Ampco-Pittsburgh Corporation

Q4 2019 Earnings Conference Call

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CORPORATE PARTICIPANTS

Melanie Sprowson - *Director of Investor Relations*

Brett McBrayer - *Chief Executive Officer*

Samuel Lyon - *President of Union Electric Steel Corporation*

Terrence Kenny - *President of Air & Liquid Systems Corporation*

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

PRESENTATION

Operator
Good morning, and welcome to the Ampco-Pittsburgh Fourth Quarter and Full-Year 2019 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 (0). After today's presentation, there will be an opportunity to ask questions. To ask a question, you may press star (*), then one (1) on your telephone keypad. To withdraw your question, please press star (*), then two (2). Please note, this event is being recorded.

I would now like to turn the conference over to Melanie Sprowson, Director of Investor Relations. Please go ahead.

Melanie Sprowson
Thank you, Andrea, and good morning to everyone joining us on today's Fourth Quarter and Full-year 2019 Conference Call. I am joined today by 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 Terry Kenny, 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 of the Corporation's control. The corporation's actual results may differ significantly from those projected or suggested in any forward-looking statement due to a variety of 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 and remain available for two weeks following the conclusion of the call. To access the earnings release or the webcast replay, please consult the Investors' section of our website at ampcopgh.com.

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

Brett McBrayer
Thank you, Melanie. Good morning, and welcome to our call. First, let me begin with a note on environment, health, and safety. We have an unwavering priority to protect the health and safety of our employees as well as ensure we protect the environment and the communities where we operate.

Although we are not pleased with our safety performance to-date, I am encouraged by the actions we are taking to drive improvements. Across our businesses, we have increased safety observations, leadership walks, and fatality prevention assessments to ensure we safeguard the wellbeing of our employees globally.

From an environmental perspective, I am proud to report that the Corporation operated our facilities incident-free. We can summarize 2019 as a year of execution. I am excited about the work accomplished as we took targeted and decisive actions to improve our performance.

Our focus has been on reducing complexity in our manufacturing processes, implementing operational improvements and rightsizing the business. Defining our core businesses and required capabilities, we continue to divest non-core and excess assets. These divestitures began with Vertical Seal, our specialized parts and service provider to North American rolling mills during the second half of 2018.

In the third quarter of 2019, we completed the sale of our North American cast roll operation in Avonmore, Pennsylvania. During this same period, we also completed the sale of our Canadian specialty steel business, ASW Steel. The divestitures of these assets significantly improved our cost structure without compromising our ability to serve current and future customers in our Forged and Cast Engineered Products segment and provided immediate positive improvement in operating results for our company.

I am excited to announce that we are now seeing the benefit to our P&L with a return to profitability in the fourth quarter. Our performance improvement actions for our core assets began in our U.S. forging facilities during the first half of 2019, where we focused on lowering operating and overhead costs and improved efficiencies.

Once we confirmed we had systems in place to sustain and improve our U.S. forging businesses, we quickly moved our efforts to our European cast roll facilities, where we launched restructuring initiatives during the second half of 2019. These efforts also focused on lowering our cost structure while improving efficiencies.

Although, these initiatives were launched during the second half of the year, we have only begun to see the improvements in the fourth quarter. The full impact of these actions will be realized in 2020.

I will now turn the call over to Sam Lyon, Union Electric Steel President, who will discuss in more detail some of the significant accomplishments of last year as well as some of the challenges we face in the Forged and Cast Engineered Products segment. Sam?

Samuel Lyon
Thanks, Brett. In the fourth quarter, we've continued our focus on safety, cost reductions in the U.S. and Europe, and restructuring in the UK and Sweden. Notably, our European operations turned the corner and delivered significant improved financial performance in Q4 of 2019.

This improvement along with the continued strong performance from the U.S. operations allowed the segment to deliver an income from continuing operations of $4.5 million in the fourth quarter, and if we exclude the $10.1 million impairment charge associated with the sale of the Avonmore facility, $4 million for the year versus a Q4 loss of $5.2 million, and a full-year loss of $6.6 million in the prior year on the same basis.

As Brett stated, from a safety perspective, we have focused on the highest-risk tasks. We increased the focused safety observations and floor leadership box. The severity of the injuries and near misses were reduced as our efforts around mobile equipment and crane safety are paying off.

A bright spot was the U.S. operations in the second half of the year, where our lost-time incident rate was zero. Also, our Slovenia, Austintown, and Erie sites went recordable free for all of 2019.

We had slightly lower sales in the segment when compared to Q4 of last year due to the drop in non-roll revenue driven by the downturn in the oil and gas industry. This was partially offset by an increase in roll volume with a stronger mix.

Despite this, as stated earlier, the segment was able to deliver a significant improvement in income from continuing operations when compared to the same quarter of 2018.

In the quarter, we did see improved order activity from non-roll, non-oil and gas customers, which is a focus of ours. For example, we expect sales from two of our larger customers that supply to the tooling industry to increase from $1.7 million in 2019 to approximately $5 million this year, which is in line with our strategy. Our investments in our sales team are delivering results.

With the sale of Avonmore and ASW behind us in Q3, we were able to sharpen our focus on the existing operations. We continue to see opportunities in the U.S. operations. In Q4, we had manufacturing costs savings of $600,000 with full year-over-year savings of $2 million.

The majority of our European restructuring impacts will be realized in 2020, starting in Q2, as Brett stated earlier. This restructuring savings combined with our efforts on raw materials and efficiencies are expected to deliver $3 million to $4 million in annualized savings, which is consistent with my statement on the last call.

From a sales and backlog perspective, we see some uncertainty in the market, which is not unexpected due to the Coronavirus. Our customers are reporting improved pricing in order books but are cautious with the capital spend.

Our segment backlog at December 31, 2019, of $271 million was down 9% year-over-year due to the cyclically lower frac block demand and because several of our largest steel customers have not finished their order book allocations for 2021, which typically would already be in our backlog. We will be receiving these orders in the coming weeks. Our actions to significantly change our cost profile through the entire business will allow us to better manage through any market uncertainty.

Brett McBrayer
Thanks, Sam. No area of our business was immune to our change efforts. The Air and Liquid Processing segment targeted key areas of their businesses for improvement in 2019 as well. In these businesses, the traditional product flow through our factories was redesigned to drive increased productivity, improved material utilization, and as a result improved profitability.

I will now turn the call over to Terry Kenny, Air and Liquid Processing segment President. Terry?

Terrence Kenny
Thank you, Brett, and good morning. Safety continues to be one of our major focuses. The Air and Liquid Processing segment ended the year with a 60% reduction in OSHA recordable accidents when compared to the prior year. In addition, I am pleased to say that the segment did not have any lost-time injuries in 2019. Each and every employee is responsible for this improvement and everyone's commitment to watch out for each other is the key to our success.

Net sales for the Air and Liquid Processing segment for the fourth quarter ended December 31, 2019, increased 13% when compared to the prior year. This increase was led by improved sales of heat exchangers and custom air handling units. We built on the successes of our

process improvement program during the fourth quarter. We continue to implement changes in our processes to increase productivity and improve material utilization.

Fourth quarter operating income for the segment, when compared to the prior year, excluding expenses related to asbestos reserve charges, increased when compared to the prior year. This increase reflects the rise in net sales as well as the results of our cost savings efforts.

The year-end backlog for the segment approximated $50.6 million compared to $44.4 million at December 31, 2018. Our strategic planning has focused our efforts on key markets, which has proven to be successful. We are building on our successes and look forward to continuing growth.

Brett McBrayer
Thank you, Terry. With that, I'd like to hand the call over to our CFO, Mike McAuley, to review our financial results in more detail. Mike?

Michael McAuley
Thank you, Brett, and good morning to everyone listening on the call today. My commentary includes the use of certain non-GAAP financial measures today. I refer you to our disclosures regarding non-GAAP financial measures and the related non-GAAP financial measures reconciliation schedule included in our Q4 2019 earnings release issued yesterday evening.

I will focus my discussion on our Q4 2019 financial results. A discussion of our full-year results is included in the earnings release. As Brett indicated, Q4 2019 marked a return to profitability for Ampco-Pittsburgh. This was the first time in 16 quarters, dating back to Q4 2015 that the Corporation reported a positive income from continuing operations.

Ampco's net sales from continuing operations for the fourth quarter of 2019 were $97 million. This compares to net sales from continuing operations for the fourth quarter of 2018 of $95.8 million.

Net sales in the Forged and Cast Engineered Products segment declined approximately 2% compared to the prior year quarter, as weaker forged engineered products sales to the oil and gas industry outweighed stronger sales of mill rolls.

Net sales for the Air and Liquid Processing segment for the fourth quarter of 2019 increased approximately 13% compared to the prior year period, driven primarily by higher sales of heat exchange coils. I will cover more segment level details momentarily.

Gross profit as a percentage of net sales was 21.7% for the fourth quarter of 2019 versus 13% for the fourth quarter of 2018. The improvement is primarily attributable to the Forged and Cast Engineered Products segment, which is benefiting principally from a lower cost structure due to the sale of the Avonmore facility at the end of September, higher sales of mill rolls, and improved manufacturing and operating efficiencies for the domestic forged operations, offset by lower sales of forged engineered products to the oil and gas industry.

Additionally, the Forged and Cast Engineered Products segment received business interruption insurance proceeds of $1.8 million in the fourth quarter of 2019 for an equipment outage that occurred in 2018. These insurance proceeds were recorded as a reduction to cost of goods sold in the current quarter.

For the Air and Liquid Processing segment, gross profit increased slightly, benefiting from higher sales contribution and cost efficiencies.

Selling and administrative expenses of $13.5 million, or a 13.9% of net sales for the fourth quarter of 2019 were down compared to $14.9 million or 15.6% of net sales in the fourth quarter of 2018. We were able to deliver approximately a 10% year-over-year reduction in SG&A expense for the quarter, due in part to our cost reduction in forced actions earlier in the year, lower professional fees, as well as lower volume-driven commissions expense.

Depreciation and amortization expense of $4.6 million for the fourth quarter of 2019 was down compared to $5 million for the fourth quarter of 2018, principally due to divestitures. Income from continuing operations on an as reported GAAP basis for the fourth quarter of 2019 was $3 million, including the $1.8 million benefit for business interruption proceeds offset by $0.7 million of restructuring-related costs. This compares to a loss from continuing operations in the prior year of $40.1 million, which included an asbestos-related charge of $32.9 million, a similar level of restructuring-related costs, and approximately $3.7 million in excess costs of the Avonmore facility now divested.

Excluding the unusual items as defined in the non-GAAP financial measures reconciliation schedule, included with our earnings release, non-GAAP adjusted income from continuing operations for the fourth quarter of 2019 was approximately $1.9 million. This reflects an improvement of approximately $4.8 million compared to the prior year quarter on the same non-GAAP basis.

The improvement is principally attributable to higher sales of mill rolls, improved manufacturing and operating efficiencies for the domestic forged operations, partially offset by the impact of lower forged engineered products sales to the oil and gas industry.

Other income expense net improved for the fourth quarter of 2019, when compared to the prior year quarter, due primarily to foreign exchange gains this year versus losses last year as well as higher pension income. At the bottom line, the Corporation reported a GAAP net income attributable to Ampco-Pittsburgh of $3.1 million, or $0.24 per common share for the fourth quarter of 2019 compared to a net loss of $60.2 million, or $4.82 per common share for the fourth quarter of 2018, which included an asbestos-related charge of $32.9 million, or approximately $2.63 per share, and a net loss from discontinued operations at $18.7 million, or $1.49 per share.

Here is some detail on our business segment results. In the Forged and Cast Engineered Products segment, Q4 2019 net sales of $74.3 million declined approximately 2% versus prior year as weaker forged engineered products sales to the oil and gas industry outweighed stronger sales of mill rolls.

The segment's operating results improved from a year-ago by $9.7 million. This was primarily due to the elimination of excess costs associated with the Avonmore cast roll facility, which was divested in Q3 2019. Higher sales of mill rolls, improved manufacturing and operating efficiencies for the domestic forged operations, and a $1.8 million benefit for the business interruption insurance proceeds in the current quarter.

Net sales of $22.7 million for the Air and Liquid Processing segment in the fourth quarter 2019 improved by approximately 13% compared to prior year. Higher sales of heat exchange coils

was the primary driver, although sales of air handling units and centrifugal pumps increased modestly as well.

The segment's operating results improved significantly for the fourth quarter of 2019 compared to prior year given $32.9 million asbestos-related charge recorded in Q4 2018. Underlying operating results improved from the higher sales contribution, cost reductions, and material utilization improvements.

Backlog at December 31, 2019, approximated $321 million, a decrease from the $343 million at December 31, 2018. The decrease reflects sales outpacing order intake for mill rolls and lower demand for forged engineered products primarily due to a retraction in the frac block market. But as Sam indicated earlier, the reduction in backlog for mill rolls is not a reflection of any loss of market share, but rather an adjustment in order patterns for several of our larger customers. Backlog for air handling units improved due to an increase in business activity; backlog for centrifugal pumps improved due to higher orders of pumps from U.S. Navy shipbuilders; and backlog for heat exchange coils decreased slightly due to lower business activity in the industrial OEM market.

Next, here are a few balance sheet and cash-related items for continuing operations. Accounts receivable of $81.8 million at December 31, 2019, increased by $12.3 million compared to December 31, 2018, primarily attributable to improved sales in the latter part of 2019 versus 2018, customer mix, and slower collections.

Inventories of $82.3 million at December 31, 2019, declined $11.9 million compared to December 31, 2018, primarily due to higher shipments in late 2019 versus 2018, lower costs of raw materials in 2019 versus 2018, improved inventory utilization and inventory optimization benefits associated with the exit from the Avonmore cast roll finishing operations completed earlier in 2019.

Accounts payable of $33.3 million at December 31, 2019, decreased by $5.6 million compared to December 31, 2018, which is linked closely with the reduction in inventories.

Capital expenditures for the fourth quarter 2019 were $3.8 million and $11 million even for the full-year 2019 for continuing operations. Cash and cash equivalents for continuing operations of $7 million at December 31, 2019, decreased compared to the December 31, 2018, balance of $19.7 million.

As indicated on previous calls, our domestic receipts are now being swept daily against the credit line to lower our borrowings. As a result, we are maintaining minimal of domestic cash and the reported cash balance reflects primarily foreign cash.

Drawings on the Ampco revolving credit facility were $34.3 million at December 31, 2019, which is down versus $38.4 million at September 30th. The decrease in revolver borrowings compared to the December 31, 2018, balance of $14.3 million reflects the use of the credit facility as planned to repay the promissory notes and interest, which were retired in the first quarter of 2019, offset in part by the benefit of the domestic cash sweep.

In fact, total debt at December 31, 2019, of $70.9 million is down $6.8 million versus prior year. At December 31, 2019 in addition to the cash balance, the Corporation also has remaining availability on the revolver of approximately $27 million.

I will now turn the call back over to Brett for some closing remarks.

Brett McBrayer
Thank you, Mike. Throughout our change process, we face many challenges, which only reinforced the need and pace of changes we made. Forged engineered products sales to the oil and gas industry, as we've noted earlier, were down significantly from the prior year as fracking activity declined in 2019.

In addition, our roll customers faced lower order volumes as they stated that many of their customers had purchased beyond normal demand levels in 2018. High steel inventories and the General Motors strike resulted in reduced flat-rolled steel shipments in the second half of the year. Steel prices declined as end markets work through their inventories.

Entering 2020, the initial insight from our customers indicates that steel markets in North America are recovering and that the market conditions for flat-rolled steel has stabilized and are improving.

From the work completed in 2019, we would expect Ampco-Pittsburgh to remain profitable under normal loads. Our continuing work in 2020 should further strengthen our expectation. The developing human impact, as well as the market impact of COVID-19, however, is a variable that could alter our view and projections.

2019 was a year of significant progress for Ampco-Pittsburgh where we followed through on our key priorities to strengthen our businesses. In addition to executing successfully against our strategic plan, we built a strong foundation to support sustainable and profitable growth moving forward.

We've entered 2020 a stronger and more streamlined company, and I am proud of what our employees have achieved. We will continue to address additional opportunities in 2020 to further consolidate our manufacturing footprint and streamline our businesses.

In addition to realizing full-year effects of our restructuring activities from 2019, we are targeting stronger operating cash generation and a reduction of 10% to 15% in corporate expenses for 2020, strengthening our ability to invest in capital improvements to increase productivity and improve margins.

In 2020, we will remain focused on cost reduction and rightsizing our assets and resources to align better with our corporate objectives. As we look back on an eventful year for Ampco-Pittsburgh, I am confident we are on the right path for success, both now during uncertain times in our markets, and more so in the future as we continue to execute our strategic plan.

On behalf of Ampco-Pittsburgh Corporation’s leadership team, I want to thank our employees for their focus and commitment. The results of 2019 reflect the hard work and dedication of our employees around the globe.

At this time, we will open the line for your questions.

QUESTIONS AND ANSWERS

Operator
We will now begin the question-and-answer session. To ask a question, you may press star (*), then one (1) 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 (2). In the interest of time, we asked that you please limit yourself to one question and one followup. If you have further questions, you may reenter the question queue. Again, to enter the question queue, that was star (*) then one (1). At this time, we will pause momentarily to assemble our roster.

And our first question comes from Marco Rodriguez of Stonegate Capital Markets. Please go ahead.

Marco Rodriguez
Good morning. Thank you for taking my questions. I apologize if you covered this. I was a little late on the call, but I was wondering if maybe you could talk a little bit more about your comments there you made in terms of COVID-19 and how that could potentially alter your projections? Perhaps you can just take us and walk us through how you are sort of thinking about your business in fiscal 2020 from a base case scenario, and how COVID-19 could potentially impact those expectations?

Brett McBrayer
Yes. This is Brett, Marco. Thanks for the question. As I mentioned, that based on the loads that we've typically seen such as loads in 2019, we expect our business to remain profitable. That's our expectation. COVID-19 is obviously a developing issue for all of us. We are still booking orders as we speak. Orders are continuing to come in. Some of our order patterns from our customers have changed, and really, prior to, I would say, the COVID-19 event. So, it is not as result of COVID-19.

Some of our larger customers' allocations, as Sam mentioned, will come in the following weeks and we'll get a better layout of what the load looks like for the year. But we have consciously been proactive about what do we need to do from a next-step perspective to ensure that we position this company for success, and so we have several identified actions that we will take, based on what does or does not happen in the marketplace. We're obviously, at the same time, trying to invest in opportunities that will help us grow our topline significantly moving forward. And so, we are not going to walk away from those opportunities while we are sorting out where the world is going through all of this. But I would say that I feel very confident in the team and the plans that we have in place and we will respond quickly as we will need to if something more detrimental happens in the marketplace that will require a response from this group. So hopefully, that answered your question.

Marco Rodriguez
Absolutely, very helpful, very helpful, and then lastly here, you mentioned a focus on reducing expenses an additional 10% to 15% in fiscal 2020, I am assuming compared to fiscal 2019 expenses. Is that above and beyond the other expense reductions you have already guided to into fiscal 2020? Or is that inclusive?

Michael McAuley
Marco, it is Mike. The 10% to 15% is a reference to our expectation for 2020 corporate costs versus 2019 to give a little bit of indication of what we've–the things that we've done that we feel that we've–are deliverable in 2020 from actions we've already taken. So that refers strictly to corporate costs.

Marco Rodriguez
Okay. I'm sorry, go ahead.

Michael McAuley
And I don't know if we've gotten into that before with the investor group that we disclosed that we have completed our 2020 planning, of course, and that's all part of that, but it is really a function of the actions that have been taken in the fourth quarter, and things will continue to roll out in early 2020 that we think that's a good solid number to expect if you're modeling corporate cost for 2020, and anything else that would–heard on this call would be like Sam's comments are additive to that.

Marco Rodriguez
Got it. So just to make sure I understood you correctly, so that that 10% to 15% reduction in corporate cost is above and beyond the cost savings that you've guided to with the Avonmore sale, the Phase I reduction, the European reduction adjustments, correct?

Michael McAuley
Correct. Yes.

Marco Rodriguez
Got it. Thank you.

Operator
Our next question comes from Justin Bergner of G. Research. Please go ahead.

Justin Bergner
Good morning, everyone.

Brett McBrayer
Good morning.

Michael McAuley
Hi, Justin.

Justin Bergner
A couple of clarifying questions. I think a number of the numbers came at me a bit quickly, but just to start with the last question. When you are referring to corporate costs, I mean the number that we see in the P&L is sort of the reconciliation at the segment level, the other expense including corporate costs. How should we think about sort of the corporate cost number sort of in 2019 versus that line item in the P&L, just to figure out what the 10% to 15% applies to in terms of the 2019 cost base?

Michael McAuley
Yes. If you look–if you go–if you take our 10-K will be coming out shortly, and as you point out in that, it shows segment level details, and so it will show income loss from continuing operations for the Forged and Cast Engineered Products segment, for the Air and Liquid Processing segment, and then it will show a line for corporate costs. And then the total will add up to the Corporation's total consolidated operating income or loss. That corporate cost line on that table is what we are talking about with respect to the 10% to 15%, and it is a piece of SG&A.

Justin Bergner
Okay. Understood. So, it is the entirety of the other expense, including corporate costs line. There is not like a portion of that that is irrelevant for the purposes of this calculation.

Michael McAuley
Right.

Justin Bergner
Okay.

Michael McAuley
Right. Corporate costs. It is shown on the consolidated results of operations in the 10-K, when you do the segment breakout, you'll see it there.

Justin Bergner
Okay. Understood. And then just a couple of other clarifying questions. So, the $600,000 in cost savings in Q4 and $2 million in 2019 was specific to the U.S. Forged and Cast Engineered Products business, and then the $3 million to $4 million of savings expected in 2020 is for the international European operations?

Samuel Lyon
Yes, that is correct.

Justin Bergner
Okay. Thank you, and then, I think you said in the beginning of your comments that your income from continuing operations in Forged and Cast Engineered Products was $4.5 million in the fourth quarter, when you adjust out some of the one-time expenses, or was that on a reported GAAP basis?

Michael McAuley
For the Forged and Cast Engineered Products segment?

Justin Bergner
Yes.

Michael McAuley
It is as reported, $4.5 million.

Justin Bergner
Okay. Thank you. And then maybe just a big picture questions to wrap up. How does the sort of global shift from blast furnace steel production to mini-mill steel production, either advantage or disadvantage your roll business, if at all?

Samuel Lyon
Well, it really doesn't affect it other than the speed–who we sell to and where the business is moving to. So, as U.S. Steel, for example, was heavy in blast furnaces and now they are changing that, and that's a big customer of ours. We'll continue to support them, but companies like Steel Dynamics and Nucor are growing, and we are in virtually all of those customers. So, it really doesn't change things for us.

Justin Bergner
Okay. There is not like a different sort of amount of rolls needed per ton of steel, depending upon whether you are looking at a blast furnace or mini-mill operation, just to clarify?

Samuel Lyon
No, it doesn't. I mean, there have been changes in the industry years ago, where you cast a thinner slab and so you need less hot rolls, which would be the cast side of our business, but that has occurred a long time ago.

Justin Bergner
Okay. Thank you.

Operator
Our next question comes from David Wright of Henry Investment Trust. Please go ahead.

David Wright
Good morning. In your budget for the year, are you planning for any debt reduction?

Michael McAuley
Well, I guess, I can give some indication. We are not giving full-year earnings guidance, but we should see debt levels kind of staying stable, David. I mean, we're going to invest some more, and I mean that could put a little pressure on the borrowings, but when we look at our 2020 outlook, there is not a heavy uptick in debt.

David Wright
Nor a heavy downtick?

Michael McAuley
Right.

David Wright
Okay. Do you have the operating income in Q4 for air and liquid?

Michael McAuley
Yes. As reported, David, it's $2.6 million and corporate costs were $4.1 million, as reported.

David Wright
$4.4 million, okay, and I want to ask about forged engineered products as a business. I mean, obviously the oil and gas has gone way, way down, but it sounds like you have other customers and you are trying to get more customers referenced in the press release and also in Sam's remarks. Is this a discrete business unit?

Samuel Lyon
No. It is all part of the same business. However, we have changed our sales force and hired people specific to that industry as opposed to trying to just sell Forged Engineered Cast Products, the non-roll business on the side. And we actually hired some people that are from that world, and that is why I commented on, we are seeing some additional opportunities outside of oil and gas based on that.

David Wright
And do you do that out of a particular facility?

Samuel Lyon
Our Burgettstown facility is where the majority of it is made. If it is a stainless alloy, we buy them on the outside, but we still forge it in our Burgettstown facility. So, it all comes out of there.

David Wright
Okay. All right. Well, you guys continue to do what you say you are going to do and that is impressive. Thanks very much.

Samuel Lyon
Thank you.

Brett McBrayer
Thanks, David.

Operator
Our next question is from Greg Bennett, a Private Investor. Please go ahead.

Greg Bennett
Thank you for the great quarter. I appreciate it. For this year, are there costs–additional restructuring costs that you expected? Maybe you've already mentioned that, but you mentioned in Europe, you expect $3 million to $4 million in annual savings. Is there a cost for that?

Michael McAuley
There will be, Greg. In the first two quarters we're doing some other things that will generate some, but it's going to be rather modest, relative to what we've seen in 2019. But yes, there is a little more coming, but it will be modest. It will be relatively small.

Greg Bennett
Okay. Thank you, and one final question, and you mentioned in the tooling industry that your sales had–new sales, I guess, have gone from $1.7 million to $5 million. Could you give more information, more color on that? What industries are you targeting? And what is the size of those markets that if we were to look out in a year or two from now?

Samuel Lyon
The size of market or the size of our portion?

Greg Bennett
Yes, I guess I'd say you went from $1.7 million to $5 million, which sounds pretty–well, it is impressive, percentage-wise. I am just wondering how big of a–where are you targeting and what's the potential size for that?

Samuel Lyon
We would be an extremely small player at that size. So, less than 5%, I would say. I don't know what the size of the market is, but I do know that in my past, I worked at Carpenter. We had a distribution facility that purchased $5 million probably. Yes, $5 million a month of that kind of material. So that's just one customer. So, there's a big opportunity for us there.

Greg Bennett
What is--can you share with us what–is there a certain industry that–I am not familiar with Carpenter that you're targeting?

Samuel Lyon
It is like for plastic injection molding a lot of it or for forging tooling for dies. So, when you forge a material, you have to have a certain material to press it with. So, the dies are made from this kind of material, like an example would be H13. If you look that up, or plastic injection molding for automotive dashes, and any plastic part that you'd make is kind of a mold material. The significance of why I bring it up is we were primarily producing oil and gas related things, and so this is a diversification away from that.

Greg Bennett
Okay. Thank you.

Samuel Lyon
Or in addition, not a way, but.

Operator
Our next question is a follow-up from David Wright of Henry Investment Trust. Please go ahead.

David Wright
Thank you. Just going further on the forged engineered products, do they typically have a different margin profile than mill rolls?

Samuel Lyon
It varies greatly. Right now in the short-term, as we are growing that business, and we have been successful on the roll side with some mix changes and some pricing. It is the same or probably a little less at this time.

David Wright
So is this useful in just trying to pick up some extra slack in capacity at the facility?

Samuel Lyon
It is extremely useful for that. As we run more full in our Burgettstown facility that certainly helps us with fixed cost absorption.

David Wright
And are there any asset sales contemplated for the year?

Brett McBrayer
No, not at this time, David. This is Brett. We are continuing, though, to look at where–as we continue to make improvements in the business, improving efficiencies, materialization, et cetera, it starts to create excess, if you will, capacity as we've created new capacities within our buildings. And so, as we move down this path, our focus is to continue to shrink our footprint as the opportunities present themselves. But as we look at 2020 at this point in time, we are not targeting anything in particular from an asset sale perspective.

David Wright
All right. So, you like the footprint presently?

Brett McBrayer
Well, you can always be smaller. We can always–I mean as we are looking at investments in the business, too, David. We are utilizing assets that we have had for quite some time, and quite candidly, we have underutilized those assets for quite a long time. And so, our focus has been is let's make sure we get our value out of the assets that exist, and then as we continue to improve how can we continue to significantly alter our cost structure moving forward with these improvements and make small changes in our assets' structure to allow us to remove costs from the business, and that will continue to be a focus that we go through in our strategic plan.

We have certain key opportunities laid out in front of us where we know we can go further, but we are going to go at a pace that is going to allow us to make sure we don't disrupt our customers and also make sure we don't negatively impact the improvements we've made. We've put a lot of focus on sustainability as we've made improvements in our business and making sure that, I said earlier, that with each change that we've taken, we've made sure that we have processes and systems in place to help us sustain those improvements. And so, we do not want to move too fast where we disrupt, I guess, the new step we've taken up in the right direction.

David Wright
If we have another minute. On the last call, Sam had some comments about Europe getting better and wanting to do some work in Europe. And I don't know if you can tell us any more about how things are going in Europe presently, and if you can't, that's fine, but that would be my last question.

Samuel Lyon
Yes. We've done a lot of work there in the last six months. As Mike was pointing out, and I stated, all of the work on the restructuring is completed. It is just the notification periods for people as to when they are actually going to exit the business. A lot of work was done on the raw materials side, where we are aggressively looking at the charge materials. It's maybe roughly and, don't write down, is a third or a little more of our costs.

We have a huge opportunity there that we're exploiting. We had some quality issues in the last several years that have been resolved. So, there's quite a lot of work done in the fourth quarter results, a portion of that benefit came from the UK and Sweden.

David Wright
All right. Well, thank you again.

Brett McBrayer
Thanks, David.

Operator
Again, if you would like to ask a question, please press star (*), then one (1).

CONCLUSION

Operator
This concludes our question-and-answer session. The conference has now also concluded. Thank you for attending today's presentation and you may now disconnect.