

Ampco-Pittsburgh Corporation
Second Quarter 2025 Earnings Results
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CORPORATE PARTICIPANTS

David G. Anderson - *President of Air & Liquid Systems Corporation*

J. Brett McBrayer - *CEO & Director*

Kimberly P. Knox - *Corporate Participant*

Michael G. McAuley - *Senior VP, CFO & Treasurer*

Samuel C. Lyon - *President of Union Electric Steel Corporation*

PRESENTATION

Operator

Welcome to the Ampco-Pittsburgh Corporation Second Quarter 2025 Earnings Results Conference Call. All participants will be in a 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, press star then one on your telephone keypad. To withdraw a question, 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.

Kimberly P. Knox

Thank you, Gary, and good morning to everyone joining us on today's second 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 its 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?

J. Brett McBrayer

Thank you, Kim. Good morning, and thank you for joining our call. As reported in our press release issued yesterday afternoon, Ampco-Pittsburgh Corporation reported adjusted EBITDA of \$8 million for the second quarter of 2025. The quarterly results were negatively impacted by a pause in customer orders as they awaited clarity on tariffs. As a result, our Forged and Cast Engineered Products group shut down production to adjust working capital through portions of the period.

A major focus in the quarter was on our U.K. cast roll facility, where we continue to experience significant losses. Progress on the wind-down of this facility has progressed well as we work to accelerate rightsizing our portfolio. Once this action is complete, we expect a minimum of a \$5 million operating income improvement on an annualized basis.

Our Air & Liquid Processing segment saw a 15% increase in adjusted EBITDA in the quarter versus prior year, and the highest year-to-date adjusted EBITDA in our segment's history. The growth in this business' performance continues to be impressive.

For further details regarding our segment performance, I'll turn the call now over to Sam Lyon, President of our Forged & Cast Engineered Products segment.

Samuel C. Lyon

Thank you, Brett, and good morning. For the second quarter of 2025, FCEP reported net sales of \$77.9 million, a 3% increase compared to Q2 of 2024, and a 7.8% increase compared to Q1 of 2025. Segment adjusted EBITDA for Q2 2025 was \$6.8 million, down \$1.5 million from Q1 2025. Our U.S. Forged plant utilization in the quarter was 10% lower than Q2 2024, and 14% lower than Q1 2025, primarily due to lower work roll demand caused by elevated customer inventory positions on Forged work rolls, partially resulting from a reduction of activity due to the fluid tariff environment. The decrease in plant utilization and lower revenue and margin from forged work rolls negatively affected earnings in Q2.

FEP demand and shipments were a positive development from the tariffs. We were able to increase pricing on this product line as barriers to imports increased. The mix shift from forged rolls to FEP reduced overall margins yet strategically positions us to capture reshoring opportunities and toll steel distribution bar and block products.

Looking at the flat roll market environment, demand in North America and Europe remains weak, with many U.S. customers postponing roll purchases in Q2 due to tariff uncertainty following the administration's expansion of Section 232 duties and unknown levels of base tariffs. For U.S. imports from our Sweden and Slovenia plants, the baseline tariff now stands at 15%, up from 10% in Q2. The cast flow market in North America exceeds domestic capacity, so long-term demand for our European cast rules should not be affected by these tariffs. The tariff effect in the short term is reflected in our second-half expectations as a temporary shortfall, particularly in North America. Notably, the long-term fundamentals remain strong: construction spending, automotive production, and can-sheet demand are all expected to grow at mid-single-digit rates over the next five years, supporting a return to more normal roll ordering patterns.

As we previously indicated, we have issued formal notice to the union of our intention to wind down operations at our U.K. cast roll plant. We are engaging with multiple potential asset buyers. The current backlog takes us through Q1 of 2026, and we are reallocating products across the global UES network to ensure continued customer supply while working to wrap up operations as soon as possible. We have stopped taking new orders for the U.K.

In summary, although the tariff-related hesitation is reducing near-term North American demand for rolls, our pricing discipline, cost control measures, and expanding FEP volumes give us confidence going into 2026. As stated earlier, cast roll supply is limited in the U.S., allowing us to be competitive with other European suppliers. To date, we have passed on all tariff costs to our customers. We anticipate a full order book for 2026 at our cast roll plant in Sweden and the closure of the U.K. operations providing meaningful improvement and OI for the segment, once complete.

Brett, back to you.

J. Brett McBrayer

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

Dave Anderson

Thank you, Brett. Good morning. 2025 continues to be a very positive year for Air and Liquid. In Q2, order activity continued to be very good. Our backlog at the end of Q2 was 8% higher than the start of the year. The nuclear, military and pharmaceutical markets continue to be strong.

Q2 revenue was consistent with prior year. However, the product mix was improved. Revenue for pumps was higher than prior year, as we continue to see positive results from the military market. Heat exchanger shipments declined versus prior year due to the timing of some large orders that are expected

to ship in Q3.

Adjusted EBITDA in Q2 was \$3.9 million versus \$3.4 million in the prior year. The 15% increase versus prior year was primarily driven by better product mix. Year to date, adjusted EBITDA of \$7.7 million was the highest in Air and Liquid's history, and a 36% increase over prior year.

We continue to see positive activity in the nuclear market for our heat exchanger product line. Orders have already exceeded any prior full year, and we expect shipments to also be at record levels this year. From restarting legacy nuclear plants to the new small modular reactors, nuclear power has 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, and we expect this demand to continue as the Navy moves forward with fleet expansion plans. New manufacturing equipment from the Navy funding program is expected to arrive at our facility by the end of 2025. This is from the Navy approved funding in 2024.

In addition to the equipment being delivered this year, we are pleased to announce that air and liquid has been approved for another equipment funding from the US Navy. This new funding was approved in May, and was approximately \$2 million that will be used to purchase additional equipment for our Buffalo manufacturing location. 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.

Tariffs continued to be a major subject in the last few months, and the recent copper tariff will impact many products. Copper is a main component of our heat exchangers and we have notified our customers that we will be passing on any tariff costs incurred. While there may be some short-term fluctuations as the supply chain adjusts, in the long term, anything that results in increased manufacturing in the United States will increase demand for our products.

In summary, demand for our products remains strong. Backlog is up 8% this year, and year-to-date adjusted EBITDA increased 36% versus prior year.

J. 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.

Michael G. McAuley

Thank you, Brett. As indicated in both our Form 10-Q and in our press release 8-K filed yesterday, the major headline item for the quarter was the U.K. exit charge. We recorded \$6.8 million in expenses related to employee severance, accelerated depreciation due to the plant's shortened operating life, and certain professional fees associated with the plant closure. As indicated and itemized in Note 2 of our Form 10-Q, these costs are recorded against the respective Cost of Goods Sold, SG&A and Depreciation and Amortization expense line items on the consolidated P&L. To reiterate, we expect the following: That following the exit from this location, operating income is expected to improve by at least \$5 million on an annualized run-rate basis.

Ampco's net sales for the second quarter of 2025 were \$113.1 million, an increase of 2% compared to net sales for the second quarter of 2024. The increase was primarily driven by higher sales of Forged Engineered Products and favorable FX translation, which more than offset lower roll demand. Adjusted

EBITDA of \$8 million for the second quarter of 2025 declined by \$2.1 million versus prior year, primarily due to lower margins in the Forged and Cast Engineered Products segment for a few key reasons:

- Unfavorable manufacturing costs relative to pricing and surcharge pass-throughs in the current quarter than in the prior year quarter;
- A lower volume of roll shipments, offset by a higher volume of Forged Engineered Product shipments led to a weaker margin mix in Q2 2025 versus the prior year quarter: and
- Lower production rates in the current year quarter led to lower absorption of manufacturing overhead costs.

These impacts were partly offset by higher profitability during the quarter versus prior year in the Air & Liquid Processing segment due to a better sales mix, as Dave described.

2025 year-to-date adjusted EBITDA of \$16.8 million remains up versus prior year. Total selling and administrative expenses declined slightly for the second quarter of 2025 versus prior year, but are comparable year-to-date versus prior year.

Depreciation and amortization expense for the quarter, and for year-to-date, are higher than prior year periods due to the accelerated depreciation piece of the U.K. exit charge, which was \$0.7 million. Severance costs of \$5.9 million on the Q2 P&L are the employee-related severance costs that represent the largest element of the total U.K. exit charge.

Interest expense for the second quarter declined slightly primarily due to lower average interest rates on the revolving credit facility. The change in "Other (expense) income-net" was driven primarily by changes in foreign exchange transaction gains and losses. The income tax provision for 2025 is benefiting from a lower statutory tax rate in one of our foreign tax-paying jurisdictions. As a result, net loss attributable to Ampco-Pittsburgh for the 3 months ended June 30, 2025, was \$7.3 million, or \$0.36 per share, which includes \$6.8 million, or \$0.34 per share, for the U.K. exit charge.

At the end of June, we amended and extended our credit agreement through 2030. We restructured the facility into a \$100 million revolving credit line backed by eligible accounts receivable and inventory, plus a \$13.5 million term loan backed by certain eligible machinery and equipment. The structure and added capacity provides us greater flexibility to support our global working capital needs. At closing, we fully drew on the term loan to pay down the revolver balance, which significantly increased the corporation's available liquidity.

At June 30, 2025, the Corporation's liquidity position included cash on hand of \$9.9 million, and undrawn availability on our revolving credit facility of \$34.2 million.

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

Question-and-Answer Session

Operator

We will now begin the question and answer session. To ask a question, you may press star then one on your telephone keypad. If you are using a speakerphone, please pick up your handset before pressing the keys. To withdraw your question, please press star then two. At this time, we will pause momentarily to assemble our roster. Our first question comes from Dennis Scannell with Rutabaga Capital.

Dennis J. Scannell

Yes. I was hoping to get a little bit more color on what's going on in the roll market from Sam, if I could. Sam, in your conversations with customers, and kind of what you saw for the month of July, is there some pent-up demand? Are you seeing either actual orders in July, or the promise of orders later in the year

coming?

And is this happening both in the U.S. and in Europe? Or is it really mostly in the U.S.? Just trying to get a sense of how the back half of the year might look for your business.

Samuel C. Lyon

Yes, Dennis. The second half of the year will be lighter shipment on rolls than the first half. One, because we have less days and more holidays. And just the overall demand, the lead time on our products is, depending on where it's shipping, if it's in the U.S., it's 3 months, if it has to go overseas, it would take 4 or 5 months. And vice versa. If they're going to ship from overseas to here, it's 5 months. So, you're kind of in the really back half, we could take orders for November, December kind of timeframe, and we have seen a slight uptick in order activity from a few of our large customers.

What's really happening is there was a pause, there were a couple of unknowns in Q2. One, what was the tariff rate going to be? It was set at 10% and then it ultimately ended up being 15% for our plant, our plant in Slovenia, our plant in Sweden that ships to the U.S. Has no effect on their shipments into Europe, of course. But then the European customers we have didn't know if there was going to be a retaliatory tariff or not until just recently, and now there is not.

So, the future, we would anticipate to be in a pretty good position. One, because the dollar has weakened somewhat making the U.S. shipments into Europe more favorable, making our cost position better. So that's a positive. And now it's a known, the tariffs are 15%. They're not 20%, or 30%, or 40%. And rolls are not subject to the steel tariffs. So, it's a total tariff of 15%. It's not 15%, plus the 50% for steel, it's just 15%.

So now that all that's known, we feel like things will start happening again. And specifically, Dennis, where we saw the degradation in ordering was really Europe into the U.S., and U.S. to U.S. So, the activity in the U.S. plant slowed a bit.

There's a third factor, and that is in 2024, we had a pretty high shipment level of forged work rolls. And I think our customers were anticipating an uptick in overall steel demand. And the tariffs kind of hurt automotive production and hurt some other, the interest rates, the housing market, housing starts are lower. That's offset somewhat by nonresidential construction and data centers being high. But there's just a lot of questions around how much are things going to cost? How much is it going to be even on infrastructure projects?

So again, now that that seems to be settled, we expect things to go back to normal.

Dennis J. Scannell

So, to the extent that the lack of demand, or lack of orders has been a U.S. event, we could conceivably see increased U.S. ordering activity and that affecting the second half of '25? You said it's like a 3-month lead time, right? So, do you expect that? I mean, as you talk to your customers. They're U.S. customers. Do they still have a pretty high inventory of rolls so that, what I'm thinking of, some orders maybe in August or September are not going to materialize? Kind of any color on that standpoint?

Samuel C. Lyon

I guess I'll say due to lead time of parts and materials and things, again, we would be delivering in November, December for any incremental new orders. And we have seen a little bit of uptick, but it's hard to say. And each customer is different. Some customers are flush with cash, and they have more inventory and can wait longer. And some are not, and they have to order. They're hand-to-mouth and they're ordering to get stuff as soon as they can. So, it's pretty variable, actually.

Dennis J. Scannell

Got it. And then any other color you can give on the closure of the U.K. facility in terms of the timing? Like is that something that will happen kind of second half of '25 and then we get that \$5 million incremental operating income bump in '26? Or will this drag on longer?

Samuel C. Lyon

Well, the longest potential endpoint is Q1 2026, and we're working to pull that in. So sometime in Q4, between, most likely, October and December, the casting will stop, then those costs will stop. So that's the major energy consumer in the plant and about a third of the employees.

And then the rolls will progress through to the back-end machining. And as the rolls get finished, the employees will be attrited and then costs will continue to come down. And then at the same time, as those costs are coming down, you're still shipping product, so then you start getting receipts in from the customers. And so, from a cash perspective, it starts at high and then you start receiving it back in.

Dennis J. Scannell

Yes. Yes. Okay. And so, do we own the plant? And do you have a sense of potential proceeds if we do actually sell the facility?

Samuel C. Lyon

We do own it and that's being evaluated right now. It's in a, I'll call it, a fairly desirable area in Newcastle. But you have to evaluate. It's been there for a long time. So, what is the demolition cost versus the redevelopment cost? Maybe the Gateshead Council wants it. We're not sure. The government is interested potentially to develop it, then there are private people. It's really hard to say. We're not counting on anything, but there could be upside.

Operator

Once again, if you have a question, please press star then one. The next question is from Robert Jensen, a Private Investor.

Robert Jensen

Yes. I'm just wondering, you guys closing the U.K. operations, how is that going to impact your revenues?

Samuel C. Lyon

Yes, this is Sam, Robert. Roughly, there's about \$25 million to \$29 million, roughly, \$25 million to \$30 million, I'd say. And then there's some upside to offset that with converting some rolls to forged rolls of \$3 million or \$4 million. So, I'd say in the neighborhood of \$20 million to \$25 million, something like that. And the reason that's not larger is we are shifting some product to Sweden as well. So, Sweden will end up being full. They're running at a lower utilization rate right now. So that will be an offset.

Conclusion**Operator**

This concludes our question-and-answer session. I would like to turn the conference back over to Brett McBrayer for any closing remarks.

J. Brett McBrayer

Thank you. In closing today, I want to recognize the great work by our employees. I particularly want to highlight the work of our team in the U.K. who are managing a very difficult situation. I also want to thank our shareholders and Board of Directors for their continued support.

Despite the pause in our order book we've recently experienced, tariff clarity and the wind-down of our U.K. operations will position us well as we move into 2026. I'm excited about our direction and the commitment of our team to demonstrate significantly improved earnings for our shareholders. Thank you again for joining our call this morning.

Operator

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