



***Ampco-Pittsburgh***

*Moving forward.*

# ***Ampco-Pittsburgh Corporation***

***Boston, MA***

***September 6, 2017***

***Hosted by Janney Montgomery Scott LLP***

***Producing Quality Products Since 1929 - Always Moving Forward!***



*The Private Securities Litigation Reform Act of 1995 (the “Act”) provides a safe harbor for forward-looking statements made by or on our behalf. This news release may contain forward-looking statements that reflect our current views with respect to future events and financial performance. All statements in this document other than statements of historical fact are statements that are, or could be, deemed forward-looking statements within the meaning of the Act. In this document, statements regarding future financial position, sales, costs, earnings, cash flows, other measures of results of operations, capital expenditures or debt levels and plans, objectives, outlook, targets, guidance or goals are forward-looking statements. Words such as “may,” “intend,” “believe,” “expect,” “anticipate,” “estimate,” “project,” “forecast” and other terms of similar meaning that indicate future events and trends are also generally intended to identify forward-looking statements. Forward-looking statements speak only as of the date on which such statements are made, are not guarantees of future performance or expectations, and involve risks and uncertainties. For Ampco-Pittsburgh, these risks and uncertainties include, but are not limited to, those described under Item 1A, Risk Factors, of Ampco-Pittsburgh’s Annual Report on Form 10-K. In addition, there may be events in the future that we are not able to predict accurately or control which may cause actual results to differ materially from expectations expressed or implied by forward-looking statements. Except as required by applicable law, we assume no obligation, and disclaim any obligation, to update forward-looking statements whether as a result of new information, events or otherwise.*

# Agenda



**Ampco-Pittsburgh**

*Moving forward.*

- Introduction to Ampco-Pittsburgh
- Recent acquisitions
- Financial performance and challenges
- Strategies for improving performance



**A manufacturer of highly engineered, high performance specialty metal products and customized equipment utilized by industry throughout the world. The Company was incorporated in 1929.**

- Headquarters: Carnegie, PA, U.S.
- 2016 Revenue: \$332M
- NYSE: AP
- 1,900 employees
- **Forged and Cast Engineered Products Segment** (75% of 2016 revenues)
  - A world leading manufacturer of cast and forged steel rolls – Union Electric Åkers
  - 90+ years of experience
  - Manufacturing and Service Facilities: 7 in U.S., 3 in Europe, 1 in Canada, 3 JVs in China
  - Global Sales Network: 12 sales offices
- **Air and Liquid Processing Segment** (25% of 2016 revenues)
  - Custom-designed, specialty heat exchangers, air handling systems, and centrifugal pumps
  - Manufacturing Plants: 3 in U.S. (2 Virginia, 1 New York)

# Ampco-Pittsburgh Global Footprint



**Ampco-Pittsburgh**

*Moving forward.*



### Locations

- ★ Manufacturing
- ★ Sales Office



### Two Segments Reported:

Forged and Cast Engineered Products

- Forged and Cast Rolls
- Open Die Forged Products

Air and Liquid Processing

- Aerofin- Heat Exchangers
- Buffalo Air Handling - Custom Air Handling Systems
- Buffalo Pumps – Specialty Centrifugal Pumps

### 2015 Revenue

### 2016 Revenue

\$152.3M

\$247.7M\*

\$86.2M

\$84.2M

**The Corporation**

**\$238.5M**

**\$331.9M**

\* Revenues for 2016 include that of Åkers and ASW from their respective dates of acquisition in 2016. For the ten months ended December 31, 2016, net sales for Åkers approximated \$121.1M. For the two months ended December 31, 2016, net sales for ASW approximated \$7.5M.

# Forged and Cast Engineered Products Segment



**Ampco-Pittsburgh**

*Moving forward.*

## **Union Electric Åkers**

*Forged and Cast Rolls*



TM



# Key Customers



**Ampco-Pittsburgh**

*Moving forward.*



ArcelorMittal



**ALCOA**

**ADITYA BIRLA**



**NOVELIS**



**AKSteel**

**SMS**  **group**



**thyssenkrupp**



**TATA  
TATA STEEL**



**United States Steel**



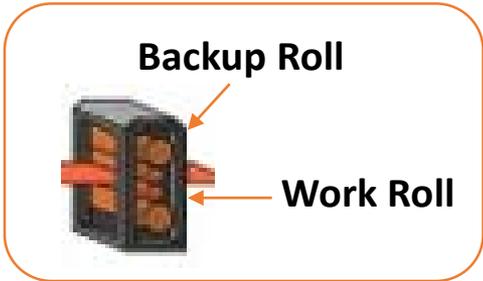
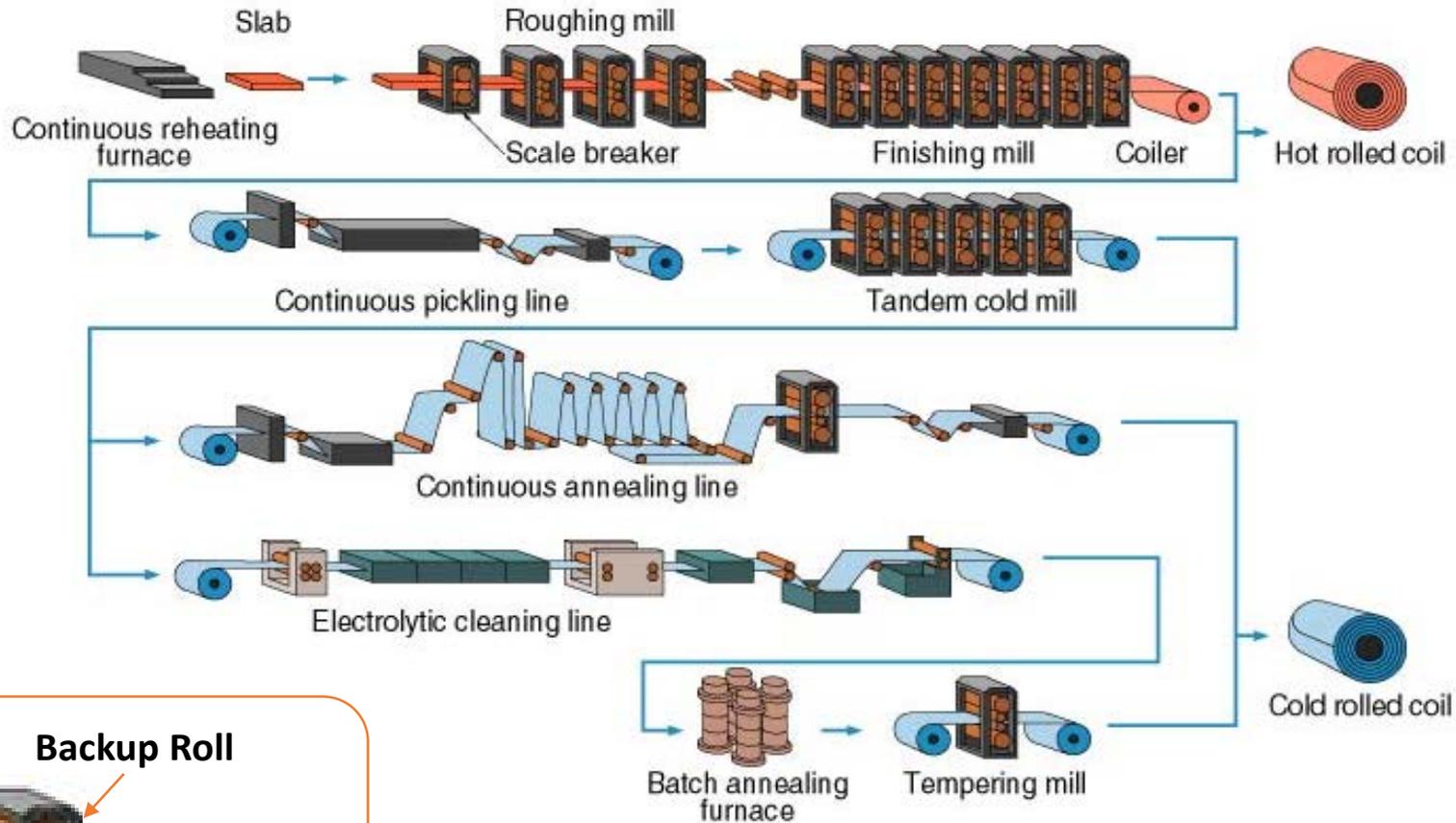
**Ternium**

# Manufacturing Process for Strip



**Ampco-Pittsburgh**

*Moving forward.*



Ref.: "Tetsu ga Dekirumade" JISF

# *Rolls Staged in Hot Strip Mill (HSM)*



**Ampco-Pittsburgh**

*Moving forward.*



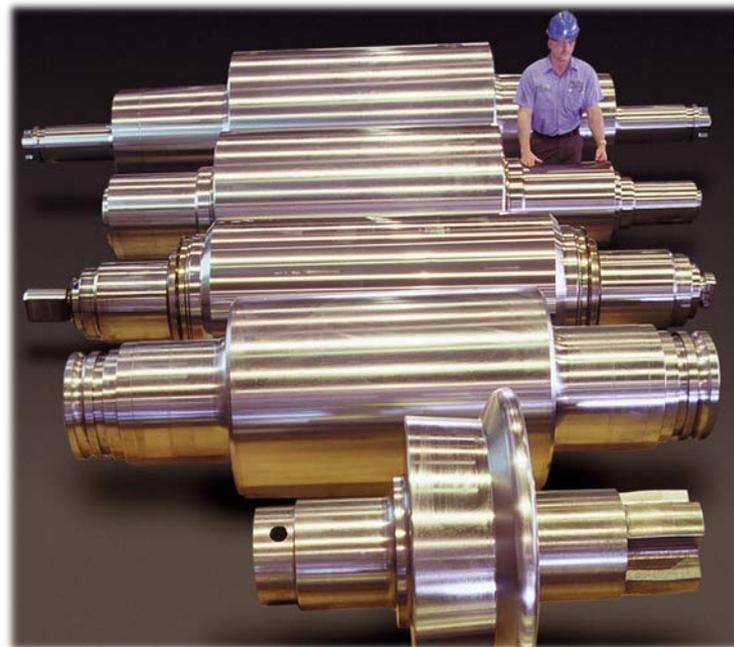
# 2016 Global Roll Market



**Ampco-Pittsburgh**

*Moving forward.*

(\$ Billions USD/yr)	
Cast Rolls	~1.3
Forged Rolls	<u>~0.8</u>
<b>Total</b>	<b>~2.1</b>
U.S. Roll Market	~0.3





### Cast Rolls

Region	Company Name
Europe	<b>Union Electric Åkers</b>
	Coswig
	ESW
	GP
	Innse
	Walzen Irle
N. America	Whemco
	United
	<b>Union Electric Åkers</b>
S. America	Villares
Asia-Pacific	Hitachi
	Nippon Steel
China	Xingtai
	<b>Gongchang</b>

### Forged Rolls

Region	Company Name
Europe	Sheffield Forgemasters
	Steinhoff
	Sidenor
	<b>Union Electric Åkers</b>
N. America	<b>Union Electric Åkers</b>
	Whemco
	Superior Forge
S. America	Villares
Asia-Pacific	Hitachi
	Doosan
	JCFC
	JSW
China	Xingtai
	Baosteel

- Global roll industry comprised of mostly small, private regional companies.

\*Ampco-Pittsburgh completed acquisition of Åkers in Q1 2016.

# Air and Liquid Processing Segment (A&LP)



**Ampco-Pittsburgh**

*Moving forward.*



**BUFFALO**  

---

**AIR HANDLING**

**Buffalopumps**

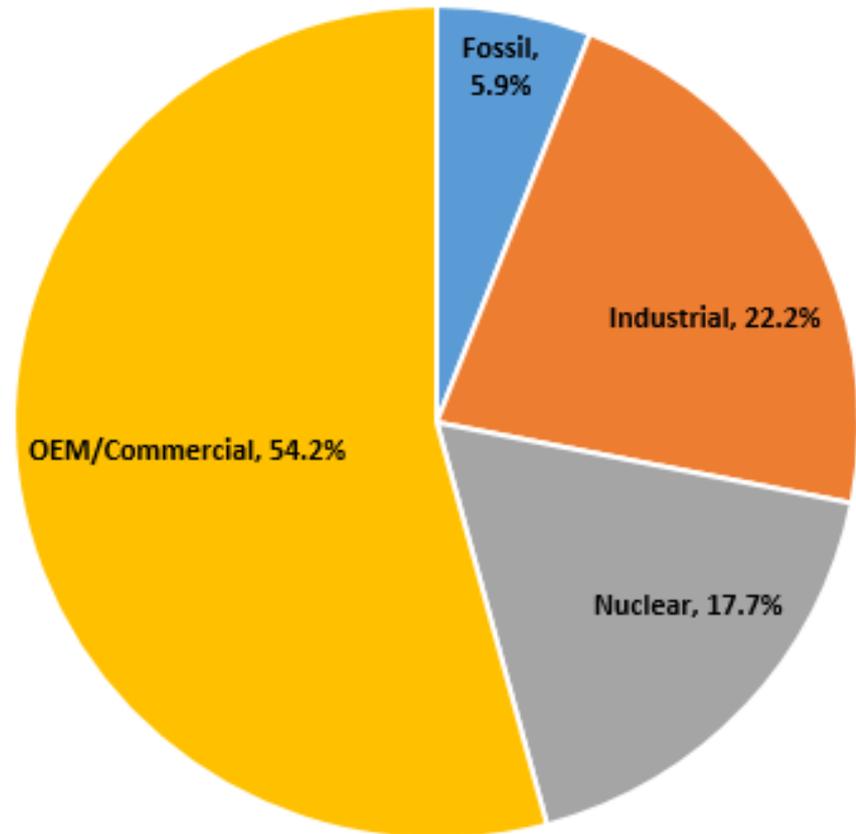
# Aerofin

## Heat Transfer Products



**Ampco-Pittsburgh**

*Moving forward.*

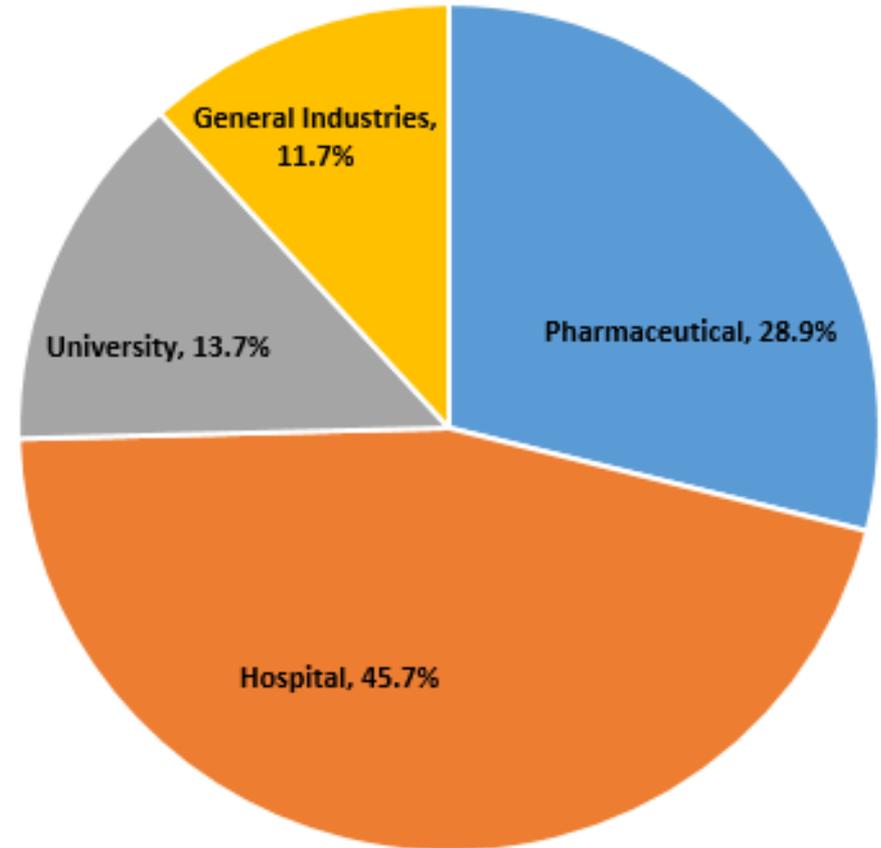


# Buffalo Air Handling Custom Air Handling Systems



**Ampco-Pittsburgh**

*Moving forward.*



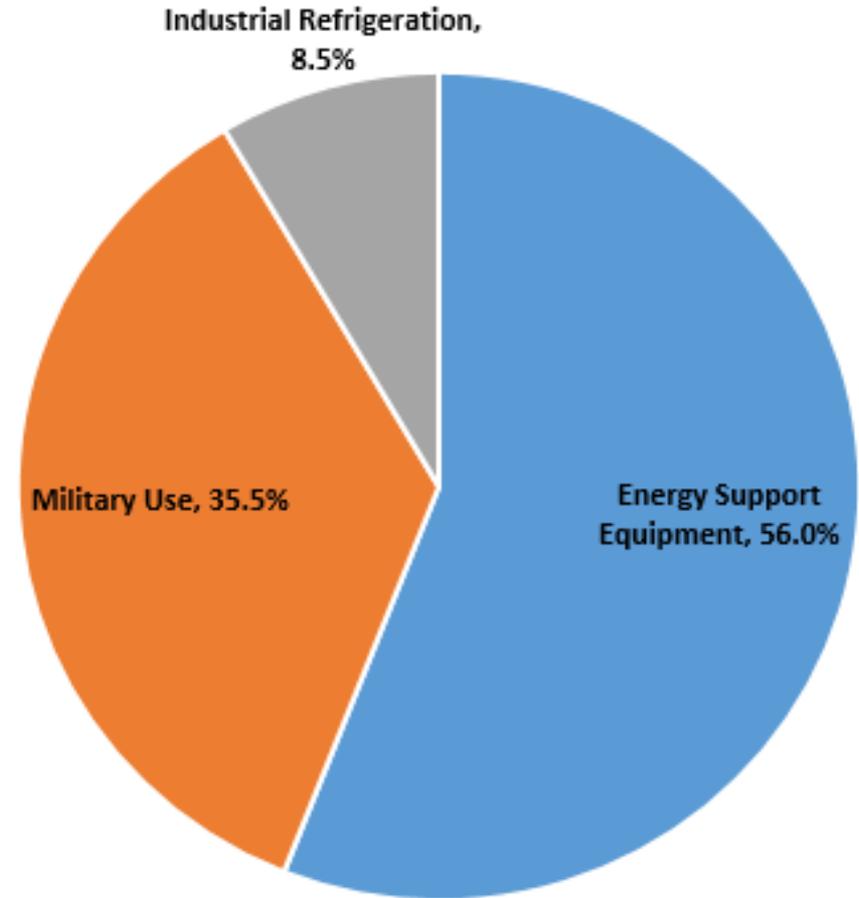
# Buffalo Pumps

Specialized Centrifugal Pumps



**Ampco-Pittsburgh**

*Moving forward.*





**Ampco-Pittsburgh**

*Moving forward.*

# *Åkers Group and ASW Steel Inc. Acquisitions*

# Benefits of Åkers Acquisition



**Ampco-Pittsburgh**

*Moving forward.*

- International roll producer and largest former competitor
- Acquired March 3, 2016 for \$74.2M
- Revenue from roll business would grow substantially
- Should continue to stabilize and improve performance of Ampco over time
- Cost reduction and other synergies estimated in range of ~\$15M on full year run-rate basis when complete
- Provides improved currency “balance”
- Combines new product development capability
- Adds cast roll production in U.S., forged roll supply in Europe, and two lower cost product manufacturing alternatives
- Adds sales offices in Brazil, Germany, Turkey, Egypt and Singapore
- Establishes a center of strength in Asia-Pacific region, the world’s largest market for rolls



- Acquired November 1, 2016 for \$13.1M
- Located in Welland, Ontario, Canada
- Premier specialty steel-making facility
  - Offers a unique combination of carbon, stainless, and other specialty steelmaking capabilities
  - Flexible steel refining methods include argon oxygen decarburization, vacuum oxygen decarburization, vacuum degassing, and ladle metallurgical station
  - ASW Steel's specialty metals and flexible steel refining methods allow for the production of various high-quality products
- “Bolt-on” acquisition
- Annual revenue approximately CAD 65 million



- ASW's broad expertise in flexible steel refining methods provide us with the capabilities to manufacture the additional chemistries needed to expand our reach into the open-die forging market
- Enhances our ability to grow and add new markets for customers in the following markets:
  - Oil & Gas
  - Power generation
  - Aerospace
  - Transportation
  - Construction





**Ampco-Pittsburgh**

*Moving forward.*

# *Financial Performance and Challenges (2011-2016)*



## **Ampco's financial performance had deteriorated in recent years primarily due to Forged and Cast Engineered Products' performance.**

- Global steel market depressed since 2009
- Roll business sales, margins, and profits declined as customers reduced production and costs
- Forged products for the oil & gas industry contracted (mid-2015 through 2016)
- Air and Liquid Processing profitable, consistent performer, but lacks growth

# Evolution of Global Steel Demand, 1950-2016



**Ampco-Pittsburgh**

*Moving forward.*



\*Global tariffs instituted in 2016

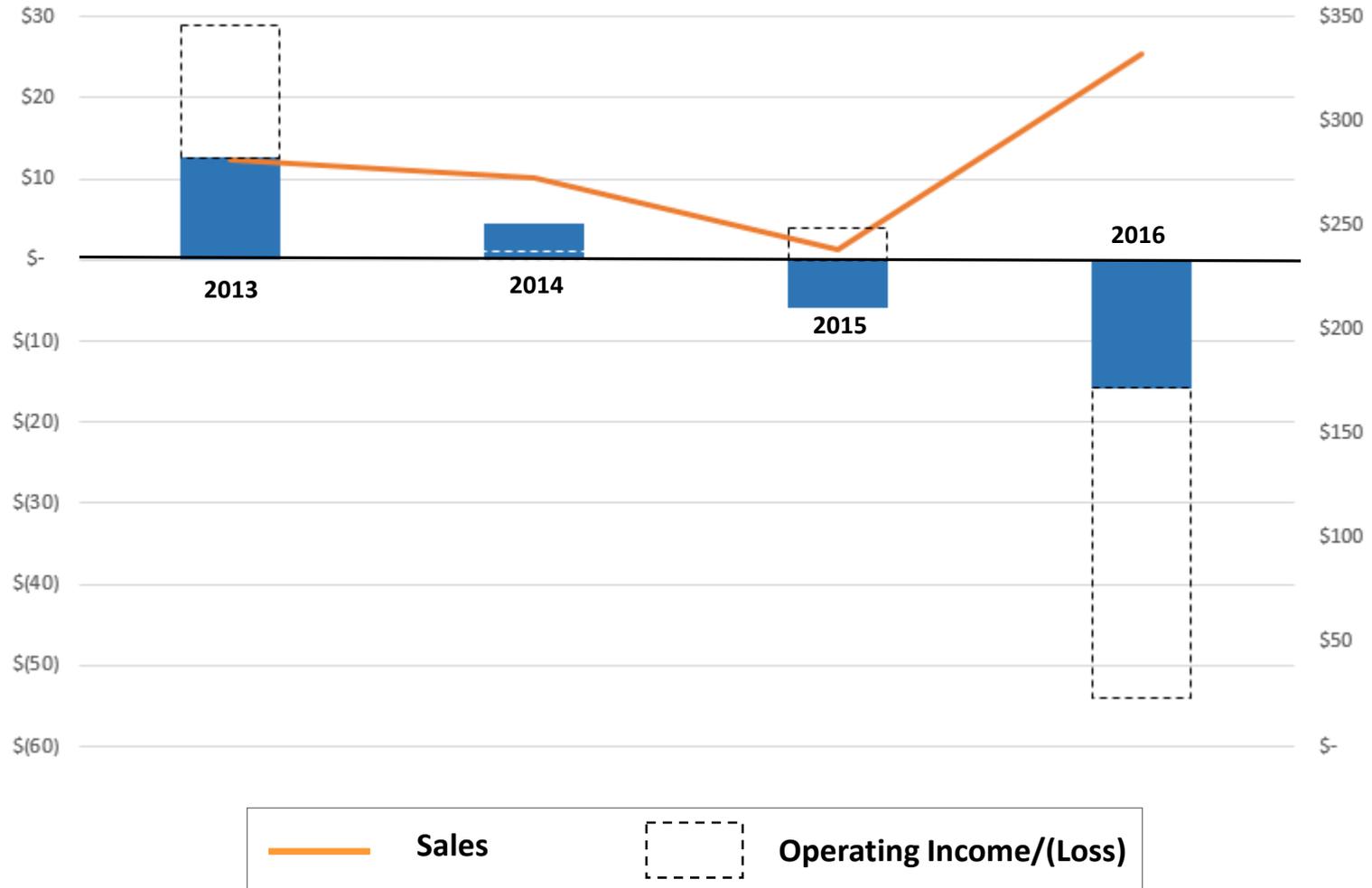
Source: World Steel Association

# Sales and Operating Results Trend



**Ampco-Pittsburgh**

*Moving forward.*





**Ampco-Pittsburgh**

*Moving forward.*

# *Strategies to Improve Ampco Performance*



## **Strategies to improve performance are in process**

- Diversify into open die market (in addition to rolls and frac blocks)
- Bifurcate roll pricing model: commodity vs. high-performance
- Launch new products (rolls and open die)
- Price increase strategy
- Increase plant efficiency, utilization and cost reductions
- Replace Aerofin fossil fuel market lost sales



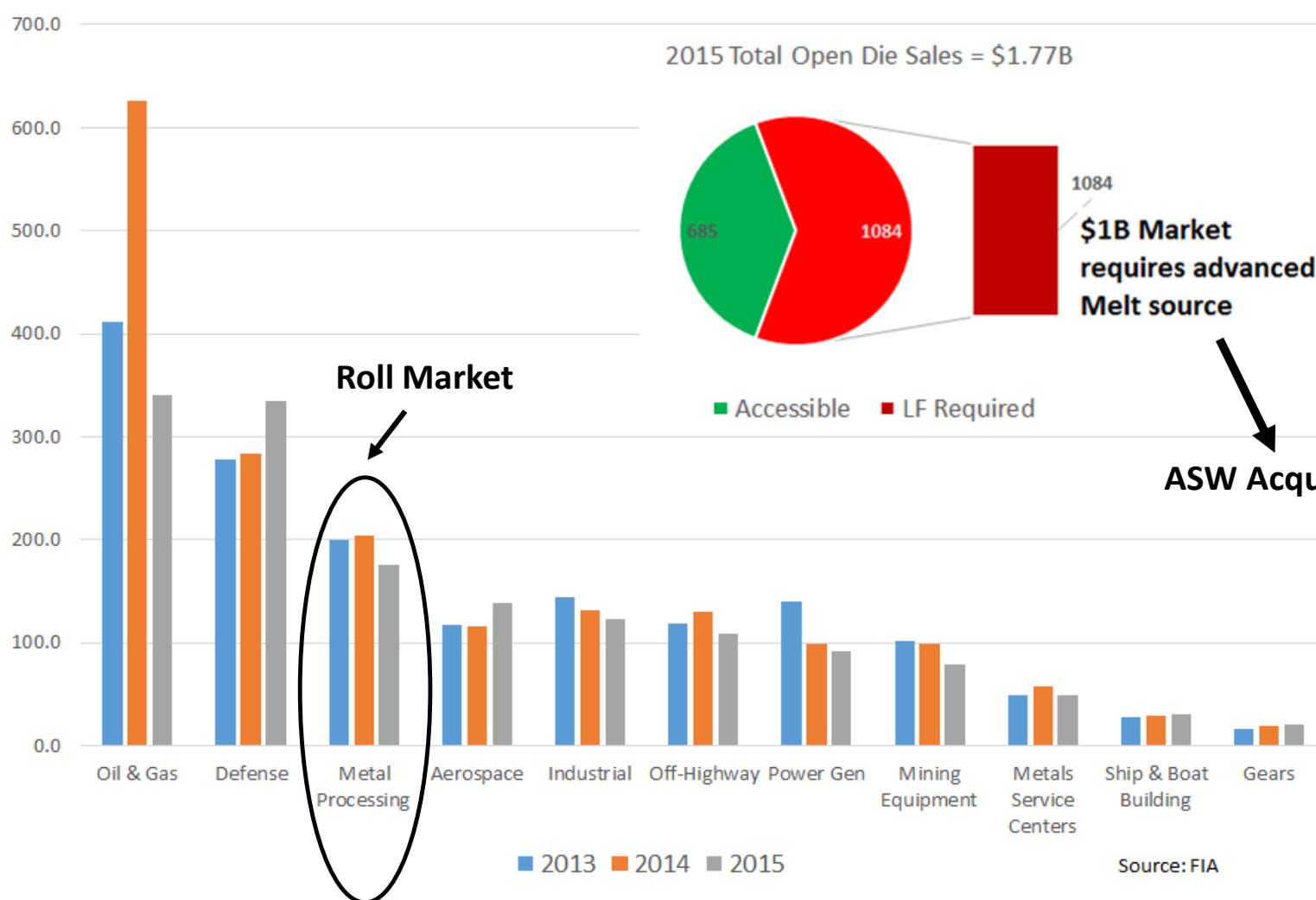
- Cyclical nature of steel and aluminum industries drove decision to strategically diversify the company
- Lack of roll market growth
- Manufacturing requirements for open die forge market are strong match for our manufacturing assets
- Four year successful record in penetrating the oil field services industry

# North America Open Die Forging Market (2013-2015, Sales \$M)



**Ampco-Pittsburgh**

*Moving forward.*



# 1H 2017 Summary Financials



**Ampco-Pittsburgh**

*Moving forward.*

(\$ Millions USD except per share amounts)	June YTD 2017	June YTD 2016
<b>Net sales</b>	<b>\$214.1</b>	<b>\$156.9</b>
Cost of products sold	\$176.7	\$128.6
Selling and administrative	\$30.2	\$28.7
Depreciation and amortization	\$11.6	\$9.5
<b>(Loss) income from operations</b>	<b>(\$4.4)</b>	<b>(\$9.8)</b>
Investment-related income	\$0.1	\$0.5
Interest expense	(\$1.9)	(\$0.8)
Other income (expense) – mainly FX	(\$0.7)	\$0.7
Income tax (provision) benefit	-	-
Equity gains in Chinese joint venture	\$0.5	\$0.1
Less: Noncontrolling interests	<u>(\$0.3)</u>	-
<b>Net (loss) income</b>	<b>(\$6.7)</b>	<b>(\$9.4)</b>
<b>E.P.S</b>	<b>(\$0.54)</b>	<b>(\$0.81)</b>

- \$25.1M or 16% YOY organic sales growth (excluding change in sales for businesses acquired in 2016)
- Acquisitions and one-time items distort comparability



- Raw material cost increases accounted for ~(\$1M) in Q2 2017
  - Significant price increases in molybdenum, ferrochromium, and scrap
  - Due to growth in North American production output of stainless steel and increased consumption, as well as the consolidation of some producers
- Surcharge credits were paid to roll customers during Q2 2017 for raw material price decreases that occurred in Q2 2016
- Unfavorable mix - higher volume of small vs large rolls shipped in Q2
- Operating loss of more than \$2.5M at Pennsylvania cast roll plant driven primarily by foundry idling
- Outsourced machining spend totaled ~ \$700K in Q2, cannibalizing some of the margin we would have realized if we had the necessary internal manpower.
  - Due to low regional unemployment rates, higher industry activity, and competitive compensation packages

# Expected Improvements for 2H 2017 and Beyond



**Ampco-Pittsburgh**

*Moving forward.*

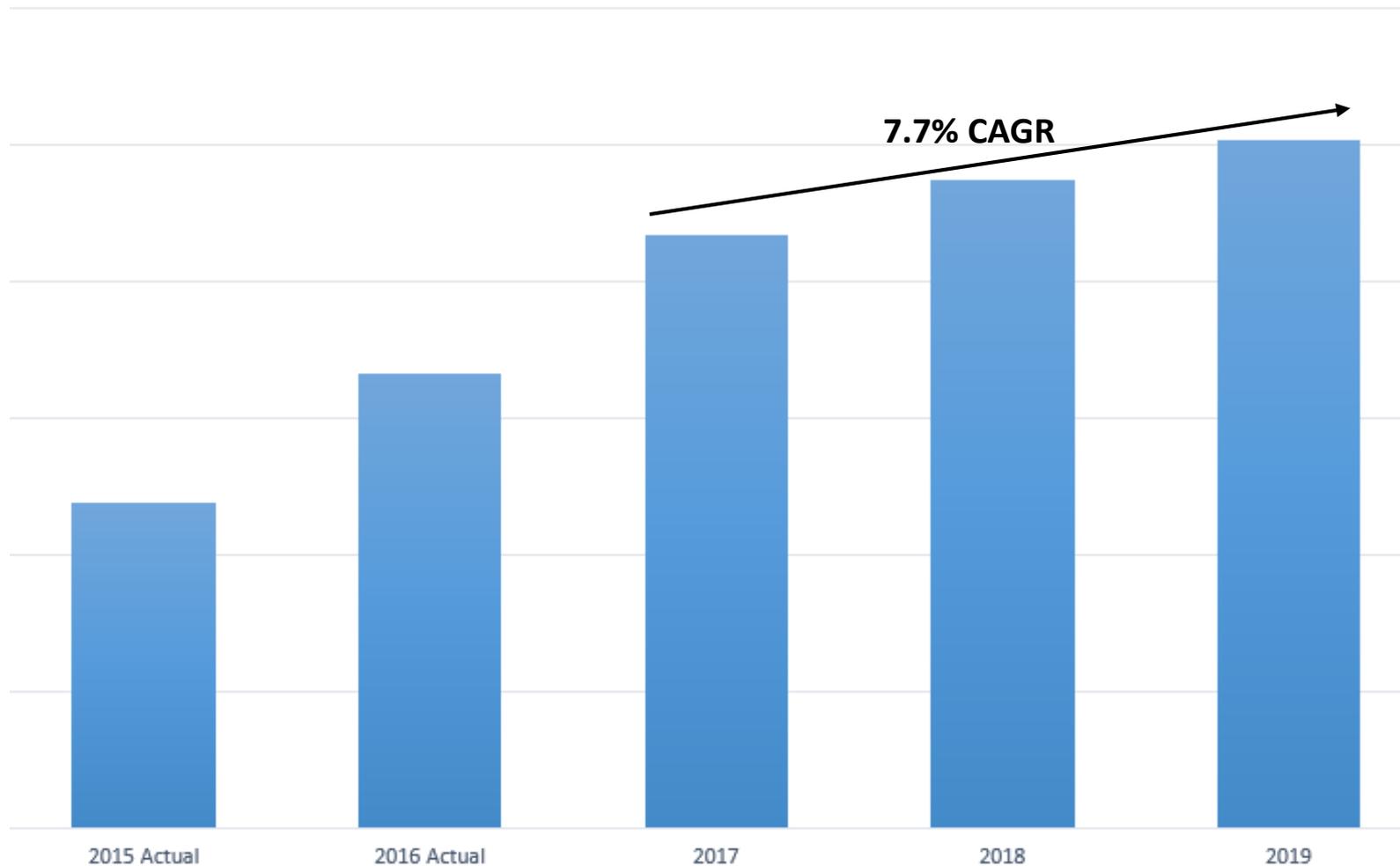
- Price increase announced for Forged and Cast Engineered Products effective August 1, 2017; target increase ~10%
- Last year's price increase (effective July 1, 2016; target increase 5%) and raw material surcharges are expected to begin to hit P&L in 2H 2017
- Record-setting levels received for orders of open die forged (FEP) products; majority are frac blocks
  - Open Die Forged Business Development Team established
- First new roll product will launch in December 2017
  - Customers who have trialed the product are requesting orders for 2018, and additional trials are planned
  - All new products demonstrate superior longevity and will be priced accordingly as a premium performance product
- Steel industry increased profitability (tariffs, pricing)
- Low cost plants operating at high utilization, targets for expansion
- Various manufacturing cost and efficiency initiatives

# Ampco-Pittsburgh Revenue Trend Expectations



**Ampco-Pittsburgh**

*Moving forward.*



*Producing Quality Products Since 1929 - Always Moving Forward!*

***Thank You***



***Ampco-Pittsburgh***

*Moving forward.*