

Ampco-Pittsburgh Corporation

Third Quarter 2025 Earnings Results Conference Call

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CORPORATE PARTICIPANTS

Brett McBrayer--*Chief Executive Officer*

Mike McAuley--*Senior Vice President, Chief Financial Officer and Treasurer*

Sam Lyon--*President, Union Electric Steel Corporation*

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

Kim Knox--*Corporate Secretary*

PRESENTATION

Operator

Welcome to the Ampco-Pittsburgh Corporation Third Quarter 2025 Earnings Results Conference Call. [Operator Instructions] 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, Gary, and good morning to everyone joining us on today's third 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 and 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 of 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 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 webcast replay, please consult the Investors section of our website at ampcopgh.com.

With that, I'd like to now 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. This was a strong quarter for Ampco-Pittsburgh, both in our underlying financial performance and in the decisive strategic actions we've taken to transform the company.

As reported in our press release, consolidated adjusted EBITDA for the third quarter was \$9.2 million, up 35% from the prior year. This was driven by the best year-to-date results in our Air and Liquids segment's history. Our third quarter adjusted earnings per share of \$0.04 are up \$0.14 from the prior year. This strong underlying performance gives us a solid foundation, and we have taken major steps to quicken that momentum into 2026.

Just after the quarter closed, in October, we accelerated the exit from our U.K. facility. We are also nearing completion of our exit from a small steel distribution business, AUP. The impact from our U.K. exit alone is expected to improve full year adjusted EBITDA by \$7 million to \$8 million. These two actions remove our most significant operational drag and positions us for dramatically improved profitability as we move forward.

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

Sam Lyon

Thank you, Brett, and good morning. For the third quarter of 2025, FCEP's net sales were \$71.5 million, \$6.4 million lower than Q2 2025 and \$4.3 million ahead of Q3 2024. We had our typical summer shutdowns of our European facilities in Q3. The Q3 revenue includes about \$0.9 million in tariff pass-throughs.

Segment adjusted EBITDA, which excludes the exit charges associated with the U.K. cash facility and the AUP steel distribution operations, was \$7.1 million, \$0.3 million higher than Q2 and \$0.3 million better than Q3 of 2024. FEP demand and shipments have improved. Year-to-date, FEP revenue increased approximately 40% to \$14.4 million compared to \$10.2 million last year. We continue to raise prices on this product, improving margins as import barriers have increased.

Looking at the roll market in North America, some customers temporarily postponed roll purchases due to tariff uncertainty and, as a result, have lowered their existing roll inventory. This supports our view that a return to more normal roll ordering patterns is approaching as inventory levels deplete. Overall, tariffs are expected to have a neutral impact on roll demand in North America, as our U.S. customers will benefit. Conversely, tariffs will negatively affect our Canadian and Mexican customers as their imports into the U.S. are affected.

To date, we've passed all tariffs on to our customers. The tariff environment for our European imports remains a key focus. Our imports to the U.S. from Sweden now face tariffs between 15% and 27%, and products from Slovenia faced rates as high as 50%.

The cast roll market in North America continues to exceed domestic capacity, so long-term demand for our European cast rolls should not be affected by these tariffs. We expect that the roll tariff effect will be temporary. In addition, our European customers have lean inventory. Any uptick in demand will require additional roll orders.

Europe recently announced plans to modify its quota and tariff system for steel, which, when implemented in July of 2026, will result in dramatically increased utilization of European mills. The quotas will reset to lower volumes and any steel imports above these quotas will be subject to a 50% tariff, up from 25% currently. This new system has the potential to be a significant tailwind for our roll business.

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. As formally disclosed, we have placed our U.K. cast roll plant into administration. The insolvency commenced on October 14, 2025, and is being managed by appointed administrators. This action accelerated our timeline for closure. Our losses stopped as of October 14, much earlier than our original solvent wind-down plan, which had us operating through the first quarter of 2026. We now expect the U.K. facility to complete all work-in-process inventory and ship these orders by year-end 2025, minimizing disruption to our customers. As a result of the U.K. closure, our Sweden plant will run at a higher utilization rate in 2026, improving its profitability.

To further improve the FCEP segment, we have decided to wind-down our small, unprofitable and non-core Alloys Unlimited steel distribution facility. That exit will conclude by the end of November.

The actions we took this quarter to address underperforming assets will deliver meaningful improvements in operating income and adjusted EBITDA for the segment. Brett, back to you.

Brett McBrayer

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

David Anderson

Thank you, Brett. Good morning. 2025 continues to be a positive year for Air and Liquid. In Q3, revenue was 26% higher than prior year, while year-to-date revenue was nearly 7% above prior year. The Q3 revenue increase was driven by higher revenue in all product lines, while year-to-date revenue was higher due to increased revenue for pumps.

Segment adjusted EBITDA in Q3 was \$4.4 million versus \$3.4 million in the prior year. The 31% increase versus prior year was driven by higher revenue and improved product mix. Year-to-date segment adjusted EBITDA of \$12.1 million was the highest in Air and Liquid's history and a \$3.1 million increase over prior year.

We continue to see positive activity in the nuclear market for our heat-exchange product line. Orders and shipments have already exceeded any prior full year. From restarting legacy plants to the new small modular reactors, nuclear power appears to be at the beginning of significant long-term market growth. Our engineering and manufacturing capabilities position us well as this market continues to grow.

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. The manufacturing equipment installed in 2024 has already increased manufacturing capacity for our pump product line, and there is more capacity expansion in process. In the weeks ahead, new manufacturing equipment from the Navy funding program is expected to arrive at our facility, and there will be more equipment arriving in 2026 from the same Navy program. 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. The tariff on copper, which is a main component of our heat exchangers, has been in place for a few months now. We've been able to adjust our supply chain to avoid most of the tariff costs and are passing on any remaining tariff costs to our customers. 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. 2025 will be the best year in Air & Liquid's history, and we are well-positioned in markets that are showing significant long-term growth potential.

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. As indicated in both our Form 10-Q and in our press release 8-K filed yesterday, while we have recorded charges totalling \$3.1 million in the quarter relating to reducing our

operational footprint for significant future projected earnings improvements, the underlying business has improved with significantly higher consolidated adjusted EBITDA and adjusted EPS in Q3 2025 than in the prior year, which is true for the year-to-date period as well. And all while we have navigated some short-term disruptions from tariff policy in our customer base.

In mid-October, we issued a press release and filed a Form 8-K, which detailed the accelerated exit from our U.K. cast roll facility through a structured insolvency process. This removes that subsidiary's operating results from our consolidated results immediately from that date forward. This represents a departure from our previous plan to unwind it more gradually into early 2026, stopping those losses sooner. In conjunction with that action, we will deconsolidate the U.K. subsidiary in Q4, and we reported that we expect a significant non-cash write-down, as itemized in the report and again in Note 2 to our Q3 Form 10-Q. The major benefits of this approach beyond sooner operating loss reduction is avoidance of significant cash plant closure costs and an expectation for a material revolving credit facility borrowing reduction as distributions from the administrators from liquidation proceeds are remitted to the secured creditor, which is expected by around mid-2026. To reiterate, we expect adjusted EBITDA to improve by \$7 million to \$8 million per full year post the U.K. deconsolidation, and that begins in early Q4 2025.

Now back to Q3 results. Ampco's net sales for the third quarter of 2025 were \$108 million, an increase of 12% compared to net sales for the third quarter of 2024. The increase was primarily driven by higher sales in all three divisions of the Air and Liquid Processing segment, higher net roll pricing and higher shipments of forged engineered products in the Forged and Cast Engineered Products segment, which more than offset softer roll shipment volumes during the quarter.

As I mentioned, we recorded \$3.1 million in non-cash accelerated depreciation and other expenses in Q3 related to the exit of our U.K. cast roll business and our small Alloys Unlimited steel distribution business. These expenses are spread by the pertinent income statement line item in the consolidated P&L but are summarized for you in Note 2 to our Q3 Form 10-Q and in the non-GAAP reconciliation table attached to the Q3 earnings press release.

Referring to that non-GAAP reconciliation schedule, please note that consolidated adjusted EBITDA of \$9.2 million for the third quarter of 2025 improved by \$2.4 million versus prior year. This was driven by a few primary reasons:

- Higher pricing and surcharges net of changes in manufacturing costs in the Forged and Cast Engineered Products segment.
- Higher shipment volumes of Forged Engineered Products, which helped to partially mitigate the impact of lower mill roll shipment volumes.
- Unfavourable manufacturing overhead absorption compared to the prior year quarter related to temporary plant shutdowns typically taken in Q3 of each year in the Forged and Cast Engineered Products segment.
- The higher shipment volumes and improved product mix experienced in the Air & Liquid Processing segment.

2025 year-to-date adjusted EBITDA of \$26 million remains up versus prior year. Total selling and administrative expenses declined \$0.6 million or 4% for Q3 2025 versus prior year due to lower employee-related costs, offset in part by professional fees associated with our efforts to exit the U.K. operations and higher sales commissions in both segments.

Depreciation and amortization expense for the quarter and for the year-to-date are higher than prior year periods due to the accelerated depreciation portion of the exit charges associated with the U.K. operation and Alloys Unlimited steel distribution business.

Severance charges and loss on disposal of assets stem from the exit from our U.K. operations and from Alloys Unlimited, respectively, and again, are part of those exit charges itemized in Note 2 in the Form 10-Q and in the non-GAAP reconciliation table.

Interest expense for the third quarter is approximately flat with prior year. The change in "Other (expense) income – net" was driven primarily by lower foreign exchange transaction losses, but also by lower pension income, given the lower expected long-term asset returns given the asset allocation changes we've made to protect a much higher funded status of our U.S. defined benefit plan.

The income tax provision for 2025 is benefiting from a lower statutory tax rate than one of our foreign tax paying jurisdictions. As a result, net loss attributable to Ampco-Pittsburgh for the three months ended September 30, 2025, was \$2.2 million or \$0.11 per share, which includes \$3.1 million or \$0.15 per share for exit charges.

Referring to the non-GAAP reconciliation schedule attached to the earnings release, please note that adjusted earnings per share of \$0.04 for Q3 2025 was up \$0.14 from prior year, and for the year-to-date period ended September 30, 2025, adjusted EPS of \$0.03 was up \$0.16 per share. So significant underlying improvement there.

At September 30, 2025, the Corporation's liquidity position included cash on hand of \$15 million and undrawn availability on our revolving credit facility of \$28.2 million.

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

QUESTION AND ANSWER

Operator

We will now begin the question-and-answer session. [Operator Instructions] Our first question is from David Wright with Henry Investment Trust. Please go ahead.

David Wright

Good morning.

Mike McAuley

Good morning, David.

David Wright

I couldn't let you go without anyone asking you questions, because that's about the best report you've had in a long time, so congratulations. Two for Mike. On the U.K. closure and the question on the difference between bankruptcy filing in the U.S. and this filing in the U.K., you addressed the operating results and being absolved of them. Is the subsidiary's debt is the parent also absorbed that as a result of the filing?

Mike McAuley

Yes. In fact, there's -- going along with that process. First of all, the insolvency is exclusively related to the subsidiary and has nothing to do with any other subsidiary segment or Ampco-Pittsburgh. That process is something we have been thinking about, but as we got into more investigation on it, it became more evident that it was the best answer for Ampco. It did accelerate our exit.

And there is no material local debt other than the -- like the pension obligations, which are now - - were part of that business and its other liabilities. But we didn't have direct debt. It never issued direct debt itself. But we had significant closure costs, which were liabilities that we expected to incur which we're no longer going to incur, David. You can see those -- if you look back at what we recorded earlier in the year as charges, for example, severance charge, something in the range of \$7 million, that's going to be reversed as part of the Q4 deconsolidation.

David Wright

So the secured debt is just secured against the U.K. assets?

Mike McAuley

Secured debt, are you talking about the corporation's revolving credit facility?

David Wright

No, no, no. The debt that has to be liquidated, the debt that has to be paid off as the assets of the U.K. operation are liquidated.

Mike McAuley

Yes. Those will primarily be accounts payable incurred, accounts payable that hadn't been paid yet, any other liabilities that are on the balance sheet of that subsidiary, any liabilities which materialize as the real estate eventually gets liquidated, and any cost for the administration, any commissions for the sale of the assets.

David Wright

Okay.

Mike McAuley

All will be handled out of the remaining assets of the subsidiary, yes.

David Wright

Okay. The other question for you, Mike, is you alluded to the pension plan. Are you doing an evaluation again this year, the pension plan excuse me, the asbestos liability.

Mike McAuley

Yes, we will.

David Wright

Okay. So is that going to be an annual thing now?

Mike McAuley

It has been in the last couple of years. We've migrated to an annual of that, David, and we're going to do it again in Q4.

David Wright

Okay. And then one for Dave. It looks like your run rate based off the last quarter sales were \$140 million annualized. And I know you undertook a capacity expansion. You talked about the demand from pharmaceutical companies continuing, how much more can you put through the system?

Dave Anderson

We can put significantly more through the system, David. And we're addressing that in multiple ways. The equipment coming in through the Navy funding program is state-of-the-art. So we're getting significant improvements in manufacturing efficiencies. We're also looking at other projects at our facilities to improve our utilization, improve our efficiencies. We still have a long runway.

David Wright

And remind me on the nuclear plants, like where are you in the food chain, if they want to restart a plan or they want to build a new one. Are you early or late?

Dave Anderson

We're usually early. Often, we have supplied the heat exchangers well in advance before they're opening the facility. We've already been to some of the ones that are reopening and that was a while ago, we were up in Michigan to the first one. So we're early in the process.

David Wright

Okay. All right. Great. Well, like I said, best quarter you've reported in a long time and hope lots of people see it. Thanks very much.

Dave Anderson

Thanks.

Mike McAuley

Thank you, David.

Operator

Your next question is from John Bair with Ascend Wealth Advisors. Please go ahead.

John Bair

Thank you. Good morning, and I'll echo the congrats on a good quarter here. My question kind of cycles back to the discontinued operations. Do you anticipate getting any kind of monetization, I guess, from the liquidation of properties and so forth in those operations? Or will it all go to the trustee that's the receivership, I guess, that's settling that out.

Mike McAuley

Yes. That's a good question. And actually, part of that -- the answer to that is disclosed in the 8-K that we issued, so you can read more about it there. The overview really is as the assets get liquidated, there's a priority of payments that the administrator will follow according to U.K. solvency law. The secured creditors are settled first and the secured claims are -- principally the bank debt, those are the claims -- those are the charge holders for that legal entity. And so that would be our bank group.

And so, the liquidation proceeds would first go and be remitted to the bank group who would then reduce our outstanding asset-based loan balance, which is our revolving credit facility. So, yes, we do expect. We had some projections from the administrator and we've analyzed those and

we've included those in our assessment of the net charge we will record in Q4 and we'll net that charge down by an estimated proceeds amount, which is \$8 million to \$9 million expected in net proceeds through that process.

Sam Lyon

Just one comment -- this is Sam. The administrator, has continued to run the plant. So, anything that was not -- that had already been through the melting process. They're finishing those rolls, turning them into finished goods and shipping them and monetizing that, which ends up being part of the funds that will be funneled back through. So, it's a double benefit, number one, that generates more value and number two, it actually helps with our customers in the transition of closing the plant.

John Bair

Okay. So, just high altitude, you're looking at possibly somewhere in the \$8 million, \$9 million that could flow back to you after this is all closed out, right?

Mike McAuley

Yes, in the form of reduced bank debt, yes.

John Bair

Okay. Okay. Okay. And then following up on that then my understanding is that you'd be supplying or hoping to supply existing customers that have been served by that facility from your other European operations. Is that right?

Sam Lyon

A portion of it, John, this is Sam again. The work rolls we will maximize the Sweden plant. So, the utilization there will definitely increase significantly. And then there was one type of roll that cannot be made in Sweden, some of them will be converted to forged rolls. There's very limited supply in the marketplace. So, we'll see some of that come to the U.S. But there will be an overall slight reduction in revenue, but obviously a big gain in profitability.

John Bair

Okay. So, the Sweden plant will be more efficient and more higher utilization? Is that a fair way to look at it?

Sam Lyon

That is a fair way to look at it, yes.

John Bair

Okay, great. Thank you very much for taking the questions.

Sam Lyon

All right. Thanks, John.

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.

Brett McBrayer

In closing, I want to share an important corporate update and then leave you with a final thought on our path forward. We recently announced that David Anderson will become our new CFO on January 1st, 2026, while also continuing his duties as President of Air and Liquid Processing. Dave's prior CFO experience in both of our segments positions him uniquely well for this expanded role.

Dave has a deep and tenured team at Air and Liquid Processing, which gives us full confidence in his ability to manage both responsibilities and drive strong performance across the organization. I also want to acknowledge and thank Mike McAuley for his significant contributions. Mike will continue working for me as a strategic adviser for the first half of 2026 to ensure a seamless transition.

Finally, I want to thank our employees who are making the positive improvements you heard about today. Our message this quarter is clear: our core business is improving, and we have taken the difficult but necessary steps to address our underperforming assets. By exiting the U.K. and AUP, our small steel distribution business, we are removing the most significant drags on our profitability.

We will enter 2026 stronger, more focused, and a more profitable company. I want to thank the Board of Directors and our shareholders for your continued support. Thank you for joining our call this morning.

Operator

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