

Ampco-Pittsburgh Corporation

Fourth Quarter 2025 Earnings Results Conference Call

Tuesday, March 17, 2026, 10:30 AM ET

CORPORATE PARTICIPANTS

Kimberly Knox--*Corporate Secretary*

Brett McBrayer--*Chief Executive Officer*

David Anderson--*Chief Financial Officer, Vice President and Treasurer; President, Air & Liquid Systems Corporation*

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

PRESENTATION

Operator

Welcome to the Ampco-Pittsburgh Corporation Fourth Quarter 2025 Earnings Results Conference Call. [Operator Instructions] Please note, this event is being recorded.

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

Kimberly Knox

Thank you, Nick, and good morning to everyone joining us on today's fourth quarter 2025 conference call. Joining me today are Brett McBrayer, our Chief Executive Officer, and David Anderson, Vice President, Chief Financial Officer, and President of Air and Liquid Systems Corporation. Also joining us on the call today is Sam Lyon, President of Union Electric Steel 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. The fourth quarter was a busy quarter for Ampco-Pittsburgh, where we initiated and completed the removal of significant underperforming assets from our portfolio. As we emerge from the slowdown in the steel market, we expect these actions to improve adjusted EBITDA by \$7 million to \$8 million annually.

As reported in our press release, consolidated adjusted EBITDA for the fourth quarter was \$3.2 million, down from \$6 million the prior year. This anticipated dip in performance was driven by the pause in customer orders in our Forged and Cast segment after the announcement of new global tariffs.

Consolidated adjusted EBITDA for the full year was \$29.2 million. This performance is an improvement from the prior year despite the revenue impact FCEP experienced during the second half of 2025.

With strong demand continuing in our Air and Liquid Processing segment, ALP achieved record revenue and income for 2025. As we shared in a recent press release, bookings for both operating segments have accelerated in the first two months of this year.

I'm now going to turn the call over to David Anderson, Chief Financial Officer and President of our Air and Liquid segment for further comments on this quarter's results for Air and Liquid.

David Anderson

Thank you, Brett. Good morning. As Brett mentioned, 2025 was a record-breaking year for Air and Liquid as we achieved new highs in both revenue and adjusted EBITDA. In Q4, revenue was 10% higher than prior year, while full year revenue was 7% above prior year. The Q4 revenue increase was driven by higher revenue in air handlers and heat exchangers, while full year revenue was higher in all product lines.

Adjusted EBITDA in Q4 was \$3.3 million versus \$3.7 million in the prior year. The decrease versus prior year was driven by unfavorable product mix. Full year adjusted EBITDA of \$15.4 million was the highest in Air and Liquid's history and a 21% increase over prior year.

Backlog declined year-over-year by \$8 million, primarily driven by the US Navy's decision to terminate production of the Constellation Frigate Program, which resulted in \$7.1 million of orders being removed from the backlog in late 2025. Costs related to the terminated orders are expected to be paid by the Navy along with normal profit margins.

While backlog ended \$8 million lower, we did see significant order activity at the start of 2026, as referenced in our press release dated March 10. Order activity was up 73% for the first two months of 2026 compared to prior year. Bookings in the first two months of 2026 for the US Navy market was over \$9 million, which more than replaced the \$7.1 million from the Constellation Frigate Program termination.

We continue to see positive activity in multiple markets across our product lines. 2025 orders and shipments for heat exchangers in the nuclear market were the highest in our history as this market continues to show long-term growth potential. There continues to be strong demand from the US 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. Additional manufacturing equipment from the Navy funding program arrived at our facility in early 2026 and is expected to begin producing products in the second quarter of 2026. There is additional equipment expected later this year. This equipment will position us to meet the expected growth in the market.

We are also seeing significant demand for our commercial pumps due to the AI/Data center market. Our commercial pumps are used in the gas turbine market, which is seeing extremely high demand due to the need for additional power for data centers. Bookings for commercial pumps were at a record high in 2025. Demand for custom air handlers remains strong, as there continues to be significant demand in the pharmaceutical market for our custom air handling products.

In summary, 2025 was the best year in Air and Liquid's history, and we are well-positioned in markets that are showing significant long-term growth potential.

Brett McBrayer

Thank you, David. Sam Lyon, President of the Forged and Cast Engineered Products segment, will now share more details regarding his group's performance.

Sam Lyon

Thank you, Brett, and good morning, everyone. For the fourth quarter of 2025, the Forged and Cast Engineered Products division (“FCEP”), reported net sales of \$70.9 million compared to \$66.5 million in the fourth quarter of 2024. For the full year, we achieved total net sales of \$292.6 million, representing a stable top line performance compared to \$286.6 million in the prior year.

Our operating results reflect the strategic transformation of our footprint. On a GAAP basis, the FCEP segment reported an operating loss of \$44.7 million for the full year. As Brett mentioned, this was primarily driven by one-time exit costs, including a \$52.2 million deconsolidation charge associated with the closure of our UK facility. Given these large one-time charges, we believe adjusted EBITDA provides a clearer picture of our underlying performance.

For the full year of 2025, FCEP generated \$24.4 million in adjusted EBITDA. In the fourth quarter, adjusted results were \$2.2 million compared to \$5.5 million in the prior year. This Q4 decrease was primarily driven by fewer operating days in the US than in Q4 of 2024, higher FEP volume relative to rolls, FX headwinds, and ramp-up costs in Sweden. In the US, we proactively curtailed production days in response to temporary softness in roll demand driven by the digestion of steel tariffs.

With the UK closure behind us, one of our primary focuses is optimizing our Sweden facility. We have a clear roadmap for improvements in Sweden throughout 2026 that will begin to materialize in our results this year and be fully realized in 2027. The recent weakening of the dollar to the SEK has created a short-term headwind as our supplies and labor are in SEK and Euros, while approximately 40% of our product is sold to the US in dollars. We are adjusting 2027 pricing to account for this and moving some European customers to purchase in SEK.

We are executing a production ramp-up in Sweden and expect to reach a production level of approximately 20% higher than 2025 by Q3 of 2026. Sweden is also improving its mix by removing some lower-margin rolls originally destined for the UK and is currently finishing lower-margin backlog orders from 2025. We expect the order book to be fully normalized by the end of Q2, positioning us for full margin realization starting in Q3 of 2026.

Our North American customers remain optimistic about 2027 and expect improved volumes, which will translate into higher demand for our roll products. While European market softness persists, consolidating our cast operations in Sweden allows us to better manage utilization. Further consolidation is occurring globally. Recently, two competitors have begun winding down operations, creating opportunities for both cast and forged rolls. Additionally, stricter European quotas and increased tariffs, set to take effect in the second half of 2026, should meaningfully increase utilization for our customers, driving higher roll demand in 2027.

For our US forged operations, our backlog and pricing have increased meaningfully for our non-roll FEP as a result of the Section 232 tariffs, which have provided additional diversification in our backlog.

In summary, 2025 was a pivotal year. With the UK facility closure, the operational road map for Sweden and tariff protection for our US-made products shipping to US customers, supporting pricing, we are well-positioned for significant margin expansion in the second half of 2026 and full year 2027.

Brett McBrayer

Thanks, Sam. I'll now turn the call over to David Anderson, our Chief Financial Officer, for more detail regarding our financial performance for the quarter. Dave?

David Anderson

Thank you, Brett. As indicated in both our Form 10-K and in our press release 8-K filed yesterday, there was a great deal of one time primarily noncash items recorded in the quarter related to the previously disclosed decisions to exit the unprofitable UK operations and the small steel distribution business in the US.

In mid-October, we issued a press release and filed a Form 8-K, which detailed the accelerated exit from our UK cast roll facility through a structured insolvency process. The mostly noncash deconsolidation and other costs related primarily to the UK exit totalled \$42.4 million in Q4 and \$52.2 million full year.

We also recorded a noncash \$11.9 million after tax expense in Q4 related to a revaluation charge of our asbestos accrual. All of this certainly causes a great deal of noise in our Q4 results, which, when we move to discuss adjusted EBITDA, it becomes much easier to see the core business, how it performed in 2025 and expectations of what it looks like going forward.

I do want to provide some details on the noncash asbestos expense, what it means, and perhaps more importantly, what it does not mean. For December 31, 2025, we had a third-party evaluate our asbestos accrual and provide the adjustment needed based on their projection of payments in the years ahead. This does not mean that we expect our asbestos payments to increase in the years ahead. It is quite the opposite.

The estimate projects we will begin to see our asbestos payments decrease starting in 2027. The reason for the increased asbestos accrual at the end of 2025 is because their projection shows the decrease will be slower than what they projected as of December 31, 2024.

Ampco's net sales for the fourth quarter of 2025 were \$108.8 million, an increase of \$7.8 million compared to net sales for the fourth quarter of 2024. Full year 2025 net sales of \$434.2 million, an increase of 3.8% compared to prior year. The increase in both Q4 and full year was driven by higher sales in both operating segments.

As shown in our press release yesterday, Q4 adjusted EBITDA of \$3.2 million was lower than prior year, primarily due to reducing the number of operating days in our FCEP facilities due to the temporary lower roll demand caused by the tariffs.

Full year adjusted EBITDA of \$29.2 million was \$1.1 million higher than prior year and has increased for the third consecutive year. The higher adjusted EBITDA was driven by increased revenue and lower SG&A expenses, and was partially offset by lower overhead absorption caused by reducing the operating days.

Total selling and administrative expenses declined \$2.8 million or 5% for the full year 2025 versus the prior year and was lower primarily due to lower employee-related costs, partially offset by higher sales commission expenses in both segments.

Depreciation and amortization expense for the quarter and for full year are higher than prior year periods due to the accelerated depreciation portion of the exit charges associated with the UK operation and the steel distribution business.

The change in “other expense income-net” was primarily driven by lower foreign exchange transaction losses, but also lower pension income, given the lower expected long-term asset returns due to the asset allocation changes made to protect the higher retained funded status of our US defined benefit plan.

At the end of 2025, our pension plan was nearing fully funded status, and in early 2026, did achieve fully funded status. At December 31st, 2025, the corporation's liquidity position included cash on hand of \$10.7 million and undrawn availability on our revolving credit facility of \$25.5 million.

As I mentioned at the beginning, there was a great deal of noise in Q4 and full year 2025, including the UK and steel distribution business shutdowns, and the impact to our overhead absorption caused by the pause in roll orders due to the tariff impact. However, as we enter 2026, the roll market is showing that it is recovering, and the shutdown costs are behind us now.

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

QUESTION AND ANSWER

Operator

Thank you. We will now begin the question-and-answer session. [Operator Instructions] The first question will come from Justin Bergner with Gabelli Funds. Please go ahead.

Justin Bergner

Good morning, Brett. Good morning, Sam. Just wanted to delve a little bit more into the Air and Liquid Processing margins. Could you just re-review the mix dynamic in the fourth quarter? And should I think of the mix for the full year and the margins for the full year as being more representative of Air and Liquid Processing as the company grows off of the 2025 base in that business?

David Anderson

Yes. So, I would say the full year is definitely more representative of what we would typically see. Q4 just was a little bit of an unusual mix for us, and it's really timing of just what orders are shipping when, into which markets, but it's just a short-term Q4 issue. I think the full year is much more representative of what you would typically see.

Justin Bergner

Okay. Any color you can give on what sort of incrementals this business should generate as it grows? If you don't want to go there, I totally understand, but figured I'd put that out there?

David Anderson

The margins are generally good. What I can tell you is that in the growth markets that we're seeing, nuclear, the Navy markets, those are all good markets for us. There's very limited competition because there are a lot of barriers to entry. It's very difficult to supply into those markets. So that's favorable for us.

Justin Bergner

Okay. Fantastic. And with respect to forged and cast rolls, help me understand the inflection from the headwinds in the second half of '25 to the strong orders in the first half of '26. I mean the tariffs were in place in the second half of '25. So, what's changing in terms of customer behavior or market behavior?

Sam Lyon

Justin, there was a lot of noise because, first of all, the tariffs had to be calculated. On the cast side, almost all the rolls we make are -- they're composite, some part of them is cast iron and part of them is steel. So you had to calculate what the tariff is, and the whole industry had to figure out what the tariff was going to be, so you didn't even know what your pricing was going to be. So, a lot of customers, particularly in the US, sort of paused what they were doing, what they were taking until that was figured out. And on the large roll side, which is our most profitable product line, the demand for those kind of slowed down as well as people digested what was happening.

So now that's all digested and you can see that the US continues to raise pricing on hot rolled coil is an indicator. Nucor is about \$1,000 a ton now. And demand has been slowly increasing in the US. One other thing I didn't mention is the other thing that happened when the US increased tariffs, Canada and Mexico reduced their material coming into the US. They have since put tariff protections in place as well to support their markets. And so, we're seeing everybody kind of follow the model of the US, which should all be positive for us as our biggest markets are North America and Europe.

Justin Bergner

Okay. And one more follow-up on Forged and Cast Engineered Products. With respect to the costs in euros and the revenue in dollars, I think you said that's 40% of...

David Anderson

40% is Sweden only, but yes.

Justin Bergner

Okay. So, 40% of Sweden incurs costs in euros and revenue is in dollars. Will that get resolved this year or next year in terms of pricing?

David Anderson

Well, pricing will be in 2027, but we've already seen kind of a recovery from the low point. The SEK to the dollar was as low as SEK8.8, SEK8.9. It's SEK9.3 this morning. So, it's already kind of, we don't know what it's going to do. But right now, it's kind of reverting to the mean a little bit. But we run almost all exclusively on yearly contracts. So, there was some adjustment for 2026. There'd be further adjustment for 2027 as all of our, it hasn't been as significant in euro to dollar, but there has also been a decrease there. And so, our competitors will be in the same boat as us from a pricing perspective.

Justin Bergner

Okay. Thank you for taking all my questions.

David Anderson

Thanks, Justin.

Operator

The next question will come from John Bair with Ascend Wealth Advisors LLC. Please go ahead.

John Bair

Good morning, gentlemen.

David Anderson

Good morning.

John Bair

Got a question on, saw an article not too long ago about Westinghouse's AP1000 reactors. I was wondering if you're involved in supplying any components there or any involvement with that?

David Anderson

John, it's Dave. I can answer that. The short answer is yes. We have supplied to Westinghouse in the past, and we've supplied that particular product. So that would definitely fall under our heat exchangers. We don't know the timing yet of when they're expecting those, but we've certainly seen some of the same indicators that they're expecting to ramp-up a lot of building those. So that's a positive for us for sure.

John Bair

How much of a lead time is there in that? I mean, I'm sure it's a long build cycle, but where would you fit into the order cycle of that?

David Anderson

We usually fit in fairly early because they want to secure things like heat exchangers fairly early in the process. So, once they have their timetable, then we'll start to see activity from them.

John Bair

And is there very much of inquiry in that regard? Or is that just kind of out in the distance at this point?

David Anderson

Still a little bit in the distance for that particular, the Westinghouse, the AP1s. We're certainly seeing continued activity in the nuclear market though, across from the plant restarts to all the other things that I've talked about on some of the other calls, the small modular units, the nuclear market continues to be quite active.

John Bair

Very good. Thank you.

David Anderson

Thank you.

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

Thank you, Nick. In closing, I want to thank our employees who are making the positive improvements you heard about today. With the actions taken in the fourth quarter, our core business is improving. We anticipate improved profitability as we emerge from the slowdown in the steel market. We're excited to demonstrate the improved results for these strategic actions in 2026. 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.