, 2025, at 10:30 a.m. Eastern

CORPORATE PARTICIPANTS

Kim Knox - *Corporate Secretary*

Brett McBrayer - *Chief Executive Officer*

Sam Lyon - *President, Union Electric Steel Corporation*

David Anderson - *President, Air & Liquid Systems Corporation*

Mike McAuley - *Chief Financial Officer*

PRESENTATION

Operator

Good morning, and welcome to the Ampco-Pittsburgh Corporation First Quarter 2025 Earnings Results Conference call. All participants will be in listen-only mode. Should you need assistance, please signal a conference specialist by pressing the star key followed by zero. After today's presentation, there will be an opportunity to ask questions. To ask a question, you may press star then one on your telephone keypad. To withdraw your question, please press star then two. Please note, this event is being recorded.

I would now like to turn the conference over to Kim Knox, Corporate Secretary. Please go ahead.

Kim Knox

Thank you, Wyatt, and good morning to everyone joining us on today's First Quarter 2025 Conference call. Joining me today are Brett McBrayer, our Chief Executive Officer and Mike McAuley, Senior Vice President, Chief Financial Officer and Treasurer. Also joining us on the call today are Sam Lyon, President of Union Electric Steel Corporation and Dave Anderson, President of Air & Liquid Systems Corporation.

Before we begin, I would like to remind everyone that participants on this call may make statements or comments that are forward-looking and may include financial projections or other statements of the Corporation's plans, objectives, expectations, or intentions. These matters involve certain risks and uncertainties, many of which are outside the Corporation's control. The Corporation's actual results may differ significantly from those projected or suggested in any forward-looking statements due to various risk factors, including those discussed in the Corporation's most recently filed Form 10-K and in subsequent filings with the Securities and Exchange Commission. We do not undertake any obligation to update or otherwise release publicly any revision to our forward-looking statements.

A replay of this call will be posted on our website later today. To access the earnings release or the webcast replay, please consult the Investors section of our website at ampcopgh.com.

With that, I'd like to turn the call over to Brett McBrayer, Ampco-Pittsburgh's CEO. Brett?

Brett McBrayer

Thank you, Kim. Good morning and thank you for joining our call.

As reported in our press release and 10-Q, Ampco-Pittsburgh Corporation reported earnings per common share of \$0.06 for the first quarter of 2025, an improvement of \$0.20 compared to the prior year quarter. Adjusted EBITDA for the quarter was \$8.8 million, compared to \$5.1 million in the first quarter of 2024. Both segments showed significant EBITDA improvement versus the prior year.

The quarter was highlighted by record order intake for Air and Liquid and continuing benefits from our new equipment in our U.S. forged business. We expect to experience some near-term impacts in Q2 as markets and supply chains react to the recent tariffs; however, our intent is to protect our margins by passing through to our customers any negative effects.

We are nearing the conclusion of our collective consultation process at our U.K. facility. We expect to eliminate much of the losses for this business as we move forward.

For further details regarding our segment performance, I will start by turning the call over to Sam Lyon, President of our Forged and Cast Engineered Products segment.

Sam Lyon

Thank you, Brett, and good morning, everyone.

For the first quarter of 2025, the Forged and Cast Engineered Products (FCEP) segment reported net sales of \$72.3 million, compared to \$77.2 million in the first quarter of 2024, primarily driven by lower roll sales volume and unfavorable exchange rates, partially offset by higher base pricing and increased FEP shipments.

Segment EBITDA improved significantly to \$8.27 million, up from \$6 million in the prior year quarter. This improvement resulted from higher pricing, better manufacturing absorption, and a lower cost structure. In 2024, we also had \$0.5 million of costs associated with a fire at our Sweden location and a machine failure in the U.K.

As previously announced, we initiated a formal collective consultation process with employees at our U.K. cast facility in February. We now expect this process to conclude by the end of May. At that point, we will have clarity on the future of those operations and our definitive actions to dramatically stem our losses at the location.

Turning to market conditions, global steel demand remains soft but stable in our two largest markets, North America and Europe. That said, we are closely monitoring the evolving tariff environment. Currently, U.S. tariffs on rolls are limited to the baseline of 10%. For our business, these tariffs apply to rolls shipped from our European facilities to the U.S. As of yesterday, tariffs on U.S.-produced rolls shipped to China were reduced to 10%. Our annual shipments to China are small, ranging from \$2 million to \$5 million per year. We have an order scheduled to ship to China in the next two quarters, and the reduction from 125% to 10% tariffs on imports from the U.S. will relieve pressure and enable this shipment.

We've worked with our U.S. customers, and the vast majority have agreed to pay the cost of the tariffs. Importantly, with the U.S. cast roll market still underserved, our European operations remain competitive despite the tariffs. To date, only one customer has not agreed to accept this condition. This customer has elected to manage orders case by case to see if any trade deals eliminate the tariff. We would also expect the utilization of our U.S. customers' mills to improve as a result of the more comprehensive tariffs of 25% on aluminum and steel, which will benefit our business.

Steel tariffs are also creating a significant tailwind for our domestic FEP business. Growth opportunities in tool steel, distribution bar, and block products are emerging as imports face these new costs. FEP sales and margins are projected to rise from our 2024 revenue of \$11.8 million.

In summary, we continue to enhance our profitability through pricing, operational efficiency, and disciplined management of external risks, including tariffs and geopolitical uncertainties. Brett?

Brett McBrayer

Thanks, Sam. Dave Anderson, President of Air & Liquid Systems, will now cover his segment's results.

David Anderson

Thank you, Brett. Good morning.

Great start to the year for Air and Liquid. Q1 sales orders were the highest order intake in our history. The order activity was driven by record order intake from the nuclear market, along with continued strong order activity for both the military and pharmaceutical markets.

Revenue was slightly below last year, however, the product mix was substantially improved. Revenue for heat exchangers increased due to increased shipments in the nuclear market. Revenue for pumps was slightly higher than prior year, while air handling revenue declined due to the timing of order delivery dates and revenue recognition.

Adjusted EBITDA in Q1 was \$3.8 million versus \$2.2 million in the prior year. Similarly, operating income was at \$3.5 million in Q1 versus \$2 million in the prior year. The increase versus prior year was primarily driven by a much better product mix.

We continue to see positive activity in the nuclear market for our heat exchanger product line. We expect both orders and shipments to be at record levels this year. In March, we received our first order for a small modular reactor or SMR project. There's a great deal of activity in the new SMR market, and we have started working with several companies that are developing these new products. Nuclear power in many ways seems to have become the preferred power option, and our engineering and manufacturing capabilities position us well as this market grows.

There continues to be strong demand from the U.S. Navy for both new and aftermarket pumps. We expect this demand to continue as the Navy moves forward with fleet expansion plans. We still expect to receive the new manufacturing equipment from the Navy funding program by the end of 2025. This equipment, along with the equipment we installed in 2024, will position us to meet the expected growth in this market.

Demand for custom air handlers remains strong. From upgrading existing facilities to increasing research and manufacturing capabilities in the United States, there continues to be tremendous demand in the pharmaceutical market for our custom air handling products.

Of course, tariffs have been a major subject in the last few months, so I wanted to provide some thoughts on how tariffs may impact Air and Liquid's businesses. While the tariff situation remains rather fluid at the moment, I do not see significant negative issues. Most of our raw materials and components are excluded from the tariffs, as they are either produced in the U.S. or they are exempted. For components that are subject to tariffs, we expect to pass on the majority of the costs in order to maintain our margins.

There is some potential for short-term supply issues as the world adapts to the new tariffs. We have taken steps to mitigate supply chain disruptions that could occur later this year. If the tariffs do result in increased manufacturing in the United States, then there is potential for significant demand increases for our products as the U.S. is our primary market. Onshoring manufacturing in the pharmaceutical market would only drive air handling demand even higher. Overall, more manufacturing would increase the need for our industrial heat exchangers and would drive higher demand for power generation, which would benefit both our commercial pump line and our nuclear heat exchangers.

In summary, demand for our products remains strong. Adjusted EBITDA increased 73% versus prior year. And while the tariffs could cause short-term supply chain issues, in the longer term they have the potential to increase demand for our products.

Brett McBrayer

Thank you, Dave. At this time, Mike McAuley, our Chief Financial Officer, will now share more details regarding our financial performance for the quarter.

Mike McAuley

Thank you, Brett.

Before I begin, I'd like to comment on a change we implemented in our non-GAAP measures reporting, starting in this Q1 of 2025. You will note that these new disclosures and reconciliation tables are in both our Form 10-Q and in our Q1 earnings press release from yesterday. Specifically, we've begun reporting adjusted EBITDA, whereas in prior quarters we provided consolidated adjusted operating income. We added this because adjusted EBITDA increasingly became a key measure used internally, and because we believe investors will find this change helpful.

Now, regarding our Q1 results, as indicated in both our Form 10-Q and in our press release filed yesterday, Ampco's consolidated net sales for the first quarter of 2025 were \$104.3 million, a decline of approximately 5% compared to net sales for the first quarter of 2024, but about a 3% increase sequentially versus Q4 2024. Compared to prior year, the key drivers for the sales decline were lower shipments of mill rolls and changes in roll product mix, which more than offset higher net pricing in the Forged and Cast Engineered Products segment, and lower sales of air handling units due to timing of shipments in the Air and Liquid Processing segment. Yet, Q1 2025 mill roll sales rose nearly 9% compared to Q4 2024, and this was the key driver for Ampco's consolidated sales growth sequentially.

Consolidated adjusted EBITDA of \$8.8 million for Q1 2025 improved by \$3.7 million versus prior year for a few key reasons despite the lower sales.

- In the Forged and Cast Engineered Products segment, higher pricing, net of lower surcharges and related product cost changes, improved the segment's margins significantly.
- In addition, there was improved manufacturing up-time and manufacturing cost efficiency due in part to improved machine reliability and uptime in our cast roll facilities, as Sam described.
- And in the Air and Liquid Processing segment, as Dave indicated, there was a significant improvement in the product mix sold in Q1 of 2025 compared to the prior year.

The Corporation's total selling and administrative expenses for Q1 2025 increased 5% versus prior year due to inflationary increases, higher employee-related costs, and higher professional fees. Interest expense of \$2.7 million for the quarter was flat with prior year. "Other income-net" was declined slightly versus prior year. The income tax provision for Q1 2025 decreased \$0.4 million year-over-year, primarily due to the benefit of reduced tax rate in one of our foreign tax-paying jurisdictions.

As a result, net income attributable to Ampco-Pittsburgh for Q1 2025 was \$1.1 million or \$0.06 per share. This compares to a net loss of \$2.7 million or \$0.14 per share in the prior year for a \$0.20 per share EPS improvement.

Total backlog at March 31, 2025, of \$368.5 million rose \$19.7 million or 6% versus March 31, 2024, with both segments experiencing increases. Compared to December 31, 2024, however, despite the record order intake in Air and Liquid in Q1 2025, total backlog declined due to the timing of placement of new orders from some of our larger roll customers, which typically occur later in the year.

Net cash flows used by operating activities was \$5.3 million for Q1 2025, reflecting primarily a rise in net working capital. The Corporation also made a pension contribution of \$0.8 million during the quarter. Capital expenditures for the first quarter of 2025 were \$2.2 million. At March 31, 2025, the Corporation's liquidity position included cash on hand of \$7.1 million and undrawn availability on a revolving credit facility of \$28.6 million.

Operator, at this time, we would now like to open the line for questions.

QUESTION AND ANSWER

Operator

Thank you. We'll now begin the question-and-answer session. To ask a question, you may press star then one on your touchtone phone. If you are using a speakerphone, please pick up your handset before pressing the keys. If at any time your question has been addressed and you would like to withdraw your question, please press star then two. At this time, we will pause momentarily to assemble our roster.

CONCLUSION**Brett McBrayer**

Thank you. I want to recognize another strong performance by our employees in Q1 as they continue to drive positive improvements throughout our businesses. Thank you for your great work. I also want to thank our shareholders and Board of Directors for your continued support. Despite the uncertainty in our markets, we remain focused on delivering significant improvements in our businesses as we move forward. Thank you for joining our call this morning.

Operator

The conference is now concluded. Thank you for attending today's presentation. You may now disconnect.